

**MANAGEMENT FOR RESILIENCE: THE CASE OF THE  
NORTH CYPRUS CONSTRUCTION INDUSTRY**

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## ABBREVIATIONS

<b>CT-BCA</b>	Cyprus Turkish Building Contractors Association
<b>ECJ</b>	European Court of Justice
<b>EU</b>	European Commission
<b>ICS-SME</b>	Infrastructure construction sector SMEs
<b>IQ</b>	Interview Questions
<b>NGO</b>	Non-profit Government Organizations
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>QDA</b>	Qualitative data analysis
<b>RQ</b>	Research Question
<b>SES</b>	Social-Ecological-Systems
<b>SME</b>	Small to Medium-Sized Enterprises
<b>SPO</b>	The State Planning Organization of North Cyprus
<b>TA</b>	Thematic Analysis
<b>TCCI</b>	The Turkish Cypriot Chamber of Industry
<b>TCCR</b>	Turkish Cypriot Competitiveness Report
<b>TR</b>	Turkish Republic
<b>TRNC</b>	Turkish Republic of Northern Cyprus
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Program
<b>YAGA</b>	Cyprus Turkish Investment Development Agency

## ABSTRACT

The University of Manchester

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*'Management for Resilience: The Case of the North Cyprus Construction Industry'*

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This thesis aims to understand how owner-managers of SMEs in a developing country manage their organizations in a turbulent environment, and how they seek to create resilience in their organizations in this context. Specifically, this thesis investigates the major factors influencing the management strategies of infrastructure construction sector SMEs in North Cyprus. The primary data for the research was collected from owner-managers of infrastructure construction SMEs in North Cyprus that held a Class-1 classification in the sector, allowing them to participate in infrastructure projects in North Cyprus. Twelve SMEs with Class-1 classification are identified in the Building Construction Association of North Cyprus (CT-BCA), of which nine out of twelve consented to participate in the research. A qualitative research approach was adopted, with primary data gathered through face-to-face semi-structured interviews with these owner-managers; the collected data was then subjected to thematic analysis.

The research found that the most influential factors influencing the management strategies of SMEs in North Cyprus were the macro characteristics of the socio-political environment, the individual characteristics of the owner-managers, and the characteristics of the infrastructure construction sector itself. These factors, which are linked in deep and nuanced ways, were discovered to impact the perceptions of the owner-managers and to affect their approaches towards the management of their SMEs. By evaluating the interaction between these factors, this research identified that infrastructure construction SMEs in North Cyprus operate in a complex system, where the approach to their management is identified as dissipative. Overall, the findings indicate that SMEs in North Cyprus take a reactive approach to management within this complex system, an approach that is itself related to ever-changing relationships between the key individual and environmental factors mitigating owner-managers' personal, sectorial and wider country circumstances. In this complex context, these SMEs cannot follow a systematic approach to management. Therefore, the resilience of these SMEs is found to lie in the adaptation of management strategies of SME owner-managers in the presence of disturbances, by experimenting and adjusting themselves in the existence of disturbances throughout their history.



## **Declaration**

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

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## CHAPTER 1 INTRODUCTION

### 1.1 Introduction

This chapter provides an overview of the thesis and introduction to the research covered in this study. It starts by explaining the background and the context of this study; that is, the physical infrastructure development and management strategies of small to medium-sized enterprises (SMEs), using North Cyprus's infrastructure sector as a case. The next section details the research questions and the study's aim and objectives, followed by explanations of this study's significance within the context of North Cyprus. Finally, the structure of this thesis is outlined.

### 1.2 Background and Context

North Cyprus came into existence after a full-blown war in Cyprus in 1974. Since then, efforts for upgrading the physical infrastructure of this new country have been in progress (Mehmet, 2010). These efforts have been enacted following the recognition that, as Kumaraswamy (2006) states, not only the aging infrastructure in developing countries needs to be renewed and refurbished but there is also a great demand for increasing volumes of new and sustainable infrastructure. According to the Turkish Cypriot Competitiveness Report (TCCR) 2013-2014 (Besim and Sertoglu, 2013), the physical infrastructure of North Cyprus is ranked 129<sup>th</sup> out of 148 countries in the world and needs to be upgraded. North Cyprus is also a *de facto* state which is only recognized by Turkey (patron country of North Cyprus), with most of the aid for the improvement of the country being financed by the Turkish Republic (TR) (Mehmet, 2010).

This aid is based on a series of economic agreements and protocols between the North Cyprus and Turkish governments, and is administered through the Turkish Embassy in North Cyprus. During 1974-2005, the total Turkish development

assistance to North Cyprus was estimated to be 3.4 billion US dollars (Mehmet, 2010), with 30% allocated for the development of the physical infrastructure.

Despite this aid, underinvestment in the physical infrastructure of the country created problematic bottlenecks, such as in the supply of electricity, water and road building (Mehmet, 2010). These bottlenecks were exacerbated after North Cyprus experienced a building construction boom, unmatched anywhere else in the world, during 2002-2006 (Mehmet, 2010; Yorucu, 2013). This boom was the result both of foreign demand, especially British and German (Yorucu, 2013; Afshar Ghotli and Rezaei, 2013), and of local demand (Mehmet, 2010) for real estate. The Annan Plan – the UN comprehensive settlement plan to reunite the divided island (Annan, 2002) – sparked speculative demand in land and property in North Cyprus and triggered this growth in the industry (Yorucu and Keles, 2007; Mehmet and Yorucu, 2008; Mehmet, 2010; Yorucu, 2013). As Mehmet (2010) states, this growth is “primarily because it (Annan Plan) defined property rights and protected the rights of current users and investors in addition to the rights of owners. It led directly to a huge investment in real estate” (p. 107). Turkish Society on the island accepted the proposed Annan Plan by popular vote as a solution to the Cyprus Problem; however, Greek society subsequently rejected the plan in the referendum in May 2004 (Akgün and Tiryaki, 2010). The failure of the Annan Plan, coupled with the global financial crisis in 2008, created a contraction in the construction sector as the demand for real estate, especially by foreigners, decreased (Yorucu, 2013).

The State Planning Organization of North Cyprus (SPO) measures the growth rate of the construction sector by estimating the capital invested in this sector annually. The latest statistics provided by SPO in 2009 show the construction growth in North Cyprus to have averaged 12.1% during 2002–2006, with the highest rates of 18.9% in 2005 and 68.1% in 2006. This increase was followed by a sudden decline, with a growth rate of 4.2% in 2007, -8% in 2008 and -18.5 % in 2009 (SPO, 2009). Consequently, the SPO’s 2009 amended report in 2012 forecast the growth rate of the sector for 2014 to be 2.5%.

According to the amended statistics available from SPO (2009; 2012) this growth rate was expected to change to 3.8% in 2010, with the expected growth rate for 2011

projected as 0.5%. Mehmet (2010) also emphasized that the growth to the economy could not be sustained “due to environmental limits, but primarily owing to infrastructural constraints, especially in the availability of electricity, telecommunications, highways, and water” (p. 85).

Following the failure of the Annan Plan in 2004, the EU approved aid regulation 389/2006 to end the isolation of Turkish Cypriots, and allocated 259 million Euros for a five-year programme to be implemented by the European Commission (DG-Directorate General- Enlargement) in 2006. The EU also recognised the incapacity of the infrastructure of North Cyprus; this meant that, of the 259 million Euros, 77.6 million Euros (approximately 30%) were allocated specifically for the development of physical infrastructure, notably energy, transport, environment, telecommunications and water supply services. Even though the EU 389/2006 aid regulation protocol ended in 2011, financial assistance in the form of an annual allocation of 28 million Euros to North Cyprus has continued (EU Commission, 2012). The financial aid agreements and protocols, to develop the economy of North Cyprus, between the TR and North Cyprus also continued after 2005.

Three other major protocols over the periods of 2007-2009, 2010-2012 and 2013-2015, totalling approximately four billion US dollars, were also signed in Nicosia (Turkish Embassy Aid Directorate, 2014). Of the total Turkish aid, around 30 %, again, has been in the form of physical infrastructure project aid – water and irrigation projects, highway construction and electricity generation have comprised the priority focus (Turkish Embassy Aid Directorate, 2014). Thus, even though the building construction sector in North Cyprus is currently experiencing a plateau in growth after the boom years of 2002-2006 (Yorucu, 2013), financial aid for the development of the physical infrastructure is still available via Turkish and EU aid.

The infrastructure construction industry in North Cyprus, however, is under-researched, with almost no data available at the organization or project level for this sector. Mehmet (2010) emphasizes that research on the construction sector of North Cyprus is rare. However, despite the fact that there is very little published information available on the infrastructure construction sector characteristics of North Cyprus, some authors have defined this industry, in general, as

underdeveloped, inefficient and non-productive, as it is in other developing countries (Mehmet and Yorucu, 2008; Yitmen, 2007). In addition, there are no large size or international Turkish Cypriot contractors currently operating in the Northern Cyprus construction market (Egemen and Mohamed, 2006; SPO, 2009). Moreover, the fact that North Cyprus is not recognized by the international community (a *de facto* state) also means that the small construction companies that currently comprise the industry are restricted to servicing the local market (Nadiri and Tümer, 2010). This then forces these companies to work with the standards that are set by the Government of North Cyprus, which vary from one project to another. The lack of regulation and control in turn entails a lack of consistent standards; therefore, the quality and the performance of the sector are adversely affected (Yitmen and Al Qadi, 2005). For example, Safakli (2011) argues that the construction industry in North Cyprus “does not have any proactive strategy shaped by relevant vision, mission and objectives” (p.13387). Moreover, Ofori (2007) highlights the lack of sufficient knowledge of the structure of construction industries in developing countries, emphasizing that “even less is known of the changes in this structure over time” (p. 4). In order to achieve sustainable infrastructure development, a knowledgeable, efficient and effective construction industry is needed to produce the most from limited resources (Kumaraswamy, 2006).

In this context, the role played by SMEs is an important one. SMEs comprise the majority of firms in most economies worldwide, accounting for 99% of registered firms in OECD countries (OECD, 2010). SMEs are also a vital component of the North Cyprus economy (Besim and Sertoglu, 2013) and particularly its construction industry (Egemen and Mohamed, 2006). 99% of all enterprises in North Cyprus are SMEs, and 60% of the total employment is created by SMEs (Eyupoglu and Samer, 2011). SMEs also play a significant role in sustained global and regional economic recovery (Ayyagari, Beck and Demirguc-Kunt, 2007). Governments and international organizations worldwide have initiated support programmes for SME development. Specifically, the World Bank (2006) has issued a declaration that SMEs should be supported to aid the economic recovery of North Cyprus, even though international loans are not easily available in this politically isolated business environment.

It is also important to emphasize that, as Man, Lau and Chan (2002) state, “a small firm is not a scaled-down version of larger firms” (p. 128), and that SMEs differ from larger firms in terms of their organizational structures, how they respond to the environment and, most notably, how they compete with other firms. In addition, SMEs are exposed to greater ‘external’ uncertainty and change than larger firms since they lack power in the marketplace and have a single or restricted product (Westhead and Storey, 1996). These uncertainties and changes, in the global sense, are identified by Bhamra and Dani (2011) as follows:

- ‘financial fluctuations’, manifested as severe contractions in economic activity and credit
- ‘legislation and employment laws’, manifested as changes in health and safety, and in the minimum wage,
- ‘supply network relationships’, including power issues that may affect the struggle for control over resources, meaning that tension in collaboration and competition are inevitable, impacting the firm’s strategic choices, governance structures and activities performed (Kähkönen and Lintukangas, 2010)
- ‘technology changes’, where SMEs face difficulties in adapting to and applying new technology, and experience a lack of competence that limits innovation
- ‘changing customer requirements and demands’, forcing SMEs to react under pressure rather than leveraging internal capacity for proactive growth
- ‘collapsing financial systems’, where SMEs’ limited capacity to take on credit and a drop in the demand for their services exacerbates their vulnerability.

One of the other major differences between large firms and SMEs is the distance between owners and managers (Vos and Roulston, 2008). Unlike decision makers in many larger organizations, in SMEs the owner and the manager often tend to be the same person, to the extent that the owner-manager is responsible for all decision making, and the business is closely linked with their life and identity (Culkin and Smith, 2000; Vos and Smith, 2003; Mazzarol, 2004). Such firms are characterised by an informal management style, with often a considerable number of family members employed in the firm. Owner-managers tend to hire family members for key



positions in order to maintain tight control of the strategic decision making process. In order to then maintain the control of these family members themselves, owner-managers usually restrict the firm's growth (Bratkovic, Antoncic and Ruzzier, 2009).

It has also been found that the degree of owner involvement in small businesses and an owner-manager's personal values has a direct impact/influence on the firm's overall performance (Kotey and Meredith, 1997; Vos and Smith, 2003; Kozan, Oksoy and Ozsoy, 2006). Another obstacle for SMEs growth is suggested to be their lack of strategic planning; Mazzarol (2004), for example, claimed SMEs to be "strategically myopic" and lacking the "long-term vision as to where their company is headed" (p. 1). Richbell, Watts and Wardle (2006) state that planning within SMEs is the activity of a minority. The main factors preventing planning in SMEs are listed as: lack of time; lack of specialized expertise; lack of confidence; inadequate knowledge of the planning processes or reluctance to share strategic plans with employees and external consultants; environmental uncertainty or turbulence; size of business and type of industry (Mazzarol, 2004; Wang, Walker and Redmond, 2007). Given these challenges, many small enterprises fail to adjust in response to environmental changes.

The business environment is constantly changing, with uncertainties affecting the varying vulnerability of SMEs and underlining the importance of resilience. The term 'resilience' has been used in several different fields, from ecology to psychology. Even though the context of the term might change, the core concept relates to the capability and ability of an element to return to a stable state after a disruption (Bhamra and Dani, 2011). When the notion of resilience is applied to organisations, the meaning arguably does not vary as much and can be defined as: "the capacity of an organisation to survive, adapt and sustain the business in the face of turbulent change" (Ates and Bititci 2011, p.5601). As Bhamra and Dani (2011) state, resilience in organisations is related to both the individual and the organisational responses to turbulence and discontinuities.

Globally, SMEs are socially and economically important. It is estimated that over 95% of all enterprises in the world are SMEs, which accounts for 60% of private sector employment (Ayyagari et al., 2011). Considering this significant contribution,

SMEs' survival and the creation of SME resilience are important factors to consider (Ates and Bititci, 2011; Sullivan-Taylor and Branicki, 2011). In order to increase their resilience, it has been suggested that SMEs should manage change in such a way so as to increase their adaptability and, therefore, their sustainability (Ates and Bititci, 2011). How SMEs manage uncertainty is different to larger firms (Sullivan-Taylor and Branicki, 2011). SMEs' ability to formulate strategy limits their capacity to pursue long-term strategy change, while change in SMEs is largely motivated by pressures from the external environment (Mazzarol, 2004; Wang, Walker and Redmond, 2007). Since, SMEs' organizational behaviour and characteristics are important drivers of resilient enterprises (Moore and Manring, 2009), it can also be said that the resilience of organizations depends on their ability to anticipate and adapt to future internal and external developments (Ates and Bititci, 2011). While SMEs are often noted for their high degree of resistance to change (Ghobadian & Gallear, 1996), in order for them to build up their sustainability it is essential that they embrace change-creating resilience (Ates and Bititci, 2011).

Managing businesses is not an easy task even if the projects' location is in a stable environment economically, politically and geographically, and where the state has the advantages of resources, technology, skills and scale of the economy. When the political and economic agents within an environment become unstable, the process of management for organisations becomes even more challenging owing to the increased turbulence resulting from the interactions of these agents (Mason, 2007). In some cases, globally accepted management strategies may not be applicable to context-dependent SMEs, which may then develop indigenous ways of managing change depending on the circumstances of the environment they operate in (Tung and Aycan, 2008). In addition, certain macro experiences such as war can cause a large group trauma, where the society develops resistance to change and possibly mistrust of outsiders, thus affecting perceptions of owner-managers in the industry and their management strategies. As Dolmaci (2010) emphasized, unclear prospects of 'sustainable economic growth' and 'development' in the northern part of Cyprus have had a direct impact on the performance of SMEs in that area.

There are some states in the world that exhibit such attributes, where SME business management has to operate in a 'turbulent' environment beset by political and

economic problems, and the success of this management becomes key to the organizations' sustainability. Small businesses in these environments are often uncertain about how to cope with such situations, and identifying how these turbulences are managed becomes important (Mason, 2007). With the increased financial aid to the physical infrastructure and sustainable development of North Cyprus, leading governments, the EU and UN agencies, NGOs and private foreign companies have gained unprecedented access to and influence over the internal affairs of North Cyprus as Duffield (2001) suggests, increasing the challenges that small businesses have to manage. By using North Cyprus's infrastructure construction industry as a case study, where foreign financial aid is very influential, it is the intention of this thesis to understand, at the organization level, how owner-managers of SMEs in a small developing country manage in turbulent environments which is not sufficiently addressed in existing research and represents a gap in the literature.

### **1.3 Research Questions**

This research argues that, in areas where the management of SMEs occurs in a politically and socially turbulent environment, managing the consequent political and economic problems become key to the organizations' sustainability. Therefore, this research will attempt to answer the following questions:

1. What are the most influential factors shaping the management strategies of the infrastructure construction industry in North Cyprus?
2. How do the owner-managers create resilience in these organisations?

## **1.4 Study Aim and Objectives**

### **1.4.1 STUDY AIM**

By using North Cyprus's infrastructure construction industry as a case study, it is the aim of this thesis to understand, at the organization level, how owner-managers of SMEs in a developing country manage in a turbulent environment, and how they seek to create resilience in their organizations in this context to fill this gap identified in the literature.

### **1.4.2 STUDY OBJECTIVES**

To achieve the aim of this thesis, the following objectives will be adopted:

- i. To investigate the factors that lead to SMEs resilience.
- ii. To investigate how the recent political history of North Cyprus has shaped the SMEs operating in the infrastructure construction sector.
- iii. To conduct primary research with the North Cyprus SMEs in the infrastructure construction sector to identify the factors that affect their management strategies.
- iv. To identify how owner-managers promote resilience in SMEs in the North Cyprus infrastructure construction industry.

## **1.5 Significance of the Study**

Islands such as North Cyprus, are isolated and disconnected locations; as such they are, as Baldacchino (2005a) states, not only on the “fringe of goings on, but also ill-equipped to be competitive because of defensive self-absorption” (p. 148). Market fragmentation, limited labour supply and skills, little technological advancement and investment capital are all reasons for the potential increased volatility of these small developing economies. Other inherent handicaps include: small populations, limited domestic market, openness to vulnerability, and limited resources, which may prevent these economies from competing for opportunities offered by the

globalization process. They also tend to be dependent on a few exported products (small states highly rely on imports), services and markets, causing economic volatility, reduced resilience to external shocks and highly imperfect small markets which are unattractive for investment (Briguglio, 1995). These states constituted of small and micro size companies often feature SMEs as the driving force of their economy (Briguglio, 1995; Baldacchino, 2005b); this is certainly the case for the economy in North Cyprus (Besim and Sertoglu, 2013).

In addition to being a small economy, North Cyprus also continues to experience a significant group trauma, the legacy of conflict and war on the island, and which is exacerbated by the political embargoes imposed on the country, thus increasing its resistance to change (Volkan, 1999a). Although the organizational structures of SMEs in the construction sector in North Cyprus are very simple, the unpredictable environment of the country – where the history (i.e. the past) shapes cultural behaviour – highly influences business within the construction sector, thus creating a difficult environment.

At the level of organizations, companies have temporal orientations. These orientations vary with respect to the past, the present, the near future and the distant future, and cultural assumptions shaped by these orientations influence the management process (Schein, 2004). The strength of a culture is also related to time and the intensity of experiences shared by that society or a group. Schein (2004) further explain this by stating that: “if a stable group has had a long, varied intense history, it will have a strong and highly differentiated culture” (p.51). Furthermore, behaviour within an organization results from managerial and employee values, attitudes and beliefs regarding work and organizations, which influences organizational functioning. As Kanungo and Jaeger (1990) state:

every organization must deal with the management of its internal (socio-technical) and external environments, i.e. the management of the people and technology within the organizations as well as the management of relations with the environment external to or outside the organization. (p.2)

As culture and the socio-political environment are formed over a long timescale, any quick changes required in management practice may meet with resistance.

Management is influenced by the policies and culture of the company and society

(Isik et al., 2008), and these must be understood before making changes. Marsden (1991) in Tung and Aycan (2008) asserts that: “indigenous knowledge may be the basis for building more sustainable development strategies, because they begin from where the people are, rather than from where development experts would like them to be” (p. 382.). Kotey and Merdith (1997) identified that the personalities of the owner-managers are a key aspect of how they run their businesses, and that their personal values and goals are indistinguishable from the goals of their businesses. It has also been suggested that owner-managers' personal values influence the strategies they adopt in operating their businesses and, ultimately, the performance of their businesses (Vos and Roulston, 2008).

Owing to their cultural background and the setting of their operations, owner-managers of contracting firms in the developing countries, like their counterparts in other sectors of the economy, have a paternalistic, collectivist and highly personal management style (Damachi, 1978; cited in Ofori, 1991; Hofstede, 1980). This personal management style is also shaped by the memories of the owner-manager. Early experiences (memories) shape later experiences in such a way that an organization's response to new challenges depend on “attitudes, expectations, feelings, and response possibilities” derived from history. The emphasis is not on reaching or maintaining a certain end point or terminal condition, but on staying “in the game” (Pickett, Cadenasso, and Groove, 2004).

The increasing demand for quality, productivity and performance in the construction industry is particularly challenging in states that face financial crisis, are small in size with limited capacity, or are experiencing conflict and trauma. The problems facing these states cannot be ignored, especially as foreign aid and dominant, external governments' influence adds additional complexity to business management strategies. In the context of a country like North Cyprus, where the local capabilities are limited and the past memories of the country play a great role shaping perceptions of the society, the problem of not fully realising how these interferences influence the management strategies is arguably even more apparent. In light of this, the infrastructure construction sector has provided the researcher with a suitable context in which to investigate the factors affecting management strategies and how these factors influence the owners'/managers' perceptions of optimum management

strategies. To date, very few studies on management in infrastructure construction have been conducted in North Cyprus and conflict zones. This circumstance, therefore, provides further motivation for the research to seek evidence from the North Cyprus construction industry, and it is here that a further original contribution will be offered by this study.

### **1.6 Structure of the Thesis**

There are eight chapters, including this chapter, in the thesis; this section outlines each one in turn.

Chapter two presents the concept of resilience and deconstructs it so as to investigate how resilience is achieved. Different meaning of resilience in different fields of science are investigated and led the study to present complex systems and how resilience is achieved in complex systems. Furthermore, this chapter introduces dissipative structures within complex systems. The key concepts and approaches of complex systems and dissipative structures help to establish and justify the study's theoretical basis, and also assist in the interpretation and analysis of the data collected for the research.

Chapter three presents a literature review of the characteristics of SMEs, SMEs specifically in developing countries, and SMEs in the construction sector, providing an understanding of how the SMEs are structured, with the emphasis on owner-manager characteristics and culture, and how culture affects perceptions in business. Consequently, the size of the enterprise, the availability of resources, the characteristics of the owner-managers and the culture of the society surface as influences on the management strategies chosen by SMEs. Furthermore, these key areas of literature provide insights into how resilience is created in SMEs, from which the meaning of resilience is derived for the purposes of this thesis.

Chapter four presents a literature review of the characteristics of the construction industry in North Cyprus, providing an understanding of how the business

environment in *de facto* states is structured and, again, an exploration of how culture affects perceptions in business. In order to understand more about the culture and the business environment in North Cyprus, the recent traumatic history of the island is presented, alongside a discussion of how traumatic events may psychologically affect people and, consequently, their business practices, where the embedded memories of the past persist into the future. This chapter also emphasizes the dearth of research in the construction sector of North Cyprus, and particularly how the external environment is shaping management in traumatic societies. Consequently, the history of the island, the existing unstable environment and memories of the disturbances in the socio-political environment surface as factors shaping the management approaches chosen by SMEs which, to date, has largely been absent in management literature.

Chapter five outlines the research process and approach by introducing the philosophical paradigm chosen for the study. The theoretical framework, the methodology of the study and the method for the data collection are then explained, alongside a justification of why an interpretivist, inductive, qualitative, thematic analysis approach using semi-structured interview questions has been chosen as the appropriate method for investigating the current research questions. The ethical and confidentiality considerations of the research are also explained in this chapter, followed by a discussion of how the validity and the reliability of the research are achieved.

Chapter six presents the results of the study and the emergent themes from the data collected for the research.

Chapter seven, firstly, provides a detailed analysis of the results from Chapter 6 by engaging with the two research questions and focuses on identifying how these factors shape the management strategies in North Cyprus and answering research question one (RQ1). Secondly, the analysis, using the resilience and complex system concepts, answers research question two (RQ2) by depicting the management strategies of SMEs as dissipative structures.



Chapter eight, the concluding chapter, initially re-visits the aim of the study and considers how well this aim has been achieved. The key findings of the study are then summarized by presenting the management strategies of SMEs in North Cyprus, how this approach is shaped and its significance in the context of the research. The theoretical and practical implications of the study are then presented, followed by a discussion of the limitations of the research and future research possibilities.

## CHAPTER 2 RESILIENCE

### 2.1 Introduction

The aim of this and the next literature review chapters is to identify, review and critique research related to resilience, SMEs in developing countries and the construction industry of North Cyprus. This is done with a view to evaluating the factors that may create resilience in the infrastructure construction sector SMEs (ICS-SMEs) in North Cyprus, in response to the aims of this thesis. As the introduction to this research identified, the construction sector in North Cyprus has typically operated, and continues to operate, in a very unstable environment, where severe political episodic events have frequently changed the dynamics of the sector. These events, some of which have been politically and socially traumatic, have had a great influence on this sector and the SMEs acting within it, whose owner-managers are constantly challenged to manage change in the external environment of the SMEs in North Cyprus.

Given the centrality of the concept of resilience to these challenges and management strategies, this chapter firstly explores the meaning of resilience in various fields by investigating the background of the term. Secondly, given this thesis' focus on disturbances in the context of the infrastructure construction sector in North Cyprus, and how these disturbances may affect resilience in management, this chapter will establish an understanding of the meaning of a system, disturbance to a system, vulnerability of a system, adaptation, change and transformation of a system. This will be done in order to then establish the meaning of 'resilience' for the purposes of this thesis.

Finally, even though there are several meanings or descriptions associated with the term 'resilience', through working through the relevant literature this chapter aims to discover what may trigger resilience and, most importantly, how this resilience is achieved by understanding the emerging behavioural characteristics of complex systems in the presence of a disturbance or disturbances among SMEs. Since SMEs

are mostly managed by their owners, human behaviour also influences the resilience of these firms (Horne and Orr, 1997). Therefore, this chapter concludes with how the concept of resilience is interpreted in human and organizational studies.

## **2.2 The Concept of Resilience**

The world is no longer perceived as Isaac Newton's 'great machine', where we could investigate the parts for understanding the whole; rather, it is increasingly perceived as a complex system with constant change where interpreting the relationships between the parts is the primary interest (Horne and Orr, 1997). Change is everywhere, and managing change within this diverse and turbulent environment may be a challenge for individuals, communities and organisations alike, simply because these changes cannot be easily anticipated (Hamel and Valikangas, 2003; Ates and Bititci, 2011; Bhamra, Dani and Burnard, 2011). On one hand, these changes may create novelty and innovation; on the other hand, they may be perceived as a threat or disturbance according to the severity and frequency of the turbulence the environment possesses. These disturbances might originate either internally or externally to a system, and can have different effects at different levels. They can be initiated by a broad range of events, including natural disasters, pandemic disease, terrorist attacks, economic recession, equipment failure and human error (Bhamra, Dani and Burnard, 2011).

In the literature, the notion of resilience has been explained with reference to different perspectives from fields including ecology, social sciences, psychology, organizational studies, etc., and has attained multiple levels of meaning: as a metaphor related to sustainability, as a property of dynamic models, and as a measurable quantity that can be assessed in Social Ecological Systems (SES) field studies (Carpenter et al., 2001). However, even though resilience is defined differently according to these different research domains, a common factor underlying each definition is the notion of disturbance and adaptation in the context of a system. Resilience is also affiliated with other combinations of relationships, such as vulnerability, persistence, change and transformations.

The concept of resilience originated in the 1970s in the field of ecology (Holling, 1973). It has its roots in physical sciences and engineering, from which the biological sciences adopted the concept and, in turn, developed the science of ecological systems (Holling, 1996). The theory of resilience has also been influenced by general systems theory, where a system is defined as complex interaction and relationships between different agents/elements, and can be anything that functions (Bertalanffy, 1968). This theory also posits that the relationships between the agents of the system are more important than the agents themselves.

Resilience was originally described by Holling as: “a measure of the persistence of systems and of their ability to absorb change and disturbance and still maintain the same relationships between populations or state variables” (1973, p. 14). Since then, the term has covered many concepts related to positive patterns of adaptation under adverse circumstances, and is an expanding field of study. In physics and engineering, for example, the term ‘resilience’ was originally used to describe the capacity of a material or system to return to equilibrium after a displacement, where equilibrium represents constancy over time (Holling, 1994). Gordon, in his book *Structures: or Why Things Don't Fall Down* defines resilience as: “the amount of strain energy which can be stored in a structure without causing permanent damage to it” (1978, p. 90). Others have argued that, when applied to people and their environments, ‘resilience’ is fundamentally a metaphor (Norris and Stevens, 2007), e.g. recovery in the face of stress or trauma.

Holling (1973) explains the behaviour of ecological systems in two different ways – stability and resilience – and emphasizes the importance of distinguishing between these two behaviours. According to Holling (1973), stability is the ability of a system to return to equilibrium after being disturbed temporarily. Resilience, on the other hand, in the definition of Holling (1973), is the property of the system, and persistence (or a probability of extinction) is the result. Holling (1973) further explains that a system can be very resilient and still fluctuate greatly if it has low stability.

The first definition of resilience, especially in the field of engineering and physics, is used to refer to the return rate to equilibrium (pre-existing conditions) after a

disturbance event (Gordon, 1978; Pimm, 1984). In this context, resilience is defined as the time required for a system to return to a steady state following a disturbance, which Holling (1996) refers to as ‘engineering resilience’. In short, engineering resilience is the behaviour near a stable equilibrium and the speed of return to equilibrium; thus it is concerned with stability (Holling, 1996; Gunderson, 2000). By contrast, the second definition relates to the behaviour of dynamic systems far from equilibrium, and is the amount of disturbance a system can take (absorb) without changing to another state. This definition is termed ‘ecological resilience’ by Holling (1996).

Engineering resilience focuses on maintaining the efficiency of function, whereas ecological resilience focuses on maintaining the existence of function in a system. The former definition can also be identified as a quantitative approach to resilience, whereas the latter is interpretive and qualitative (Holling, 1973; Holling, 1996). Furthermore, engineering resilience considers a single equilibrium in a system and is primarily about resisting disturbance and change (Gunderson, 2000; Folke, 2006). Conversely, ecological resilience assumes multiple equilibria in a system and fits with the dynamics of complex adaptive systems (Folke, 2006). In complex systems, the behaviour of parts at the micro level affects the emergent behaviour at macro level (Amagoh, 2008).

Even though resilience is not a new concept, the concept has evolved through its application in different disciplines with the majority of the work on resilience adapting the concept of ecological resilience. In ecology, resilience is related to ‘the ability to adapt to a change’ (Holling, 1973; Walker et al., 1981; Folke, 2006) or ‘the capacity of a system to absorb disturbance’ (Walker et al., 2004; Walker and Salt, 2006; Folke et al., 2010). In terms of human development, resilience is concerned with ‘positive adaptation during or following significant disturbances’ (Waller, 2001; Masten and Obradovic, 2010; Truffino, 2010). In organizations, resilience has been defined alternately as: “organizations’ adaptability, responsiveness, sustainability and competitiveness in evolving and changing markets” (Gunasekaran, Rai, and Griffin, 2011); ‘organizations’ response to turbulence and discontinuities’ (Bhamra and Dani, 2011); or as “the magnitude of disturbance the system can tolerate and still persist” (Mamouni Limnios et al., 2014).

As becomes apparent, the meanings of resilience across the different fields are quite related; however, this thesis specifically considers the environment in which SMEs operate as a complex adaptive system. It is the aim of this thesis is to understand, at the organization level, how owner-managers of SMEs in a developing country manage in a turbulent environment, and how they seek to create resilience in their organizations. Therefore, the following sections will evaluate the behaviour of the relevant complex systems and examine how resilience may be achieved within them.

### **2.2.1 COMPLEX SYSTEMS**

Systems theory in organizational literature is a relatively recent concept explaining the non-linear, emergent behaviour of organizations and change. It offers a valuable perspective that can equip organizational leaders with the essential knowledge and understanding of how to respond and adapt to the uncertainties and demands of global change (Gemmil and Smith, 1985; Dooley and Van de Ven, 1999; Amagoh, 2008; McKelvey, Lichtenstein and Andriani, 2012; Mamouni Limnios et al., 2014).

The Oxford Dictionaries defines a system as ‘a set of things working together as parts of a mechanism or an interconnecting network; a complex whole’ (OD, 2014). The main idea behind the phenomena of systems theory is that a system is not one thing but, rather, a set of things, and that a system brings these elements together into a meaningful relationship which acts as a whole (Laszlo and Krippner, 1998). However, in order to describe a particular system, we need to set boundaries according to what we want to see as a system. This, again, emphasizes the importance of Carpenter et al. (2001) statement of the need to establish “of what, to what, and under what conditions” when considering resilience in a system.

There are several factors that influence how a system can manage and survive change, especially with intensified competition and globalisation. In order to understand how a system can adapt itself to changing circumstances, and to identify the factors (members in the system) that influence this adaptability, is a complex task. According to Roe (1998), complexity is anything we do not understand owing to a large number of relationships between agents or stakeholders and other factors

that may be beyond the control of the system. Roe (1998) further suggests that we have to embrace this complexity and resulting uncertainty – the unpredictable effect on future events – and analyse different subsets of interactions, each of which may seem relevant from a number of fundamentally different operational and philosophical perspectives.

However, Gunderson and Holling (2002) look at complexity through a different lens. They suggest that the complexity of a system emerges from a smaller number of controlling processes and not from the random association of a large number of interacting factors. Their definition was influenced by the work of Simon (1962). In *Architecture of Complexity*, Simon defines a complex system as:

One made up of a large number of parts that interact in a non-simple way. In such systems, the whole is more than the sum of the parts, not in an ultimate, metaphysical sense, but in the important pragmatic sense that, given the properties of the parts and the laws of their interaction, it is not a trivial matter to infer the properties of the whole. (1962, p. 468)

Complexity, therefore, takes on the form of a hierarchy, as a complex system is depicted as being composed of subsystems which, in turn, have their own subsystems, and so on. By a hierarchic system or hierarchy, Simon (1962) does not refer to a vertical authority or control; rather, he explains that a system is composed of interrelated subsystems, each of the latter being, in turn, hierarchic in structure until the lowest level of the elementary subsystem is reached. Holling further states that these systems are self-organized: “self-organization is a term that characterizes the development of complex adaptive systems, in which multiple outcomes typically are possible depending on accidents of history” (2001, p.391).

Organizations are complex systems and do not possess a single state (Dooley and Van de Ven, 1999; Amagoh, 2008; Mamouni Linnios et al., 2014); as Hendrick (2009) states: “complex systems have many interacting agents where the interaction is unpredictable, resulting in surprising outcomes” (p.5). It is also important to emphasize that, in organizations, the causes of disturbances are many and are specific to the system, environment, or context under study. It is often very difficult to assess the levels and characteristics of the disturbances that arise and how they combine to add to the complexity of a system (Hastings and McManus, 2004). To

assess a system's resilience in the context of disturbances, one must specify which system configuration and which disturbances are of interest. Or, as Carpenter et al. (2001) state, one must specify 'under what conditions' the system and disturbances are acting.

### **2.2.2 VULNERABILITY AND DISTURBANCE IN SYSTEMS**

The resilience of a system depends on the configuration of the relationships within it. The vulnerability of a system is an important aspect to understand when defining and measuring resilience (Adger, 2000; Gallopin, 2006). The literature on resilience in different fields defines vulnerability in various ways depending on the research under study. According to SES, a vulnerable system is one that has lost its resilience (Folke et.al., 2002; Folke, 2006). Vulnerability is the 'flip side' of resilience, and even small changes can have devastating effects on a system (Folke et.al., 2002). In the social sciences, vulnerability is related to the system's exposure and sensitivity to disturbances, as well as to its adaptation capacity (Adger, 2006). In human development, the absence of vulnerability does not assume resilience (Waller, 2001). However, all of these descriptions from different fields do agree on one thing. Namely, that systems or individuals can be vulnerable to disturbances at one time and not vulnerable at another, or that systems can be vulnerable to certain disturbances and not to others.

As Carpenter et al. (2001) states, the concept of 'resilience' is meaningful only if one considers the resilience 'of what, to what, and under what conditions'. The properties of the resilience of a system are only visible in the existence of disturbances – 'to what'. There is no exact definition of the term 'disturbance' within the literature on organizations. However, certain events are specified as examples of disturbances, such as natural disasters, economic crisis, collapsing economies, war and terrorist attacks (Bhamra and Dani, 2011). Initially, in ecological science, disturbance was considered something rare and unpredictable; however, since then this view has changed, and disturbance is currently treated as a natural process in a system, occurring at different spatial and temporal scales (Rykiel, 1985; Pickett et. al, 1989). Disturbance to a system can be defined as internal or external; whether it is internal or external depends on the boundaries defined for the system, e.g. disturbance from



the employees of a organizations versus a financial crisis in a country (Gallopín, 2006). Some disturbances are sudden while others build gradually until a threshold is reached; some contain elements of both (Coleman, 2011). As Holling (1973) states, the length and magnitude of a disturbance are important factors to measuring the resilience and adaptability of a system. Disturbance, within the context of this thesis, is used synonymously with the terms ‘disaster’, ‘trauma’ and other terms used in the field of resilience. This thesis will adopt Gallopín’s definition of disturbance as: “the external or internal processes interacting with the system and with the potentiality of inducing a significant transformation in the system, be it slow or sudden” (2006, p. 295).

### **2.2.3 ADAPTABILITY**

Judging the resilience of a system requires certain criteria for identifying whether the system is doing whatever it is supposed to be doing, and also whether there is or has been a potential threat to the system (Folke, 2006). As Folke states, it is important to understand how much shock can a system absorb before it transforms into something fundamentally different. This reasoning is based on the fact that resilient character has its limits and that when these limits are passed the system changes to another condition; in other words, the resilience of the system is reduced progressively so that, when an unexpected event occurs, the system collapses (Holling, 1973; Gunderson, 2000). Therefore, the resilience of a system depends on the system’s adaptive capacity (Mamouni Linnios et al., 2014). This refers to a set of variables and their interactions, which allow systems to respond to disturbances (Coleman, 2011).

Following the first definition constructed by Holling (1973), thinking around resilience evolved and extended, eventually linking it to the concept of adaptation posited by Walker et al. as: “the ability to adapt to change by exploiting instabilities, rather than the ability to absorb disturbance by returning to a steady state after being disturbed” (1981, p. 495). Walker et al. later added reorganization to the definition and defined resilience as “the capacity of a system to absorb disturbance and reorganize while undergoing change so as to still retain essentially the same function, structure, identity, and feedbacks” (2004); this definition is the one then

adapted by Walker and Salt (2006), and Folke et al. (2006). The new refined definition of resilience then incorporated ‘adaptation, transformation, and persistence’. Persistence is defined as the stability of a system near or close to an equilibrium state (Holling, 1973).

Adaptability has been defined by Walker et al. as “the capacity of actors in a system to influence resilience” (2004). By contrast, ‘transformability’ has been defined as “the capacity to create a fundamentally new system when ecological, economic, or social structures make the existing system untenable” (Walker et al. 2004, p.4).

There is a major distinction between resilience and adaptability, on the one hand, and transformability on the other. Resilience and adaptability have to do with the dynamics of a particular system, or a closely related set of systems. Transformability refers to fundamentally altering the nature of a system (Walker et al., 2004).

In this context, it is worth noting that resilience is neither good nor bad. It is merely the skill and the capacity to be robust under conditions of enormous stress and change (Coutu, 2002). Protection factors seem to be more important in the development of resilience than risk factors (Truffino, 2010). Protection factors are the attributes or processes of a system that induce resilience, whereas risk factors represent disturbances influencing a system that increase the likelihood of negative responses in adverse situations.

### **2.2.4 DISSIPATIVE STRUCTURES AND CHANGE**

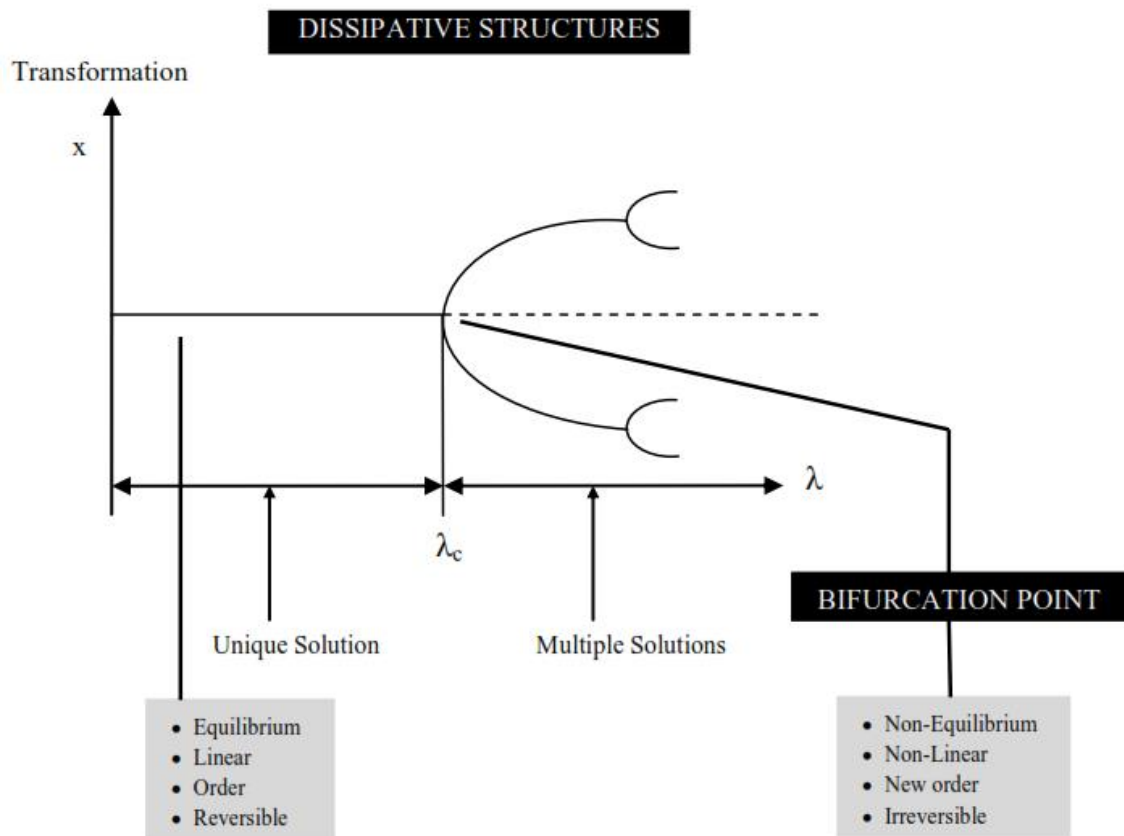
Change in systems can vary depending on how we want to perceive it. Change is a combination of the system observed and the observer who seeks to understand the causes of change in order to achieve a defined purpose (Holling, 1994). Change in organizations can also be viewed from two different perspectives: change of strategy content and process change. The change of strategy content is concerned with traditional Newtonian conceptions of equilibrium and stability. This thesis is concerned with process change, which is dominated by events and activities that typically emerge from a wide variety of influences, and also with whether or not this process might influence resilience.

Jantsch (1980) suggests three types of system change models: (1) deterministic, (2) equilibrium and (3) dissipative. The deterministic change assumes ‘controlled behaviour’ within an ordered environment and is a Newtonian approach which deals with systems of laws. According to the deterministic change model, in organizations, for example, the system is operated as if the world is deterministic, where standard management routines such as strategy formulation and implementation can behave in some ordered way (Gurd, Lim and Thorne, n.d.; Leifer, 1989). The equilibrium model describes open systems with the ability to adapt, but operating within certain parameters such as constant time and linear causation, where the system is ordered and predicted. Under equilibrium change, organizations usually continue with their existing strategies to achieve their objectives, or intend to do more of the same but better; in this context, change is about improving efficiency (Leifer, 1989). Systems under the dissipative model describe change or transformation when internal and external elements in the system are turbulent enough to create a new order in a system, or simply create something that was not there before, and are described as ‘far from equilibrium’ (Prigogine and Stengers, 1984).

Complex systems are open systems and dissipative structures which do not respond to external pressures in a linear manner, and are subject to instability (Prigogine, 1997). The term ‘dissipative structure’ was coined by Prigogine and Stengers (1984). The world in dissipative structures is viewed as dynamic and characterised by systems where change and transformations are associated with non-equilibrium conditions. In these systems, as explained in the theory, the interactions of non-linear relationships and random disturbances create new system configurations that are far from equilibrium. Feedback in these systems then aids the emergence of new order (Hendrick, 2009). Negative feedback loops maintain stability in the systems, whereas positive feedback loops have an amplifying effect, where small fluctuations in one part of a system can escalate in unexpected ways and bring unanticipated and substantive changes to other parts of the system (Holland, 1975).

These systems are open and self-organising, maintaining their order and internal far-from-equilibrium state through the interactions in their environment. As the literature on ecological resilience suggests, the stability of a system is maintained as long as disturbances are absorbed by the system (Holling, 1973). However, there exists a

threshold in terms of how much of disturbance can be absorbed by a system. This threshold in dissipative structures is called the ‘bifurcation point’, where the system is at the edge of ‘chaos’ and can take on new order by self-organising. At this point, there is unpredictability and an un-managed change process. Adaptability is achieved by a constant change of state (McKelvey, 1999). Figure 2.1, adapted from De Toni and Camello (2010) and Leifer (1989), provides examples of dissipative structures, where ‘x’ represents transformation and  $\lambda$  represents disturbance.



**Figure 2.1: Dissipative Structures and Bifurcation Point**

Source: Adapted from De Toni & Camello (2010) and Leifer (1989)

According to Gemmill & Smith (1985), change in the dissipative process from one state to another occurs as a coherent, simultaneous leap. The system is reversible and persistent until the threshold of  $\lambda_c$  is reached. Eventually, a variety of possible forms can emerge from such a process; estimating which forms would be resilient in which environment is very difficult. The agents in these systems interact in such a way that they adapt to the behaviour of other agents, who in turn adapt and stimulate further adaptations, and so on. As MacIntosh and MacLean emphasize, ‘the systems are not

only complex and adaptive, but their complexity and adaptiveness can itself change' (1999, p.14).

### **2.3 Human Resilience**

As Riolli and Savicki emphasize, organizational resilience 'builds on the foundation of the resilience of members of that organisation' (2003, p. 228). Human behaviour and characteristics are also related to the resilience of organisations (Horne and Orr, 1997; Coutu, 2002.). However, this does not mean that resilience at the individual level guarantees resilience at the organizational level (Horne and Orr, 1997; Riolli and Savicki, 2007).

The study of human resilience in development psychology started in the 1970s, independently from the qualitative Social-Ecological-Systems (SES) resilience theory research (Masten and Obradovic, 2008). Nevertheless, both theories complement each other, in the sense that in both fields resilience emerges from dynamic interactions and change, since both are influenced by general systems theory. Similarly, both fields emphasize that the direction or development of a complex system is probabilistic rather than deterministic given the inherently dynamic nature of living, open systems and the sheer number of interactions involved (Masten and Obradovic, 2008).

Many people around the world experience severe stress because of natural disasters, war, terror attacks and similar events. However, not all individuals are heavily affected by these disturbances. Many continue their path in life with competence, thriving and with other positive outcomes instead of malfunctioning. Here, it is important to differentiate between recovery after an adverse event (returning to the initial position) and developing better skills and growth following trauma. The first response is identified as resistance to disturbance, and the second as resilience (Truffino, 2010).

In human development, 'individual resilience refers to the processes of, capacity for, or patterns of positive adaptation during or following exposure to adverse

experiences that have the potential to disrupt or destroy the successful functioning or development of the person (Masten and Obradovic, 2006). Resilience is not a trait associated with a particular individual, although individuals can manifest resilience in their behaviour and life patterns (Masten and Powell, 2010). It is important to emphasize that resilient individuals are not immune to extreme trauma; rather, what distinguishes them is that they have the ability to recover. Moreover, it is recognized that a person can demonstrate resistance to one kind of threat or adversity but not another, or at one time in life and not another (Waller, 2001; Masten and Obradovic 2008).

Hartling states that ‘resilience is all about relationships’ (2008, p.53), as the general systems theory of Bertalanffy (1968) implies. According to Hartling (2008), when an individual faces personal and social hardships or trauma, relationships provide the primary source of ability to be resilient, and strengthen the individual’s characteristics associated with resilience. This also supports Holling’s description of ecological resilience, where the same relationships between populations or system variables are paramount for resilience after a disturbance. Hartling’s point is invaluable in answering the question: ‘how do people develop the strengths associated with resilience?’ It is important here to note that these strengths are not all inherent and are not developed in isolation. As Hartling stresses all relationships are constructed within and defined by social and cultural contexts in which they exist. As Harvey (1996) suggests, the ecological view of resilience in human development considers community values, beliefs and traditions as critical influences that can impact individual responses to and recovery from traumatic events. Both ecological and development resilience research considers how a system behaves, in the face of disturbances, in order to maintain capability and adaptive flexibility under uncertainty (Masten and Obradovic, 2008; Gunderson, 2000).

### **2.4 Organizational Resilience**

Early inspiration for theories on organizational resilience came from two unlikely but compatible sources – the strengths of materials principles in engineering, and the relationship dynamics of complex ecosystems (Horne and Orr, 1997). Both of these

areas of study focus much attention on the capacities of elements in systems to bend, flex, adapt and mould to continuous changes in environmental conditions. Many researchers (Sutcliffe and Vogus, 2003; McManus et al., 2007; Vogus and Sutcliffe, 2007; Ates and Bititci, 2011; Vella, 2011) have studied how organizations can develop resilience, suggesting appropriate methods and tools. However, it has been shown in both social studies and ecological systems research that resilience includes a temporal and spatial aspect, the context of the environment and the time frame, and develops naturally together with the actions of the agents in the system as a whole. As Coutu posits, ‘resilience is something realized after it is acquired’ (2002, p.49).

It is also suggested that a combination of traditional/technical (hard) and organizational/behavioural (soft) elements create organizational resilience (Valastro, 2011). This combination varies with the nature, objectives and culture of the particular organization in question. Early experiences (memories) shape later experiences in such a way that an organization’s response to new challenges depends on ‘attitudes, expectations, feelings, and response possibilities’ derived from history (Sutcliffe and Vogus 2003, p. 98). As Sutcliffe and Vogus (2003) caution, resilience is not fixed. It emerges and changes in transaction with specific circumstances and challenges, and might exist under one condition and not another in time. The emphasis is not on reaching or maintaining a certain end point or terminal condition, but on staying ‘in the game’ (Pickett, Cadenasso, and Groove, 2004, p. 373).

### **2.5 Summary**

This chapter has presented a broad overview of the current literature related to the development of theories of resilience from different perspectives, in order to provide guidance for developing the meaning of resilience to be used for the purposes of this thesis. This meaning will be adapted from the literature on ecological resilience, which will be presented in Chapter 3 together with research on SMEs’ resilience. Complex systems and the concept of dissipative structures within complex systems were explored in order to aid understanding of the behavioural characteristics of systems and emerging behaviours of systems when challenged by disturbances beyond the control of the agents within the system. Additionally, the chapter

explored the meaning of key terms associated with the resilience of a system at temporal and spatial scales. Finally, this chapter highlighted how the concept of resilience can be interpreted within human and organizational studies.

According to Carpenter et al., the concept of ‘resilience’ is meaningful only if one considers the resilience ‘of what, to what, and under what conditions’ (2001, p.767)

The next chapter, therefore, evaluates the ‘of what’ dimension of resilience in small to medium sized enterprises (SMEs) in order to obtain information about how SMEs – and particularly SMEs in developing countries – conduct their business operations, and identify certain characteristics of SMEs which might influence resilience in management.



## **CHAPTER 3 RESILIENT SMALL AND MEDIUM SIZED ENTERPRISES**

### **3.1 Introduction**

The previous chapter identified the characteristics of resilience and how this is perceived in different fields, in order to establish the meaning of resilience used for this research. One major emphasis, in the previous chapter, was given to the boundaries of a system when measuring resilience, i.e. “of what, to what, and under what conditions” that resilience operates. Therefore, the factors which influence resilience and how resilience is created under certain conditions require a definition of the boundaries of the system examined within the context of this thesis. This chapter, then, intends to evaluate resilience in terms of ‘of what’, as suggested by Carpenter et al. (2001), by understanding the characteristics of SMEs within the construction sector in North Cyprus and so begin to derive the meaning of resilience for the context of this research. The following chapter will finalize the definition of the boundaries of the system by evaluating the resilience ‘to what’ and ‘under what conditions’, by exploring the history and the characteristics of the construction sector in North Cyprus, and how the unstable external environment of SMEs there may affect their owner-managers.

This chapter, when exploring the resilience ‘of what’ will place particular emphasis on investigating the characteristics of the owner-managers in order to evaluate their strengths and weaknesses, and thus understand how disturbances may affect their management strategies. Since owner-managers are the major decision makers in SMEs, their personalities and perceptions, at the cultural level, are important factors to consider which may influence management strategies in SMEs. In light of this, the interactions between the prevailing culture of the owner-managers and the reactions of the owner-managers to the disturbances are investigated. Furthermore, emphasis is also given to the size of the businesses in relation to its external environment, since the majority of companies in North Cyprus are small in size (Tanova, 2003; Tumer,

2003), and smallness brings with it a different culture and management style in businesses (Tanova, 2003).

North Cyprus is mostly referred to as a developing country in the literature, where the characteristics of small economies (detailed information on small states and islands are provided in Appendix A) and developing countries play a significant role in shaping the strategies of businesses operating in those environments (Tanova, 2003; Egemen and Mohamed, 2006; Günçavdi and Küçükçifçi, 2009). Therefore, this chapter will also investigate the culture of organizations and SMEs in construction in developing countries in order to evaluate the challenges faced by SMEs according to their economic and cultural setting. This research acknowledges that the meaning of ‘developing country’ is difficult to define, and that each developing country does not possess the same socio-economic and resource characteristics or future prospects. The attempt is to summarize the most common characteristics of the developing countries in the literature and to identify how North Cyprus SMEs may or may not differ to other developing country SMEs, particularly when developing strategies that might affect their resilience.

### **3.2 The Small and Medium Size Enterprise (SME)**

SMEs are at the heart of global business (OECD, 2010) and comprise the largest business sector in every world economy (Birch, 1989; Storey, 1994 and 2000; Culkin and Smith, 2000). As such, their sustainability is paramount to the economies of the countries in which they operate given that they are the key drivers of employment and economic growth (Ghobadian and Gallear, 1996; Wang, Walker and Redmond 2007; Ates and Bititci, 2011; Bhamra and Dani, 2011).

In North Cyprus, 99% of all enterprises are SMEs and provide 65% of private sector jobs (Eyupoglu and Samer, 2011; Unlucan, 2010). Although no recent data is available about the number of the employees in SMEs in North Cyprus, Lisaniler (2004) demonstrated that 88.5% of SMEs there employ less than five people, 6.9% employ 5-9 people, 3.9% employ 10-49 people, and 0.7% employ over 50 people.

Before this chapter investigates SMEs characteristics for resilience, the following section first explains what SMEs are and how they are defined within the context of the thesis. Since North Cyprus relies heavily on financial aids from Turkey and uses Turkish Lira as currency (Okumuş, Altınay and Arasli, 2005; Yilmaz, 2005), the Turkish definition of SMEs is also presented.

### **3.2.1 DEFINITION OF SMEs**

There is no universal definition of SMEs, and the definition changes from country to country (Unlucan, 2010; Gupta, Guha and Krishnaswami, 2013). Some countries use the turnover of the company as the basic definitional benchmark, whereas others use fixed investment, the number of employees, sales volume and worth of net assets in order to determine the size of an enterprise.

In the EU, there are approximately 23 million SMEs employing more than 75 million people, comprising 99.8% of all businesses (EU Commission Turkey Office, 2005; EU Commission, 2003). The EU Commission (2003) uses a standard definition of SMEs, classifying them according to the number of employees, turnover, or the size of the balance sheet, and one or other of three definitions could be used as a measurement of size. Medium-sized enterprises employ less than 250 persons; their turnover does not exceed €50 million and/or their annual balance sheet total does not exceed €43 million. Small enterprises employ less than 50 persons, with a turnover and/or annual balance sheet total not exceeding €10 million. Micro enterprises employ less than 10 persons, and their turnover and/or annual balance sheet total does not exceed €2 million. Table 3.1 provides a summary of the EUs definitions of SMEs and their different categories.

Until 2005, there was no agreed definition of SMEs in Turkey, and every institution that was dealing with SMEs was using a different definition (Kaya and Alpan, 2012). In November 2005, as part of the EU adaptation process under regulation 2005/9617, the Turkish government introduced the EU version of the SME definition as the common definition; this has been in force since December 2006. The Turkish Cypriot Chamber of Industry (TCCI), however, still uses its own version of the

**Table 3.1: EU definition of SMEs**

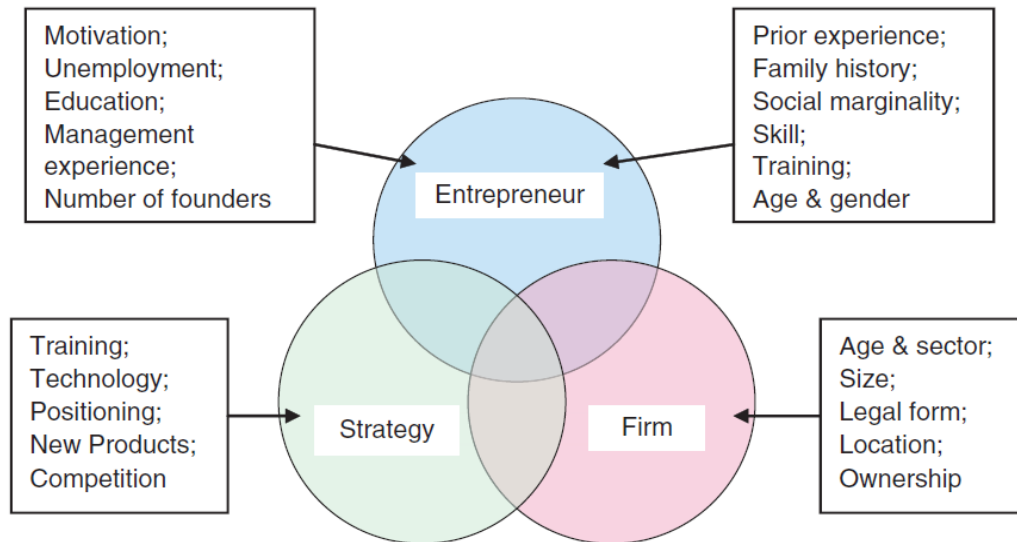
Enterprise category	Headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

Source: EU Commission, 2003

definition of SMEs for its members, and its categorization is different to the EU definition (Sertoglu, Varer and Besim, 2012). TCCI’s definition of SMEs in North Cyprus is based on the number of employed, with the following categories: micro firms (1-5 employees), small firms (6-49 employees), and medium-sized firms (50-99 employees). Since North Cyprus is neither an internationally recognized country nor an EU member yet, the TCCI’s definition of SMEs has been adopted for this research given the specificity of the context at hand.

It is widely acknowledged that small firms are important engines of growth in modern industrialized economies (Storey, 1994; Kotey and Meredith, 1997). Small businesses provide financial opportunities and a chance to develop wealth. They are a space where creative, motivated individuals can use their talents and expertise to the fullest.

The personal characteristics of SME owner-managers are also defining factors of SME success, in addition to the sector type, location and strategies of the firm. Owner-managers’ education background and experience in management, family history, age, gender, and motivation levels are all significant to SMEs’ growth (Storey, 1994; GuptaGuha, and Krishnaswami, 2013). The factors that reinforce growth and ultimately help the success of small businesses are depicted by the framework suggested by Storey (1994), as shown in Figure 3.1. The growth and success of small firms have also been linked with their ability to absorb learning and accumulate the knowledge necessary for the next growth phase, indicating that the ‘absorptive capacity’ of a firm is related to the firm’s sustainability (Phelps, Adams and Bessant, 2007).



**Figure 3.1: Determinants of Small Firm Growth (adapted from Storey, 1994)**

### **3.2.2 CHARACTERISTICS OF SMES**

In order to understand the strategic behaviour of SMEs and how resilience is created under disturbances, it is necessary first to understand the characteristics of SMEs.

There has been a vast amount of research into the characteristics and management of large firms (Crawford, 2000; Edum-Fotwe, 2000; Suikki, Tromstedt, and Haapasalo, 2006) and SME's in developed countries (Man, Lau and Chan, 2002; Mazzarol, 2004; Ayyagari, Beck and Demirguc-Kunt, 2007; Bhamra, Dani and Burnard, 2011). However, to date there is limited research on SMEs' resilience and how they respond to disturbances (Herbane, 2010; Runyan, 2006; Sullivan-Taylor and Branicki, 2011), and only a minority of studies on the resilience specifically of SMEs operating in the construction sector (Wedawatta, Ingirige and Amaratunga, 2010)

SMEs differ from larger firms in terms of their organizational structures, how they respond to the environment and, most significantly, in how they compete with other firms (Storey, 1994; Man, Lau and Chan, 2002; Sullivan-Taylor and Branicki, 2011). As Storey states: "a small firm is not to be seen as a scaled down version of a larger firm" (1994, p. 86). Some specific SME characteristics that can be seen to be different from larger firms are: limited resources (financial, access to expertise and technology); rapid response to environmental change and turbulence (their smaller size can mean greater flexibility in decision making); little bureaucracy; shorter

decision chains; flat layer of management; fast learning and quick adaptation strategies (Vossen, 1998); limited market; lack of capital for recovery; lack of planning (Runyan, 2006); the effect of individual attitudes and organizational culture on responsiveness (Petts, 1998); and business sector and perceived exposure to risk (Luo, 1999; Yan and Chew, 2011 ).

As Vossen (1998) states, the disadvantages of the larger firms can be the advantages of SMEs and vice versa. Although SMEs operate with greater external uncertainty in their environment (Storey, 1994), this might enhance SMEs' flexibility and responsiveness (Stokes, 2002). Among the abovementioned characteristics of SMEs, some might affect SMEs' strategies during adverse times that might also induce SME's resilience (Gunasekaran, Rai and Griffin, 2011; Sullivan-Taylor and Branicki, 2011); namely, the fact that SMEs have little bureaucracy and a culture of informality, flat layer of management, a less hierarchical, managerial characteristics, like multi-tasking, and the agility to respond to situations that require fast adaptation.

Resource constraints such as access to finance, lack of technological resources and human resources are typically listed as the most vulnerable characteristics of SMEs, with limited access to finance defined as their most significant vulnerability that can, in turn, influence their resilience (Vossen, 1998; Bhamra and Dani, 2011; Sullivan-Taylor and Branicki, 2011) in addition to their size. For example, Beck and Demirguc-Kunt (2006) identified that limited access to formal financial aid is a major constraint for SMEs' growth, and also constrains SMEs' sustainability. Consequently, SMEs tend to finance a larger share of their investment informally, through moneylenders, or family and friends. Kitching, Smallbone and Xheneti (2009) acknowledge the difficulties that SMEs face with financial availability, but suggest that SMEs seeking these alternative sources of finance may increase their flexibility and thus their performance in adverse economic conditions. These alternative sources may also reduce certain bureaucratic challenges and costs that larger firms can face owing to their size.

In summary, even though the size of SMEs limits their resource availability, these constraints can enhance their flexibility and responsiveness. This latter are SMEs key strengths in the face of disturbances (Sullivan-Taylor and Branicki, 2011). However,

the behavioural characteristics and cultural orientations of the owner-managers of SMEs are also highly influential factors on SMEs' overall approach to business (Lloyd-Reason and Mughan, 2002). They thus need to be evaluated in order to understand how SME strategies may be influenced by owner-manager behaviour and how these behaviours, in turn, may affect resilience. The following section considers this.

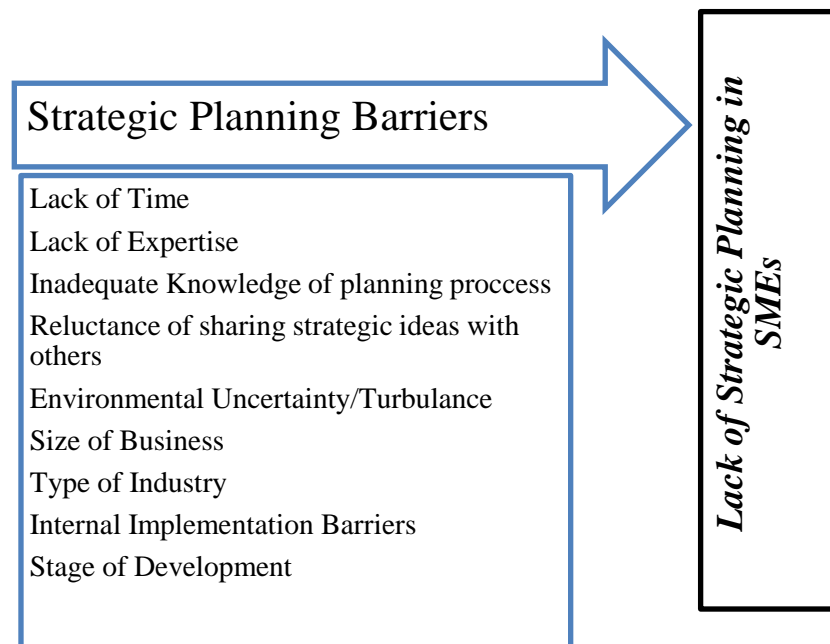
### **3.2.3 OWNER-MANAGERS OF SMEs**

This section investigates SME owner-managers within their cultural context, and how their personal behaviours influence SME strategies in times of disturbance. As Bhamra, Dani and Burnard (2001) emphasize, resilience is also related to individual responses to disturbance, in addition to the macro responses of the organizations. Keong and Mei (2011) further suggest that resilient SMEs, since they employ fewer people, should also possess and reflect the resilient characteristics of the owner-managers themselves. Moreover, since SMEs are mostly family owned and run by the owner-manager, it is arguably only natural to suggest that understanding SMEs resilience can also help in exploring resilience in human beings more widely (Keong and Mei, 2010).

One of the major differences between big businesses and small businesses is the separation between owners and managers (Vos and Roulston, 2008). In small businesses, the owner and the manager are often the same person, where the owner is responsible for all decision making (Jennings and Beaver, 1997; Vos and Smith, 2003). Furthermore, the family members of the owner-manager are also involved in the decision making process. SMEs usually have an informal management style and a considerable number of family members employed in the firm (Storey, 1994). Owner-managers tend to hire family members for key positions in order to maintain tight control of the strategic decision-making process. Consequently, to maintain control over family members themselves, the owner-managers usually restrict the firm's growth (Ofori, 1991; Bratkovic, Antoncic and Ruzzier, 2009).

Wang, Walker and Redmond (2007) emphasize that SME owner-managers who plan are less likely to fail. However, it has been commonly observed that owner-

managers' tend to display an absence of formal business planning. This is attributed to elements such as: i) a lack of time to devote to strategic activities; ii) lack of knowledge about how to plan; iii) inadequate planning skills; and iv) unwillingness to share strategies with others or commit ideas to paper (Robinson and Pearce, 1984; Lloyd-Reason and Mughan, 2002; Mazzarol, 2004; Wang, Walker and Redmond 2007). These reasons are highlighted in Figure 3.2. Due to these shortcomings, many small enterprises fail to adjust in response to environmental changes, the introduction of new technology or similar developments (Wang, Walker and Redmond, 2007). When the skills and experience of the owner-manager become outdated, the enterprise slips into stagnation (Eyiah and Cook, 2003).



**Figure 3.2: Barriers of Strategic Planning in SMEs (adapted from Wang, Walker and Redmond, 2007)**

Nevertheless, it has been shown that the degree of owner involvement in small businesses is proportional to its performance (Kotey and Meredith, 1997; Vos and Smith, 2003; Kozan, Oksoy and Ozsoy, 2006). Kotey and Meredith's research in manufacturing identified that the personalities of the owner-manager are a key aspect of how they run their businesses, and that their personal values and goals are indistinguishable from the goals of their businesses. It has also been suggested that owner-managers' personal values influence the strategies they adopt in operating their businesses and, ultimately, the performance of their businesses (Jennings and



Beaver, 1997; Vos and Roulston, 2008). The management activity of SMEs expands and contracts depending on the characteristics of the owner-manager and, as Jennings and Beaver state, is “conditioned by the adaptive needs of the context in which the business operates” (1997, p. 64). This also means that the strategy management process cannot be considered as a ‘reduced scale’ version of the professional management practices in larger organisations. Strategy in SMEs is informal and intuitive, and is shaped in the mind of the owner-manager.

Even though the disadvantages and challenges that SMEs face have been shown to limit their growth, Mazzarol (2005) emphasizes that restricting growth can be a deliberate strategy whereby SMEs seek to avoid risk, uncertainty, new capital investment, hiring new employees, and transferring responsibilities. Mazzarol (2005) further states that the expansion of SMEs is as difficult as expansion in larger firms. Therefore, growing or not growing can be a strategy that can induce flexibility in SMEs which, in turn, may enhance their resilience. As Vossen (1998) and Sullivan-Taylor and Branicki (2011) show in their research, the characteristics of smallness bring with it the characteristics of resilient SMEs.

According to Cooper, Estes, and Allen (2004) and De Vries and Shields (2005), resilience can be defined as ‘set of qualities’ rather than a set of specific characteristics, and is a construct of personal and behavioural qualities including: flexibility, motivation, perseverance and optimism. These are explained in further detail as follows:

- *Flexibility*: being tolerant and adaptive during a state of disturbance, and welcoming change rather than resisting it. Resilient people accept changing circumstances even if they do not know what is going to happen. Flexibility allows a quick and effective response to disruptions (Burnard and Bhamra, 2011).
- *Motivation*: self-efficacy and a need for achievement and autonomy. Resilient people focus on the relationship between beliefs, values, goals and action. They do not perceive barriers limiting what they can achieve;

moreover, motivated people experience a sense of self-confidence and pride in their accomplishments.

- *Perseverance*: being very accepting of situations, determined and responding well to disturbances (De Vries and Shields, 2005). This also refers to the length of time an individual will remain in a situation in which rewards do not match needs (London, 1993).
- *Optimism*: a positive outlook and viewing failure differently. Resilient people do not mind taking risks during uncertain conditions and do not think about how things will turn out; they also know how to manage the stress coming from uncertainty.

### **3.2.4 CULTURE AND STRATEGY IN SMEs IN DEVELOPING COUNTRIES**

Hofstede (1980), one of the most influential researchers on organizational culture, claims that national culture has the greatest impact on organizational behaviour. Additionally, the management activities and behaviour of the owner-managers within an organization are dictated by the culture of that particular society, even though culture is highly informal and perceptual (Ghobadian and Gallear, 1996). The meaning of success in SMEs is thus related to the meaning of success to the owner-manager, and also to the cultural context (Ghobadian and Gallear, 1996; Kotey and Meredith, 1997; Ahmad and Seet, 2009).

Schein defines organizational culture as: “as the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration” (1984, p.3). This culture has also been defined as the “norms, values, and informal beliefs held by people in organizations” (Ghobadian and Gallear 1996, p.87). These values have a great influence on the standards that guide and determine actions and attitudes toward objects, situations and ideology, in addition to emotions, thinking, and behaviour (Hofstede, 1980; Kanungo and Jaeger, 1990). Hofstede observed that: “there is something called management” (1993, p.88) in all countries, but how it is perceived from one country to another differs depending on the prevailing culture, history and other local conditions in that particular society. He then describes culture as a construct that “is not directly accessible to observation but inferrable from verbal

statement and other behaviours, and useful in predicting still other observable and measurable verbal and nonverbal behaviour” (1993, p. 89).

Culture, in an organizational context, can be understood in terms of the four dimensions suggested by Hofstede (1980). A fifth dimension is added to the list by Kanungo and Jeager (1990) and Hofstede (1993); these five dimensions are explained as follows:

(1) *Power distance* is “the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally” (Hofstede, 1980, p. 45).

(2) *Uncertainty avoidance* is “the extent to which a society feels threatened by uncertain and ambiguous situations by providing career stability, establishing more formal rules, not tolerating deviant ideas and behaviours, and believing in absolute truths and attainment of expertise” (Hofstede, 1980, p. 46).

(3) *Individualism versus Collectivism*: “*individualism* implies a loosely knit social framework in which people are supposed to take care of themselves and their immediate families only, while *collectivism* is characterized by a tight social framework in which people distinguish between in-groups and out-groups; they expect their in-groups (relatives, clan, organizations) to look after them, and in exchange for that they feel they owe absolute loyalty to it” (Hofstede, 1980, p. 45). In collective societies, the emphasis is on the context rather than the content (Triandis, 2006).

(4) *Masculinity versus Femininity* denotes: “the extent to which the dominant values in society are ‘masculine’; that is, assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people” (Hofstede, 1980, p. 46). The opposite pole of masculinity is femininity.

(5) *Long-term versus Short-term Orientation*: Long- term oriented cultures are oriented towards the future, whereas short-term oriented cultures are oriented towards the past and present, where respect for tradition and fulfilling social obligations precede considerations about the future (Hofstede, 1993, p.90).

It should be borne in mind that not each individual in a nation will have all the characteristics assigned to that culture but, rather that culture prevails over individual characteristics (Hofstede, 1980). Kanungo and Jaeger (1990) defined these characteristics, identified by Hofstede (1980), as either being externally or internally influenced, explaining this by stating: “every organization must deal with the management of its internal (socio-technical) and external environments, i.e. the management of the people and technology within the organizations as well as the management of relations with the environment external to or outside the organization” (Kanungo and Jaeger, 1990, p. 2)

According to Kanungo and Jaeger (1990), every organization has an internal work culture of its own, which reflects the behaviour or practice of both management and the workers. Since organizational functioning depends on the behaviour and attitude of people within a given society, organizational behaviour is extremely influenced by the socio-cultural environment within which the organization is operating (Hofstede, 1980; 1993; Kanungo and Jaeger, 1990; Ahmad and Seet, 2009).

Using the cultural dimensions posited by Hofstede (1980), Kanungo and Jaeger (1990) have characterized the external environment of developing countries using the context and attitudes of people in developed countries as a threshold (see Table 3.2). The external environment in developing countries is defined as one where predictions of events are low and where the availability of resources is difficult. The behaviour of the socio-cultural environment is defined as relatively high on the level of uncertainty avoidance and power distance, and relatively low on individualism and masculinity. On the other hand, the internal dimensions of organizations in these societies are explained as having an external ‘locus of control’, with low creativity and flexibility (Kanungo and Jaeger, 1990). The time perspective of the organizations in developing countries is short-term and ‘past and present’ oriented, where their actions are usually reactive or passive when performing a task, and context-determined rather than principle-dominated. These organizations also tend to

**Table 3.2: Cultural dimensions on which organizations in developing countries differ**

<b>CULTURAL DIMENSION</b>	<b>CHARACTERISTICS</b>
<b>A. Characterization of Economical and Political Environments</b>	
Predictability of events	Relatively Low
Degree of difficulty in obtaining resources from the environment	Relatively Difficult
<b>B. Characterization of socio-cultural environment</b>	
Uncertainty avoidance	Relatively High
Individualism-Collectivism	Relatively Low Individualism
Power Distance	Relatively High
Masculinity-Femininity	Relatively Low Masculinity
<b>C. Characterization of internal work culture (management values and climate of beliefs and assumptions)</b>	
Causality and control of outcomes	External
Creative Potential	Limited
Malleability	Fixed
Time Perspective	Past and present oriented
Time units for action	Short term
Task orientation	Passive/reactive
Success orientation	Moralism
People orientation	Authoritarian/ paternalistic
Environment orientation	Context dependent

Source: Adapted from Kanungo and Jeager (1990).

judge success on moralism derived from traditions and religion, and have a paternalistic management style (Kanungo and Jaeger, 1990; Hofstede, 1993).

These cultural aspects are closely interrelated with the degree of SMEs' success in developing countries (Ahmad and Seet, 2009). For example, some authors (Liu, Shen and Shen, 2004; Nguyen, 2007) recommend the application of Western management processes in developing countries. Specifically to the interest of this thesis, Ofori (1991, 2000) states that the construction industry is different in every country owing to the prevailing culture's influence over organizations. Likewise, Ofori (2000) acknowledges that the application of universal solutions is not practical to overcoming the challenges in the construction industries of developing countries, suggesting instead that practices, procedures and relationships should be formulated and modified to suit the culture and context of each country. For example, as Vachon and Mao (2008) identified new management strategies like 'Supply Chain Management' and partnering associated with the supply chain management have a strong relationship with social sustainability in developing countries in manufacturing and are approaches used to elevate the social responsibility of international companies' operating overseas. Even though, as Ozorhon et al. (2010)

state, qualified human resources capable of new approaches in management in construction is scarce, “sharing knowledge and best practice along the supply chain [in construction] can improve the culture and skills of the workforce and it is therefore crucial for project success”. Ozorhon et al. (2010) further state that “new methods are jeopardizing for construction industry since changing traditional way of working is not an easy task...devotion to innovate [e.g. supply chain management] is the key to break the industry’s resistance to change” (pp. 40). Ozorhon et al. (2010) also showed that inexperience, reluctance, and cost were the main reasons for avoiding management approaches like supply chain management, and these issues could be overcome by creating trust through partnering and that “longer term benefits will accrue if the supply chain remains together and works on follow on projects” (p.21).

### **3.3 SMEs in the Construction Industry in Developing Countries**

One of the most powerful driving forces (and components) of the knowledge economy is globalization. Studies have shown that globalization will have both positive and adverse consequences on construction industries in developing countries (Ofori, 1999; Ofori, 2000). Although the large number of small construction firms is not necessarily undesirable and is a fact of life in small economies, many of them have little prospect of growth and development (Wang, Walker and Redmond, 2007).

Globalization in developing countries introduces international capital and financial structures that enable the implementation of projects, such as those of major infrastructure. Direct foreign investment in projects leads to an increase in construction demand, creating work opportunities for local firms. In addition, competition created by international investment lowers the costs of projects and allows local firms to adapt. This, in turn, encourages technology upgrading in the local industry and further development of local firms, thus giving them greater weight in competitive markets.

However, globalization also puts local companies in developing countries at a disadvantage when competing with international firms. This is often owing to local firms' lack of funds, expertise, technical and managerial capacity to undertake foreign-funded projects (Ofori, 2000). Even though globalization may allow local companies to grow, it can also be argued that globalization may do just the opposite; that is, local firms may be prevented from growing by the introduction of international firms (Hillebrandt, 1999). International firms may also choose not to transfer more advanced technologies to local ones, or local firms may not be at the stage of maturity necessary to utilize the acquired expertise from technology transfer and benefit from it (Carrillo, 1994). Figure 3.3 highlights the advantages and disadvantages of globalization to the construction industries of developing countries, as argued by Ofori (2000).

Many authors (Ngowi, 2002; Frimpong, Oluwoye and Crawford, 2003; Nguyen, 2007; Thwala and Phaladi, 2009) depict the construction industry in developing countries as being relatively weak and facing severe problems. As a result, construction works in these countries are characterized by delays, high costs, poor quality of work, low productivity and inefficiency. Some of the challenges that might present themselves in these countries include: import dependency; shortages of skilled labour; a low degree of local participation in contracting; inadequate production, low quality and high price of materials; lack of capital; lack of equipment and tools; and poor quality of management. These problems are then exacerbated by the policies, practices and procedures applied.

Advantages	Disadvantages
<ul style="list-style-type: none"><li>• International financial aid supports the implantation of major infrastructure projects and others</li><li>• Foreign aid increases construction activity, creating opportunities for local firms</li><li>• Competition among foreign firms lowers the costs of projects to developing countries</li><li>• International firms can offer knowledge and technology to local firms, which can aid the upgrading of the industry</li></ul>	<ul style="list-style-type: none"><li>• Local construction firms lack the funds to undertake privatized projects</li><li>• Local construction companies lack the resources to undertake most of the foreign funded projects</li><li>• Local firms cannot compete with foreign firms, which might prevent them from growing.</li><li>• Local firms might not be in a position to benefit from technology and knowledge transfer, or to utilize these transfers.</li></ul>

**Figure 3.3: Advantages and disadvantages of globalization for construction industries in developing countries**

Source: Adapted from Ofori, (2000).

For example Nguyen (2007) observed that political and social systems, cultural blocks, lack of financial support, lack of training, unrealistic project plans and completion dates present major obstacles to implementing appropriate management processes in Vietnam. Cheah (2005) observed an expansion in construction work in China, but noted that most local enterprises lacked the vision, knowledge and resources to capitalise on the growth opportunities. Ofori (1991) also observed problems associated with the performance of construction firms in developing countries such as Malaysia, Sri Lanka, Southern African countries and Singapore. Some of these problems include: management’s unwillingness to employ qualified personnel; a reluctance to delegate responsibility to others, especially where this involves monetary transactions such as the purchasing of materials; informal arrangement of organizations; and poor financial management. Thwala and Phaladi (2009) further identify some of the disadvantages of the construction industry in Africa as: inadequate finance and inability to obtain credit from suppliers; inability to employ competent workers; poor pricing, tendering, and contract documentation skills; lack of entrepreneurial skills; lack of proper training; lack of resources for either large or complex construction work; lack of technical, financial, contractual, and managerial skills; and late payment for work done. Figure 3.4 summarizes the



most common challenges that developing countries might face, as discussed in the literature.

External	Internal
<ul style="list-style-type: none"><li>• Political and social systems</li><li>• Cultural blocks</li><li>• Lack of financial support</li><li>• Late payment for work done</li><li>• Import dependency</li><li>• Low quality and high price of materials</li><li>• Skills shortages</li></ul>	<ul style="list-style-type: none"><li>• Informal arrangement of organizations</li><li>• Lack of training</li><li>• Lack of resources</li><li>• Unrealistic project plans and completion dates</li><li>• Lack of vision</li><li>• Low productivity and inefficiency</li><li>• Lack of knowledge</li><li>• Poor pricing, tendering, and contract documentation skills</li><li>• Lack of technical, financial, contractual, and managerial skills</li></ul>

**Figure 3.4: Most common challenges faced by construction firms in developing countries**

Some of the commonly identified problems of construction industries in developing countries relate to the nature of the construction industry’s process and culture (Ofori, 1999). In addition, the weak economies of developing countries lie at the root of many of these problems. Owing to its linkages, the construction industry’s effectiveness and efficiency depend on the level of development of several sectors of the economy. The construction industry in any country should be viewed in its economic, social, political and administrative context (World Bank, 1984; Ofori, 1999).

### **3.3.1 SMALL CONTRACTOR**

According to the United Nations Centre for Human Settlements, construction is seen as “perhaps the most complex business activity. The management of a construction organization, even one undertaking the smallest and most simple projects requires the combination of several skills: technical, managerial, political and social” (1996, p. xiii).

Many researchers (Ofori, 1991; Eyiah, 2001; Eyiah and Cook, 2003; Acar, Koçak and Arditi, 2005; Murphy and Ledwith, 2006) have pointed out the challenges of defining the ‘smallness’ of a firm in construction, often highlighting that the number of employees is not the only indicator of size. According to the United Nations Centre for Human Settlements, the characteristics of the small contractor in this industry are different to and more complex than those of a general small business, describing the small contractor as: “a company operating at, or near the basic entry level in the construction industry, with limited physical resources, usually as a sole proprietorship or simple partnership, and with the owner-manager involved in most of the company’s key activities” (1996, p.xiv).

Eyiah (2001) points out that in many developing countries, construction industry contractors are categorized into specific classes (from low to high) based on several factors including their turnover, experience in undertaking certain types of project, equipment and plant holdings, and managerial and technical capacities. Consequently, a contractor, particularly one in the lower classes, could undertake only specific types of project (in terms of size, contract sum, nature); Eyiah (2001) thus suggests that class identification could also be used as a good proxy in order to identify the size of a contractor.

Acar, Koçak and Arditi (2005) agree that defining the boundaries of smallness for construction companies is complicated, but choose the number of employees within the company as a threshold for defining smallness. Eyiah (2001) explains that these complications occur because lateral (e.g. strategic alliances) and vertical (e.g. subcontracting) networking opportunities allow even the smallest firms to undertake projects disproportionate to the human and non-human resources available to them.

Ofori (1991) also states that the definition of a small or large contractor would vary from one country to another and, in each country, would also depend on the criterion or criteria for classification adopted. Ofori suggests that this may be one particular criterion or a combination of several, such as annual turnover, number of employees or maximum size of project undertaken. Even though there may exist problems with each method of categorization, it is nonetheless possible to group organizations in each country into small, medium-sized and large firms by adopting one or more of

these criteria (Ofori, 1991). As stated previously in section 3.2.1, the TCCI's definition of SMEs has been adopted for this research.

In every country, small contractors dominate the construction industry in terms of numbers. For example, as stated by Sexton and Barret (2003), 99% of UK construction firms in 1999 with between 1-59 staff delivered some 52% of the industry's workload. UK construction is one of the largest industrial sectors contributing 10% of gross domestic product (Dainty, Ison and Briscoe, 2005). In Australia, Love and Irani (2004) note that 94% of businesses in this sector employ fewer than five people and that construction SMEs provide employment for 9% of the total workforce.

The small construction company in a developing country is often a sole ownership. The owner-managers of such firms have a variety of educational backgrounds and experience. Some are graduates or technician diploma holders with experience in construction. Some might have skills as former craftsmen, suppliers or similar. Others have no technical qualifications or practical experience in construction (Storey, 2000)

The level of education, according to Bates (1995), is the most important factor in identifying entrants into different sectors. Bates (1995) shows that people starting construction businesses have different backgrounds to owner-managers in other sectors that also require skills and education, and that the probability of entry into self-employment in construction decreases as the level of education increases. This is the opposite trajectory to other skilled services, where the probability of entry increases with increased education. Table 3.3 depicts this and Bates' findings, where education level is negatively correlated to the entry process in construction.

**Table 3.3: Probability of entry into the construction industry**

<b>EDUCATION LEVEL</b>	<b>Skilled services</b> (logistic regression)	<b>Construction</b> (logistic regression)
EDUC1 (high school graduate)	0.73	-0.246
EDUC2 (some college education)	1.459	-0.292
EDUC3 (college graduate)	1.827	-1.030
EDUC4 (post-graduate)	2.452	-1.138

Source: Bates (1995) in: Storey (2000).

The same study (Bates, 1995) also shows that the number of years of work experience is not relevant to self-employment entry into construction. As a result, Bates suggests that experience and education have no relevance when starting a small construction business, whereas human capital with specific characteristics is more important in this process. Research by Keong and Mei (2011) also suggests that the characteristics of SMEs in construction cannot be separated from the characteristics of their owner-managers, supporting Bates' (1995) claim.

Small contractors are also characterized as heterogeneous; they vary by size and in terms of skills, capabilities, resources and prospects. Small contractors have some key strengths, but also several significant weaknesses and problems. As the United Nations Centre for Human Settlements report states, their nature, especially their flexibility and mobility means that “small contractors can add depth, vitality, and resilience to a nation’s construction industry. Their improvement would raise the skill levels, capability and productivity of the local construction industry” (1996, xiv.).

The operations in construction SMEs in developing countries tend to be informal and irregular, and are determined to an extent by the background and culture of the owner-manager. Consequently, owing to the importance of goodwill in business relationships and the paternalistic management style in many of these SMEs, their financial flows – including winning contracts, obtaining materials, arranging for credit from banks and receiving interim payments from clients – are almost never

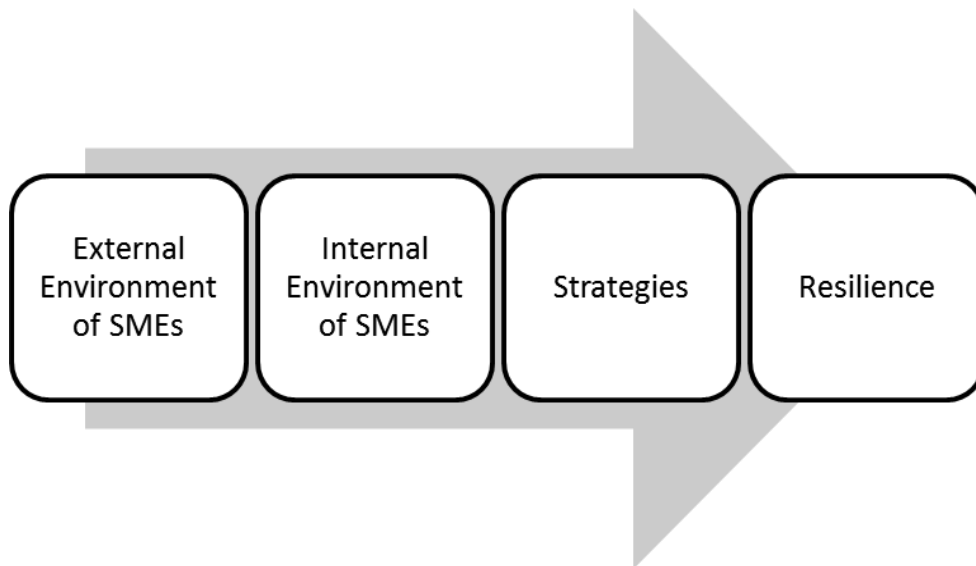
straightforward business transactions. The contractor, therefore, needs to have the right contacts and be familiar with much more than the formal procedures alone (Kanungo and Jeager, 1990; Ofori, 1991; Psaila, 2007).

Management in the construction industry requires a certain amount of flexibility to enable adaptation to rapidly changing circumstances, particularly changes in the characteristics of demand and the series of expansions and cutbacks that are typical of the industry. The owner or manager of a small business, when committing their enterprise to a contract, needs to comprehend and evaluate the risks as well as the obligations (both managerial and technical) which result from such a commitment (World Bank, 1994). Yan and Chew (2011) identified that construction SME performance was dependent on the external business environment and the strategies adopted by those SMEs in response to this. The dynamics and complexity of the environment, including economic and competitive conditions, market turbulence, government interference and competitive intensity, are important predictors of an organization's performance (Luo, 1999).

### **3.4 Summary**

This chapter aimed to evaluate the 'of what' dimension of resilience within the context of this thesis by identifying the characteristics of SMEs. One of the major findings of this chapter is that culture plays a great role in how SME owner-managers develop their strategies, and that these strategies are dependent on both the context and specific nature of their business. This chapter has also presented consistent evidence that small businesses are managed differently to larger firms, and their management strategies cannot be separated from the values, beliefs and the behaviour of the owner-managers of SMEs. Another finding is that the disadvantages typically attributed to SMEs in relation to their larger competitors may actually enhance SMEs' resilience when their owner-managers face disturbances. Certain personal characteristics of owner-managers have been identified as contributing to management strategies that are conducive to resilience. On balance, the external environment holds greater weight than the internal environment, eventually shaping

the SMEs characteristics and strategies, which can then influence resilience, as depicted in Figure 3.5.



**Figure 3.5: Summary of the factors influencing resilience in SMEs.**

According to these findings, therefore, the ‘of what’ dimension of resilience within the context of this thesis can be summarized as ‘construction SMEs in developing countries and the owner-managers of these SMEs’, where the external environment, including culture, is a dominant factor that influences resilience.

SMEs’ contribution to the economy and society is undeniable, as illustrated in the wide ranging literature on SMEs (Ates and Bititci, 2011; Bhamra and Dani, 2011; Sullivan-Taylor and Branicki, 2011; OECD, 2010). The organisations in small economies are largely constituted of SMEs (OECD, 2010), and SMEs’ survival in small economies is a key element to the survival of the whole community (Ayyagari, Beck and Demirguc-Kunt, 2007). As McManus et al. emphasize: “there is an intrinsic relationship between organisational resilience and improving the resilience of communities” (2007, p. ii). Therefore, understanding how these companies cope with disturbance is pivotal for the existence of their societies. However, SMEs’ inherent characteristics can, on the one hand, present certain managerial challenges and, on the other, prove advantageous in terms of how the SMEs manage disturbances. This dichotomy, perhaps, is the essence of how SMEs can develop

management processes to create resilience. As suggested by Ates and Bititci (2011), resilience in SMEs increases if SMEs are able to manage change and, with it, their adaptability and sustainability. However, the meaning of resilience in the context of SMEs has to be understood within the context of the research either as a feature, a measure, a philosophy or as a capability (Burnard and Bhamra, 2011). Additionally, almost all of the research investigating the resilience of SMEs is concentrated on how to increase the resilience of SMEs by developing strategies to minimize the effects of various disturbances, e.g. climate change, economic crises, etc. (Ates and Bititci, 2011; Burnard and Bhamra, 2011; Gunasekaran, Rai and Griffin, 2011; Vargo and Seville, 2011), rather than on how resilience is created through the interactions of SMEs with these disturbances and responses to manage them. Therefore, as the aims of this thesis imply, resilience in SMEs in this research is not about the measures taken to create resilience; rather, resilience is viewed as a process outcome.

Finally, combining the information provided in Chapter 2 and the information from this chapter, the working definition of resilience used in this study is as follows:

*“Resilience is the adaptation of management strategies of SME owner-managers in the presence of disturbances, by experimenting and adjusting themselves in the existence of disturbances throughout their history”*

With this description, this thesis places more emphasis on the management strategies that might reinforce survival rather than focusing on absorbing disturbances. Even though this research also seeks to understand the vulnerability of the organizations studied, the vulnerability of a system is not perceived as reciprocal of resilience; rather, vulnerabilities are considered as a function of the management strategies adapted by the SMEs.

In order to understand the disturbances faced by SMEs within the context of North Cyprus, the next chapter will evaluate the ‘to what’ and ‘under what circumstances’ aspect of SME resilience, in response to one of the aims of this thesis; namely, to identify the factors that influence resilience and how resilience is created in SMEs, using the infrastructure construction sector in North Cyprus as a case study.

It is important here to note that the concept of sustainability is not discussed within the context of this thesis. As Derrisen, Quaas, and Baumgärtner (2011) state, resilience and sustainability are independent concepts where sustainability is about “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p.8) whereas resilience, within the context of this thesis, is about managing disturbances.

Additionally the concept of corruption in organizations is also not emphasized within the context of this thesis since, as Jávör and Jancsics state, “there is little known about the forces that give rise to and sustain corruption within organizations...” and that “... it is very hard to study corruption up close, believing that those in the know will refuse to talk for fear of prosecution or retribution” (2013, p.1-2).



## **CHAPTER 4 THE CONSTRUCTION INDUSTRY IN NORTH CYPRUS**

### **4.1 Introduction**

In order to investigate the possible responses of SME owner-managers to disturbances in the environment they operate within, this chapter will investigate the construction sector in North Cyprus and how the infrastructure construction SMEs (SMEs) there are influenced by their environment. This thesis considers SMEs as part of a bigger system, as explained in Chapter 2, and how the relationships between the different parts of the system might influence the resilience of these SMEs.

Carpenter et al. (2001) state that the concept of ‘resilience’ is meaningful only if one considers the resilience ‘of what, to what, and under what conditions’, as was explained in Chapter 2. The previous chapter investigated the resilience ‘of what’, i.e. SMEs and, specifically, SMEs operating in the construction sector in developing countries. This chapter will now investigate the questions of ‘to what’ and ‘under what conditions’ by first defining the external environment of the sector, with an emphasis on the history of North Cyprus and its current socio-political environment. Secondly, this chapter will investigate how the external environment is affecting the construction industry, with a focus on infrastructure construction. Finally, it is the intention of this chapter to try to investigate how owner-managers’ behaviour may be influenced by the external environment of their businesses. As the previous chapter has argued, SME strategies cannot be separated from the culture and the beliefs of their owner-managers.

It is also important to state that the information available about the construction sector in North Cyprus is very limited and mostly dates back to 6-8 years previously. Additionally, the existing infrastructure of the government limits access to reliable data and statistics relating to the construction sector in North Cyprus. Yitmen, Akiner and Taneri, in his work ‘Reviewing Construction Statistics in North Cyprus’ (2011), clearly states that research in this sector is challenging to conduct without

reliable statistics. It is also the observation of the researcher that conflicting dates and numbers are provided by the official government documents on the construction sector, and that the current researcher has tried to provide the most reliable and most recent information on North Cyprus's construction industry.

### **4.2 The Political and Economic Environment of the Construction Sector in North Cyprus**

#### **4.2.1 RECENT HISTORY OF CYPRUS**

The third largest Mediterranean island after Sicily and Sardinia, Cyprus is located in the East Mediterranean Basin 75 kilometres south of Turkey. The island has an area of 9,251 square kilometres and is divided into two states, as shown in Figure 4.2, with two different demographic structures. The population of Cyprus (the Republic of Cyprus), according to the last census (2011), is 840,407 (Statistical Service of Republic of Cyprus, 2014), and predominantly inhabited by Greek Cypriots. The amended population of North Cyprus in 2013 was recorded as 265,100, with the inhabitants predominantly Turkish Cypriots and Turkish (from Turkey). According to these numbers, the total population of the island is 1,105,507, where 76% of the population live in the Republic of Cyprus and 24% live in North Cyprus. The estimated population of the island in July 2014, according to Central Intelligence Agency (CIA), is 1,172,458.

Since 1974, the demographic character of North Cyprus has changed dramatically as a result of the population policies of the Turkish Government; today, the actual size of the Turkish Cypriot population is disputed (Trimikliniotis, 1999). The last census in 2011 by the State Planning Organization (SPO, 2012) of North Cyprus indicated that 45% of the total population living in North Cyprus were born there, 13% were born in the Republic of Cyprus (before the island was partitioned), and 37% of the population are from Turkey. According to the same report by the SPO in 2012, the rest of the population are minorities from other countries, with the biggest minority group living in North Cyprus being from the UK, which represents around 2% of the population. Of the total population, 67% have citizenship.

Cyprus as a whole has been an EU member state since 1 May 2004; however, the EU *acquis communautaire*, the rights and obligations that EU countries share (EU Commission, 2012), has been temporarily suspended in the northern part of the island due to the unresolved political situation. The following sections investigate how North Cyprus came into existence, with a brief description of the recent history of the island to provide further contextual background for the key aims of this thesis, as history is an important factor acting on SME owner-managers and on their perceptions and behaviours in strategy management.

### 4.2.2 CYPRUS BETWEEN 1960-1983

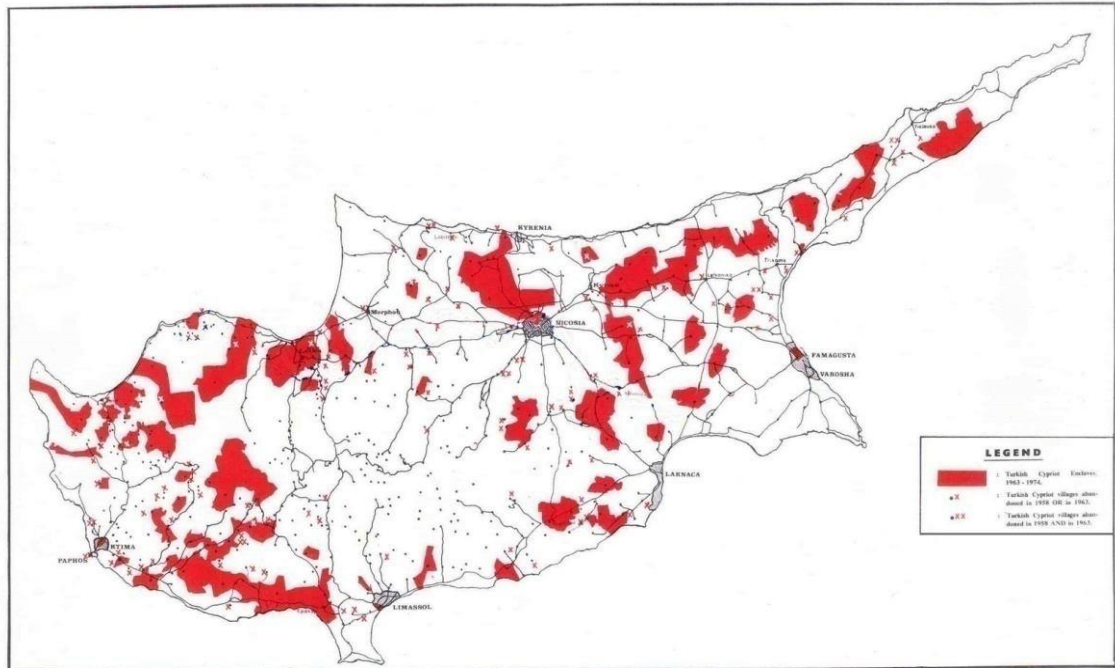
This section presents a historical overview of the 'Cyprus Problem', detailing how the economy and business environment of North Cyprus have been shaped over the years, and uniquely so given that North Cyprus is a *de facto* state, which will also be investigated. The information provided is from different sources, as stated in the references; however the main sources used are Tamkoç (1988), Diez and Tocci (2009), Lacher and Kaymak (2005) and Olgun (1999).

After being under British colonization, Cyprus gained its political independence in 1960 following the Treaty of Guarantee agreed by Cyprus, Greece, Turkey, and Great Britain. According to the treaty, the British Colonial policies constituted the first Cyprus Republic; however, the agreement only lasted until 1963 (Giannakos, 2001). The Greek Community were dissatisfied with the treaty from the very beginning (according to the Greeks, the treaty was too generous to the Turkish community, which only represented 18% of the population), and proposed an amendment to the treaty in 1963 to enable them gain more control over Turkish Cypriots; the amendment was rejected by Turkish Cypriots. This rejection subsequently triggered the disaggregation of the Turkish community (Theophanous, 2003), and Turkish officials either left or were forced to leave their public positions (Lacher and Kaymak, 2005). In the meantime, violence had started between communal paramilitary groups, which was initially only defensive and eventually became more hostile. The violence caused many deaths and the forced displacement of over 30,000 Turkish Cypriots from mixed villages to enclaves (see Figure 4.1), which only covered 3% of the island (Tocci, 2000; Lacher and Kaymak, 2005). In

1964, UN forces were sent to the island to prevent further fighting between the Greek and Turkish Communities (Tamkoç, 1988; Olgun, 1999; Diez and Tocci, 2009). During this process of displacement, many Turkish Cypriots were forced to leave their occupations, making it much harder for them to make a living (Lacher and Kaymak, 2005). The living conditions in the enclaves were recognised as inhumane; in some enclaves, for example, people lived in caves and tents, and it was not uncommon for more than one family to share a single house. The enclaves were economically embargoed by the (Greek Cypriot) government on strategic goods and services, no public expenditure was directed to the Turkish Cypriot community living in the enclaves, and freedom of movement and employment to Turkish Cypriots was denied (Lacher and Kaymak, 2005; Volkan, 2008).

The situation on the island became more problematic when the Greek government wanted to dissolve Archbishop Makarios' Government (the leader of the Republic of Cyprus at the time) (Tamkoç, 1988). Following the military coup in Greece and increasing Greek interference in the internal affairs of Cyprus, tensions between Greece and Cyprus reached to a peak, which led the Greek National Guard staging a coup to overthrow Archbishop Makarios' regime on 15 July, 1974 (Olgun, 1999). Eventually, Turkey intervened and sent a military force to the island on 20 July 1974, invoking its rights of the Treaty of Guarantee of 1960 (Tamkoç, 1988). Consequent to the war in 1974, the two communities were completely isolated from each other and the island was divided into two separate parts bordered by a UN Buffer Zone, as shown in Figure 4.2, which is known as the Green Line and controlled by UN forces (Global Security, na). The UN forces in Cyprus are still responsible for controlling the Buffer Zone which separates the two communities. The Buffer Zone occupies 3% of the island and measures 180 km long, 7.4 kilometres at its widest point and 3.3 meters at its narrowest point, which is in central Nicosia, the capital for both the Republic of Cyprus and North Cyprus (Global Security, na). Following Turkey's intervention, Turkish Cypriots now control 37% of the island, and declared the independence in 1983 establishing the Turkish Republic of Northern Cyprus (TRNC), commonly called North Cyprus . Nevertheless, North Cyprus has not been granted international recognition, making North Cyprus a *de facto* state.

## CHAPTER 4 THE CONSTRUCTION INDUSTRY IN NORTH CYPRUS



**Figure 4.1: Cypriot Turk Enclaves, 1963-1974**

Source: TRNC Public Information Office in Öksüzoglu, 2010.

Note: The areas shaded in red represent the enclaves.



**Figure 4.2: Divided Cyprus after 1974**

Source: Global Security, <http://www.globalsecurity.org> (retrieved on 20/09/2011).

### 4.2.3 THE CONSTRUCTION INDUSTRY IN A DE FACTO STATE

#### 4.2.3.1 What is a de facto State?

In *de facto* states, instead of economic imperatives, politics is the utmost factor that determines the actions of the state; Lynch, for example, describes *de facto* states as “political animals” (Lynch 2004, p. 63). Therefore, it is vital for the purpose of this research that the definition and meaning of *de facto* is explained before analysing the characteristics of the construction industry in North Cyprus. In order to clarify this, it is first important to establish the meaning of a ‘state’ itself.

The international political system is composed of (nations) states. States enjoy double sovereignty both internally (*vis-à-vis* their own citizens), and externally (*vis-à-vis* other states) (Kolstø, 2006). Internally, the authorities collect taxes for providing services to its inhabitants and, externally, they are legally recognized by other states. However the definition and concept of a state have both been subject to ongoing debate, with no precise definition provided in literature, as Tamkoç shows in his (1988) study. Article 1 of the Inter-American Convention on Rights and Duties of State is the only (traditional) definition found, under international law, laying down a basic criterion for ‘statehood’, and was accepted and signed at Montevideo, Uruguay, on December 26, 1933. Accordingly, Article 1 specifies that: “the state of person of International law should possess the following qualifications: (a) a permanent population; (b) a defined territory; (c) government; and (d) capacity to enter into relations with other states.”

As Pegg further observes, *de facto* (or secessionist) states seek full constitutional independence and international recognition because they view themselves capable of entering into relations with other states. Pegg provides the following definition of a *de facto* state:

The *de facto* state is a secessionist entity that receives popular support and has achieved sufficient capacity to provide governmental services to a given population in a defined territorial area, over which it maintains effective control for an extended period of time. The *de facto* state views itself as capable of entering into relations with other states and it seeks full constitutional independence and widespread international recognition as a sovereign state. (1998, p. 26)

However, *de facto* states are unable to achieve this recognition and are not acknowledged as legitimate states by the international community; they are also denied their seats at the UN and their place at international tables (Pegg, 1998). It is also important to note that the illegitimacy of these states would not change no matter how functional their government and economy is, unless there is a political solution. The recognition of a state's sovereignty entails a bilateral contract between two states; however, many states must recognize a new state before the latter can secure full membership in international society. That is to say, while unanimous recognition is not necessary, a 'critical mass' of acceptance must be reached prior to full participation as a state within the international community (Coggins, 2006). Furthermore, it is vital that this critical mass includes the Great Powers of the world. In addition, successful secession is impossible without the support of a powerful patron state. As another commentator states:

If the external powers are unable or unwilling to organize a powerful impetus to change the status quo, either by coordinating their mediation efforts or by agreeing on a single leading mediator, the *de facto* secession normally becomes more entrenched. Where there is international competition, the opposing parties gravitate into the economic, security and political sphere of their protecting power. This leads to a new equilibrium which stretches indefinitely into the future. (Coppeters et al. 2004, p.14)

Politically speaking, these states are referred to by several different names, such as 'de facto states', 'unrecognized states', 'para-states', 'pseudo states', and 'quasi-states' (Kolstø, 2006). For the purpose of this thesis, the term *de facto* will be used to define North Cyprus.

As has become clear, *de facto* states are 'internationally non-recognized states' (Kolstø, 2006). Currently, numerous *de facto* states exist in many parts of the world from Asia to Africa. In the group of limitedly recognized countries, North Cyprus, the area of the Republic of China that is widely known as Taiwan, Palestine and the Sahrawi Arab Democratic Republic, are examples. In addition to limitedly recognized countries, there exist completely unrecognized states; namely Abkhazia, Transnistria, Nagorno-Karabakh, Somaliland, Chechnya, Anjouan and South Ossetia (Pegg, 1998; Lynch, 2004). Most of these seven nations became *de facto* states as a

result of war; they have similar political, economical and ethical issues, and three of them have experienced over 10 years of cease-fire.

### 4.2.3.2 Business in *de facto* States

North Cyprus, is a *de facto* independent republic located in the north part of Cyprus. North Cyprus has received diplomatic recognition only from Turkey, on which it has become dependent for economic, political and military support (Tocci and Kovziridze, 2004). The rest of the international community, including the UN and EU, recognizes the sovereignty of the Republic of Cyprus over the territory of the North Cyprus, making North Cyprus a *de facto* state after North Cyprus declared its independence in 1983 (Olgun, 1999). Besides the active embargo, which is explained in the following section, North Cyprus also suffers from this general neglect of international recognition. Its diplomatic isolation prevents it from receiving nearly all non-Turkish external development assistance (Lynch, 2004; Diez and Tocci, 2009).

In the case of North Cyprus, the state not only has to deal with the inherent problems of being a small island, but also with the problems of being a *de facto* state. Consequently, economics and business in North Cyprus are closely related to the politics of the island, and the culture of business itself has adapted the characteristics of a *de facto* state or an illegitimate state, as referred to by some international communities. These characteristics can be found in the work of Lynch and (2004) and Pegg (1998), as follows:

- *De facto* states work in such a way that the new systems created ultimately serve the people who hold the power and elites who are associated with them.
- The business environment is distorted and deficient.
- They provide an optimum environment for a close-knit relationship between business, social elites and government, where they can utilize all the resources and power available without being subject to any regulation by an external body (e.g. the EU).
- There is no firm political determination, where authorities assign certain individuals to certain positions.



- There is deep economic weakness and extensive criminalization.
- There is a culture of corrupt corporatism.

These factors are closely related to the political and economic goals of the leadership in *de facto* states. As mentioned previously, *de facto* states are willing to enter into relationships with the other states, both politically and economically; notwithstanding this, however, the leadership is willing to trade economic benefits in order to maintain political separation (Pegg 1998, p. 42-43). The economic costs of non-recognition are substantial, and are incurred because the positive economic benefits of integration are less important to *de facto* states than their political goal, in contrast to recognized states. For example, on average, the per capita income of Greek Cypriots was four times higher than that of Turkish Cypriots just before the Annan Peace Plan in 2004 (Tocci, 2002; Lacher and Kaymak, 2005). Even though an overall settlement in the politics of Cyprus would alleviate many of the economic problems of the Turkish Cypriot population, the political considerations of North Cyprus have always held the greatest sway.

Being located on a small island already means that North Cyprus has limited resources and relies on imports from foreign destinations, adding excessive transportation costs and additional customs tax for businesses (Baldacchino and Milnes, 2000). In addition, as a *de facto* state, there are no direct flights to North Cyprus except from Turkey, nor can businesses export directly out of the country, making it more expensive and not financially viable for North Cyprus businesses to be involved in international markets (Isachenko, 2007; Isachenko, 2009).

### 4.2.3.3 The effect of political isolation

Financing a state is usually a difficult task for any government. In the case of *de facto* states, this is an immense challenge. Access to international aid is extremely limited under circumstances of non-recognition (Isachenko, 2009), which North Cyprus has been experiencing for almost 40 years.

The international community has imposed severe embargoes on North Cyprus and the Turkish Cypriot Community, which still persist. These embargoes have had

several consequences: trading directly with foreign countries from North Cyprus became impossible; travel documents issued to Turkish Cypriots by North Cyprus authorities are not recognized by the international community; direct flights to North Cyprus are not permitted; mail to and from North Cyprus can only travel through Turkey; Turkish Cypriots are not allowed to compete in sports in foreign countries, even on occasion in Turkey; and North Cyprus is not considered a safe place for foreign investment (Tocci and Kovziridze, 2004; World Bank, 2006; Isachenko, 2007; Günçavdi and Küçükçiftçi, 2009).

These economic and political embargoes that have been placed on North Cyprus for decades have inevitably affected its economy and governance. The Turkish Cypriot Competitiveness Report (Besim and Sertoglu, 2013) has been issued every year in North Cyprus since 2009 and is commissioned by the Chamber of Commerce to examine the condition of the Turkish Cypriot Economy. The first report of 2008-2009, and the reports that followed after, all emphasize the fact that, even though there are other factors that may be influencing the business environment in North Cyprus, the economic isolation and unstable political environment in Cyprus as a whole – beyond the control of North Cyprus alone – is the most significant factor influencing businesses in North Cyprus (Besim and Sertoglu 2013, pp.8-9; Mehmet and Tahiroglu, 2002). The 2012 report also identified other major barriers to the Turkish Cypriot economy; namely, the “small size of its market,” “limited financial market sophistication,” “deep-seated structural macroeconomic weakness and instability,” and “unsophisticated businesses and inefficient goods market” (Sertoglu, Varer and Besim 2012, p. 16).

If the states making up the international system rest on firm constitutional foundations and all parties have a good understanding of their geographic parameters, then the system as a whole benefits from greater certainty and is itself more stable (Grant, 2004). As an outsider to this system, the Turkish community in North Cyprus has been struggling for political recognition as a sovereign state by the international community since 1974 and has experienced serious isolation since Denktas, the first president of North Cyprus, declared the formation of the Turkish Republic of Northern Cyprus in 1983 (Günçavdi and Küçükçiftçi, 2009). Just two days after the declaration of independence on November 15, 1983, the UN Council

met in New York and issued Resolution 541(1983), which provided full support to the Greek Cypriot government's sovereignty over the entire island (Isachenko, 2007). Later, in 1984, the UN Council further issued Resolution 550 (1984), proposed by the Republic of Cyprus and Greece that then considered North Cyprus as a secessionist state set up by secessionist acts. Alongside this came European Court of Justice (ECJ) ruling, which prevented the entry of any goods into the EU that originated in North Cyprus, which at the time amounted to 72% of all North Cyprus exports (Akgün and Tiryaki, 2010; Tocci, 2002). As Tocci states: "this stagnant and unproductive economy has been to a large extent a result of the TRNC's international non-recognition and the economic embargoes imposed by the Republic of Cyprus and Greece and recently led by the EU" (2000, p.6).

The economy of North Cyprus is currently dominated by the services sector including the public sector, trade, tourism, and education, with smaller agriculture and light manufacturing sectors. As such, although the economy is small, it is also relatively inflexible (Sertoglu, Varer and Besim, 2012). The economy operates on a free-market basis, although it continues to be handicapped by the political isolation of Turkish Cypriots, the lack of private and public investment, high freight costs and shortages of skilled labour.

Even though these issues are similar to those experienced by other small economies, the effect of the isolation of North Cyprus is a major issue and a more significant problem than being a small economy alone, in terms of achieving economic sustainability. Being a *de facto* state exacerbates the challenges commonly faced by small states (e.g. small populations, limited domestic market, exposure to vulnerability, and limited resources), and prevents the *de facto* state's economy from competing for opportunities offered by the globalization process. The result is often behaviour described as 'rent-seeking' by Svensson (2000). That is, the "expenditure of resources in order to bring about an uncompensated transfer of goods or services from another person or persons to one's self as the result of a 'favourable' decision on some public policy" (OECD 2003, p.125). This behaviour slows economic growth and innovation (Murphy et al., 1993) and limits industrialization. Over time, this results in a relatively large, bloated public sector and a very small private sector

that is mainly engaged in commercial, import-oriented wholesale and retail trade (Baldacchino and Milne, 2000).

In 2004, the Turkish Society on the island accepted the proposed 'Annan Peace Plan' by popular vote for a solution to the chronic 'Cyprus Problem'; however, it was subsequently rejected by the Greek society. Both the EU and UN declared that they were determined to end the isolation of Turkish Cypriots to encourage economic development; however, it is not clear how this can be achieved (Akgün and Tiryaki, 2010).

Despite these constraints, the North Cyprus economy showed an impressive performance from 2003 to 2006, with estimated growth rates of 13.2% in 2006, 13.5% in 2005, 15.4% in 2004, and 11.4% in 2003 (SPO, 2012). This growth was greatly influenced by a construction boom, as shown in Figure 4.3, which was initiated by hopes for a solution on the island (Şafakli, 2011). The boom ended abruptly following a much-publicized court case (the Orams case) where (issued on December 18, 2008) the European Court of Justice (ECJ) ruled against the Orams family, the current owner of a property in North Cyprus, and in favour of a pre-1974 Greek Cypriot owner, thus placing the legitimacy of property rights in North Cyprus in jeopardy; this was followed by a sharp decrease in growth in the construction sector. In 2007, the construction sector grew by 4.2%, followed by a negative growth of -8% and -18.9% in 2008 and 2009 respectively. However, with increased investment from Turkey and certain economic adjustments (Sertoglu, Varer and Besim, 2012) growth in the sector began to occur again.

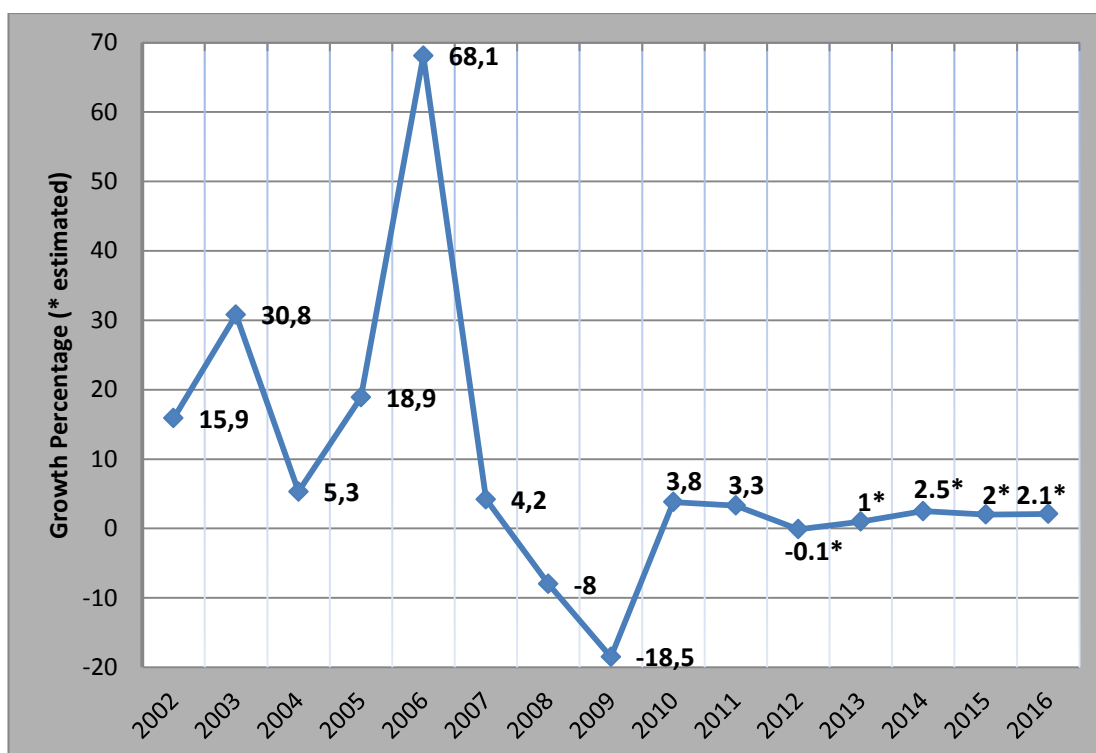


Figure 4.3: Growth in the construction sector in North Cyprus between 2002-2016

The economic difficulties stemming from the isolation of North Cyprus have obliged Turkish Cypriot authorities to depend heavily on financial aid from Turkey (World Bank, 2006; Tocci and Kovziridze, 2009), especially for the infrastructure development of the country, where 30% of all Turkish Aid is invested in infrastructure projects (Okumuş, Altınay and Arasli, 2005; Turkish Embassy Aid Directorate, Nicosia, 2014). Assistance from Turkey is crucial to North Cyprus' economy (World Bank, 2006). Under the latest economic protocol, which was signed in 2006, Turkey undertook to provide Turkish Cypriots with financial assistance totalling nearly four billion US dollars, in addition to the \$3.4 billion in aid between 1974-2005 (Mehmet, 2010; Turkish Embassy Aid Directorate, Nicosia, 2014). Turkey also provides millions of dollars annually in the form of low-interest loans to mostly Turkish entrepreneurs in support of export-oriented industrial production and tourism. Total stock of Turkish assistance to North Cyprus since 1974 is estimated to have exceeded \$7 billion (Turkish Embassy Aid Directorate, Nicosia, 2014).

In addition to the aid from Turkey, on 27 February 2006 the EU approved aid regulation 389/2006 to support North Cyprus' development. This aid, €259 million,

aimed at putting an end to the isolation of the Turkish Cypriot community and helping prepare for the reunification of the island. One of the main aims of this fund was to upgrade the infrastructure of North Cyprus, specifically to be used for investment to help meet EU standards in areas such as water supply, waste water treatment, solid waste management, energy supply and telecommunications (EU Commission, 2012).

The construction industry is certainly not isolated from all these problems of North Cyprus' *de facto* status. Even though there are very few publications on the construction industry on North Cyprus defining the effects of isolation in this sector, Şafakli (2011) clearly shows that the expectations for a political solution on the island, i.e. the removal of sanctions, caused the sector initially to boom and then to stagnate following the failure of this solution in 2004.

#### 4.2.3.4 **The vulnerability of the construction sector in North Cyprus**

The weaknesses of the construction sector in developing countries are well known and have been widely reported (World Bank, 1984; Debrah and Ofori, 2001; Ngowi, 2002), as discussed in the previous chapter.

The construction industry in North Cyprus is relatively underdeveloped, considering that its expansion was initiated by hopes for a political solution on the island (Şafakli, 2011), and the fact that it is facing problems typical of the construction industry in other developing countries (Mehmet and Yorucu, 2008). According to Eyupoglu and Samer (2011), 99% of all private sector organizations are small and medium sized in North Cyprus, 60% of the employees in the private sector are employed in small and medium sized organisations, and 89% of small and medium-sized businesses are family owned businesses. Egemen and Mohamed (2006) and SPO (2009) also state that there are neither large-sized nor international construction firms in North Cyprus. The fact that North Cyprus is not recognized by the international community and suffers from economic isolation means that local construction companies are restricted to the local market (Yitmen, 2005). This also forces these companies to work with the standards set by the North Cyprus government, which vary from one project to another, resulting in a lack of cohesive

standards which, in turn, entails a lack of regulation and control; therefore, quality and performance tend to suffer within this sector (Yitmen, 2005).

As discussed in Chapter 1, the construction industry in North Cyprus is mainly dominated by the building construction sector (mainly housing) where the main clients are local and foreign home-buyers and this sector is financed by both local and foreign private investors. The infrastructure construction sector, on the other hand, is controlled by the local and national government agencies and the projects are mainly financed by the North Cyprus government and Turkish Republic, and recently by the European Union. The State Planning Organization (SPO) in North Cyprus is responsible to “determine every type of natural, human and economic resources and possibilities of the country” including construction (SPO, 2009) and is responsible to advise responsible authorities accordingly. However, according to Oktay, the fragmentation of the authorities, each with different powers and responsibilities and with conflicting interests causes “lack of economic, financial and legal administrative instruments for sustained project implementation and bringing about necessary changes” (2007, p. 240). Consequently planning in both building and infrastructure sectors suffers. As Oktay puts it, ‘where the approach to planning is concerned, a strong private sector and market driven economy prevails in both sectors of the island’ (2007, p. 240).

As the Cyprus Turkish Investment Development Agency (YAGA, 2014) also investigated, starting and finishing a project in North Cyprus can be quite challenging. Even though the procedures to receive the required licenses and permits and how to get these are clear, e.g. should have approved drawings and other specifications, bureaucracy triggered by the fragmentation of the authorities cause serious delays in the construction process as well. As YAGA (2014) shows in a benchmark study, it takes 25 different procedures (e.g. permits, licences, and utilities) and 480 days to build a ‘general warehouse for stationery’ in North Cyprus.

To set up a construction company, by law, however, is a very easy procedure in North Cyprus, which led to a rapid increase in the number of the construction

companies after the implementation of the Annan Plan. In 1998, there were 59 registered construction contractors in North Cyprus, which increased to 378 in 2008; similarly, the number of sub-contractors increased from 58 in 2003 to 131 in 2008 following the boom (SPO, 2009). The present number of contractors operating in North Cyprus is not clear. The membership shown by the Cyprus Turkish Building Contractors Association (CT-BCA) (2014) on their official web page ranges between 460-483, whereas another list received from the same association showed that officially registered contractors to the association number only 150. One reason for these contradicting numbers could be related to the number of contractors who are not keeping their registrations up to date and operate without licences (Şafakli, 2011; SPO, 2009). According to the regulations of the CT-BCA, entry to the construction sector is very easy, and whoever fulfils the following requirements could register to the CT-BCA:

1. To be a citizen of Turkish Republic of Northern Cyprus
2. To reside in Northern Cyprus for at least one year and be involved in the construction industry
3. To have any of the following:
  - a. To be registered with the Chambers of Architects or Engineers
  - b. To have held a construction technician diploma for at least two years and worked under observation under a registered architect or an engineer
  - c. To have a vocational school diploma and seven years of experience working with a contractor, engineer or an architect
  - d. To have a high school diploma and seven years of experience working with a contractor, engineer or an architect.
  - e. To have a primary school diploma and have a ten years of experience in construction as a foreman.

The association also categorizes construction companies into several classes according to their capacity; however, as the SPO (2009) states, the enforcement of the regulations for receiving certificates is not well managed and monitored. Even though no classes are required for private projects, public projects tendered by the government of North Cyprus have to specify the class of the contractor who can bid



for these projects. In order to participate in major infrastructure projects, the contractors are required to have a Class-1 certification which is issued by the CT-BCA (See Appendix B). While easy entry into the construction sector might be another reason for the bloated numbers of small contractors in North Cyprus, tighter regulations for the classification of these companies can also be associated with the limited number of infrastructure construction SMEs in North Cyprus, of which only 12 are identified in the CT-BCA.

The common perception of the construction industry is that of an industry which delivers products and services that are often of inappropriate quality, and that fail to meet client demands for price certainty and guaranteed delivery (Lu and Sexton, 2006). This general perception also prevails for the construction industry in North Cyprus and became more negative following the Annan Peace Plan, which caused a construction boom. During this period, several new small construction companies emerged to share the profits of the boom and delivered poor quality projects since no proper regulations were in place to regulate construction activities (Yitmen, 2005; Yitmen, 2007; Hoşkara, Çavuşoğlu and Öngül, 2009; SPO, 2009; Şafakli, 2011).

It is also widely acknowledged within the North Cyprus construction industry that innovation and adaptation to new technology is slow (Yitmen and Al Qadi, 2005; Egemen and Mohamed, 2007; Yitmen, 2007). Celikag and Nami (2011) suggest that engineers in North Cyprus apply out dated technology to their designs, which corresponds to perceptions of outdated technology and lack of innovation in the construction sector. Celikag and Nami (2011) emphasize the need for training both in design and in the field to help introduce new technologies into the construction sector. Another study by Egemen and Mohamed (2007) also indicates the limited technology and innovation in this sector. They show that 92.5% of the contractors in North Cyprus have never used any statistical or mathematical model to assist their bid/no bid or mark-up size decisions, and that 97.5% of the contractors use intuition as their primary tool for decision-making process. High quality skills are essential for achieving performance improvements, and failure to modernize recruitment and training can result in skill shortages, higher prices and poorer quality output (Gann and Senker, 1998). The problems with training and skills provision, therefore, work against the industry's long-term needs and restrict its ability to respond to the

variability of the production process (Arhani, Clarke and Michielsens 2003). As

Yitmen states:

The construction industry in North Cyprus is aware and recognizes the need to modernize in order to tackle the severe problems it is encountering, namely profitability, research and development, training, price and cost, dissatisfaction of clients and fragmentation. The necessary conditions for competitiveness for the North Cyprus construction industry include strong sustained levels of productivity growth, openness to innovation and new technology and a commitment to delivering value for the client's money. (2007, p.88)

However, Yitmen's (2007), Egemen and Mohamed's (2007) and Celik and Nami's (2011) statements about the construction sector of North Cyprus reflect challenges that are no different to those generally faced by construction companies in developing countries (Ngowi, 2002; Frimpong, Oluwoye and Crawford, 2003; Nguyen, 2007; Thwala and Phaladi, 2009), and particularly SMEs in this sector, as highlighted in the literature (Runyan, 2006; Vos and Roulston, 2008; Vella, 2011). Ali, Stewart and Qureshi (2007) state that management related problems are more important aspects facing construction contractors in developing countries than the resource and technical aspects, since the contractors have to deal with substantial constraints including incomplete information, unpredictable client behaviour and uncertain project circumstances in developing countries.

Even though the construction industry is one of the most important industries in North Cyprus (SPO, 2009) and the country's economy experienced a construction boom when anticipating a solution to the chronic 'Cyprus Problem', research that addresses the problems that challenge this market is almost non-existent and not recent. Only a hand full of authors – Egemen (2007; 2006), Yitmen (2007; 2005; 2004) and Yorucu (2013; 2008) – have recently considered the construction industry in North Cyprus. Their findings usually reflect general findings relating to the building construction industry, since the majority of the contractors operating in North Cyprus are building contractors (Egemen and Mohamed, 2006). Nevertheless, no research is found specifically for the infrastructure construction industry, and how these contractors manage their strategies.

Urgent demand for the development and rehabilitation of the infrastructure of the country, followed by the boom in housing construction, has initiated several infrastructure projects in North Cyprus (Mehmet and Tahiroglu, 2002). In addition, recently more funding has been generated from international sources such as the Turkish Republic, the EU and the UNDP to tackle the problem (Mehmet, 2010). Therefore, there are more opportunities in the infrastructure construction industry to undertake larger and more complex projects, where management strategies prevail as the vital factors to success.

Unfortunately, there are limited available contractors that are qualified to participate in these projects; there is, therefore, a risk that these opportunities might be lost to international firms, thus suppressing local contractors, a likely possibility that has not been welcomed by the local industry (Sonay, 2011). The protests of the CT-BCA regarding construction projects funded and tendered by EU (the tender was open to all EU countries) and by Turkey indicate this threat (Sonay, 2011). The member contractors claimed that the tender conditions placed local contractors at a disadvantage since no contractors in North Cyprus could meet the criteria for these tenders, and warned the government that public tenders should not be open to foreign companies (Havadis Newspaper, 2011). Other similar infrastructure projects, mainly financed by Turkey, were also protested against because these tenders were initially opened in Turkey where no Turkish Cypriot contractors could participate.

However, these protests have been unfruitful. In September 2012, one of the most prestigious and expensive infrastructure projects (350 million Euros) for North Cyprus – the upgrading of the country's only airport – was awarded to a Turkish company from Turkey (Haber KKTC, 2012). This clearly shows that attitudes towards the infrastructure projects tenders have not changed. In response, and very recently, the contractors association boycotted public tenders in North Cyprus for six months, claiming that tendering processes are not transparent (GazeddaKibris, 2014).

Nevertheless, increased foreign participation in domestic construction has characterized globalization in North Cyprus (YAGA-Cyprus Turkish Investment Development Agency, 2014). This trend towards foreign financed and designed contractual arrangements has increased the demand for more knowledge in these

arrangements. However, investment in training, equipment, research and development is not seen as desirable by local companies (Yitmen, 2007). In addition, the international companies that may trigger innovation in the local construction industries in developing countries (Ofori, 2000), have not been welcomed as the domestic contractors in North Cyprus find the competition difficult (Havadis Newspaper, 2011; GazeddaKibris, 2014). As more trade barriers are lifted and more countries participate in the globalization process, North Cyprus, regardless of all the economical obstacles it faces owing to the division of the island, is entering an era of increasing competition. This move towards globalization in construction poses both opportunities and threats for less competitive local construction companies, as stated by Şafakli (2011). Even though the construction sector's contribution to the economy as well as its deficiencies are known, the construction industry in North Cyprus is very young and its practices are still at an early stage, as stated by Şafakli (2011). The construction industry in North Cyprus, therefore, "does not have any proactive strategy shaped by relevant vision, mission and objectives" (Şafakli 2011, p.13387), which will pose a risk for the country's local construction SMEs.

### **4.3 Social Behaviour of Owner-Managers in Construction SMEs in North Cyprus**

To understand the social behaviour of the owner-managers of construction SMEs within business, it is also important to understand, in general, the behaviour of large groups of people living under similar conditions. The aim of this section is to try to show that certain management strategies in the construction business environment are affected by the trauma experienced by the society of North Cyprus owing to the chronic 'Cyprus Problem'.

The previous sections examined how North Cyprus came into existence and discussed the key challenges imposed on its society, the economy and the construction sector as a result of this process. A possible explanation for the management strategies under disturbances may lie in the theories of Volkan (1999a; 1999b; 2006; 2008), who is one of the most influential researchers of large groups in conflict zones, including Cyprus.

A traumatic event is one that causes horror, terror or helplessness at the time it occurs, and can include community violence, acts of terrorism, war experiences, natural and human-made disasters (American Psychological Association [APA], 2008). Cultural trauma, on the other hand, refers to: “dramatic loss of identity and meaning, a tear in the social fabric, affecting a group of people that has achieved some degree of cohesion” (Eyerman 2001, p. 2). This type of trauma is caused by a traumatic event, where the memories of “a shared past that are retained by the members of a group, large or small, that experienced it” (Schuman and Scott 1989, p. 361-362). Cultural trauma is compounded by the fact that collective memories are most likely to be formed and maintained about events that represent significant long-term changes to people’s lives (Pennebaker and Banasik, 1997, p. 17).

Both Turkish and Greek Cypriots have been traumatized by the ongoing conflict on the island for the past five decades. Given the originating circumstances of this conflict, it is understandable that its causal events are perceived differently by the two societies (Volkan, 2008), indicating how different interpretations of the same environment can affect human attitude and behaviour. As Volkan (2008) puts it, enemies perceive and present historical events differently; therefore, it is not surprising that Turks and Greeks perceive and present the ‘Cyprus problem’ from different perspectives. What is important in this study is how this trauma affects the attitudes of the owner-managers of infrastructure construction SMEs in North Cyprus, particularly in relation to management.

When massive trauma occurs where a large group’s identity – be this ethnic, national or religious – is threatened, this threat is shared by members of this group. According to Volkan (2008), when the identity of large groups is threatened, they experience regression, confusion and disorganisation. This threat can be enacted by any combination of elements, such as the group’s enemies – ethnic, national, religious or ideological. In the case of Turkish Cypriots, the economic sanctions and travel embargoes are a threat to the large group. As Volkan comments:

The northern part of Cyprus is inhabited by people who do not have typical human rights, who do not have a large-group identity that is legally accepted by billions of others surrounding them (except Turks on the mainland) and who, in a sense, are second-class human beings. After living in actual enclaves for eleven years, the Cypriot Turks from 1974 to

the present time have continued to live in an invisible enclave. (2008, p.97)

Volkan (2006), in his study 'Large-group psychodynamics and massive violence' explains 'chosen trauma' as "the shared mental representation of an event in a large group's history in which the group suffered a catastrophic loss, humiliation, and helplessness at the hands of enemies" (p. 307). When members of threatened large group are unable to mourn such losses and reverse their humiliation and helplessness, they pass on to their offspring the images of their injured selves and psychological tasks that need to be completed. This process is known as the "transgenerational transmission of trauma" (Volkan, 2006). All such images and tasks contain references to the same historical event and, as decades pass, the mental representation of such an event links all the individuals in the large group. Thus, the mental representation of the event emerges as a significant large-group identity marker. As Caruth observes: "it is not the experience itself that produces traumatic effect, but rather the remembrance of it" (1995, p.17).

Following Erikson's description of a person's identity as "a sustained feeling of inner sameness within oneself... [and] a persistent sharing of some kind of essential character with others" (1956, p.57), Volkan defines large group identity as the "subjective experience of millions of people – most of whom will never meet one another in their lifetimes – who share a persistent sense of sameness (we-ness) while also sharing some characteristics with others in foreign groups" (1999b, p.32). Volkan (1999b) also observed that large-group identity issues are crucial in understanding resistances to change and the process of attempting to resolve large-group antagonism. When a large group regresses, it becomes involved in certain societal processes that serve to maintain, protect and repair the large-group identity. Ethnic population transfers, which are usually followed by partition, do not necessarily reduce suffering (Kaufmann, 1998). As Volkan (2008) asserts, the Cypriot Turks' experience of living in the enclaves continues to influence their large-group identity issues. Turkish Cypriots also have to face the economic consequences of these traumatizing events, including embargoes, no direct flights, lack of economic and political recognition, difficulties in travelling, and so forth which, to date, continue to impact even the most basic business activities such as importing,

exporting and attracting foreign direct investment (Akgün and Tiryaki, 2010). As Öksüzoglu (2010) comments, the emotional scars that people have coupled with financial losses have a combined impact on both individual and social behaviour, and ultimately affect the environment of a traumatized large group society, as shown in Figure 4.4.

Adžanela (2010) portrays similar behaviour in post-war Bosnia and Herzegovina, where the unethical use of personal connections was rife, often accompanied by favouritism (personal favours based on political and ethno-political party connections as well as nepotism). In the absence of the ‘rule of law’, personal connections prove to be a much more effective mechanism by which to attain one’s rights, privileges and benefits than official channels (Adžanela, 2010). Yilmaz’s statement that: “the relatively long history of inter-communal violence, combined with larger Greco-Turkish enmities, has penetrated the minds of the Cypriots to such an extent that each side, as a group, fears that it would become victim once again” (2005, p.87), summarizes why this resistance to change might continue in North Cyprus.

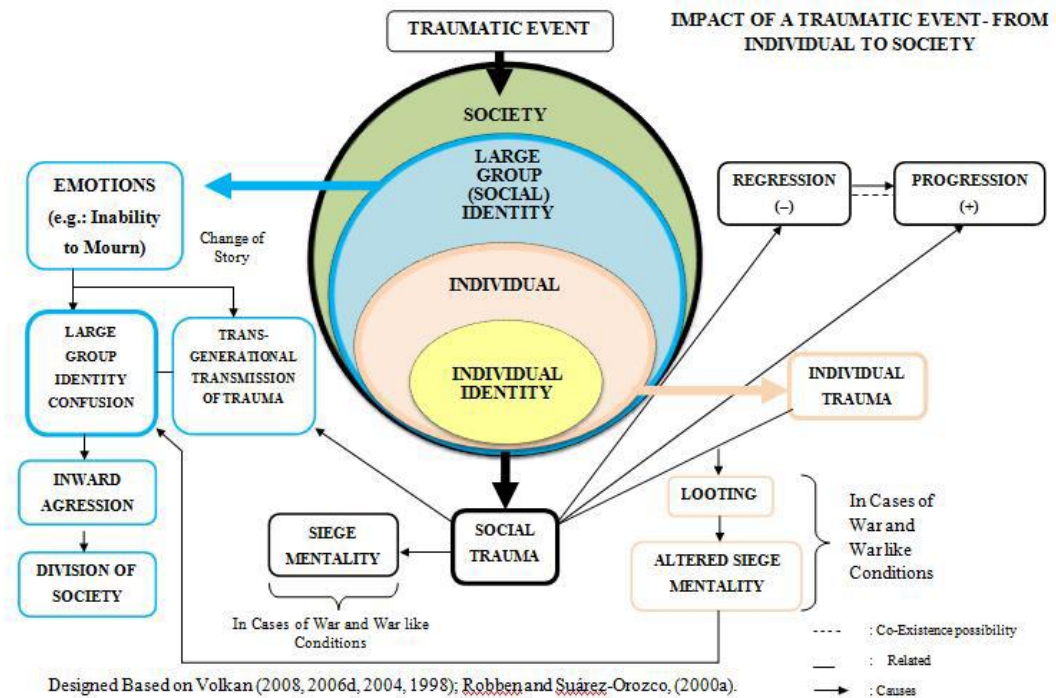


Figure 4.4: The impact of a traumatic event, from individual to society

Source: Öksüzoglu, 2010 (p. 77).

### 4.3.1 MEMORIES OF THE PAST SHAPING THE FUTURE

Much research on trauma contains references to remembering the past and to mental representations of important historical events in the present. Therefore, memories of the past are very important since they persist into the future. Some memories are highly accessible owing to the frequency of their occurrences. However, as Berntsen and Rubin (2007) indicate, rare, surprising and intense traumas or other stressful experiences are also highly accessible memories which, as personal memories, become reference points for the organization of memories of less important events. Given the extraordinary accessibility of the traumatic memory, a person (or collective) with a trauma is likely to overestimate the general frequency of such disturbing events as well as the likelihood of such events happening again in the future, thus making the traumatic memory “a lasting reminder of the way things are” (Berntsen and Rubin 2007, p.419). These events, in large groups, can become a ‘chosen trauma’, which is the unconscious choice to add a past generation's mental representation of an event to a person’s own identity (Volkan, 1999a).

It is, therefore, essential to understand memory at a social level in order to understand how certain professional organizations are affected by memories of a traumatic past event, and what might be their course of action for the future. The actual historical facts of event are shaped and re-shaped over time as the memories are passed on from generation to generation (Volkan 1999a; 1999b). Additionally, communities of diverse religious or national characteristics can produce significant variations to the content of collective memories (Brockmeier, 2002). Moreover, since social groups are mobile, the borders of their memory and collective identity-formation can vary further (Eyerman, 2001).

As mentioned previously, large-group trauma can be a cultural process. As such, ‘chosen trauma’ is facilitated through various forms of representation and linked both to the reformation of collective identity and the reworking of collective memory (Eyerman, 2001). Once a terrible event in a group’s history becomes a ‘chosen trauma’, the truth about it does not really matter. From that time on, reality is interpreted through inner perceptions and feelings. In particular, when a new conflict



situation (or a stress in society) appears and tension arises, the mental image of the current enemy becomes contaminated with the image of the enemy in the chosen trauma, even if the new enemy is not related to the original one. As Cohen states, “when memory does not create shared historical understanding, power dynamics and politics play a greater role in defining truth” (2010, p.527).

Contemporary usages of the term ‘collective memory’ can be traced back to Maurice Halbwachs, who published the landmark study *The Social Frameworks of Memory* in 1925 (Pennebaker and Banasik, 1997; Olick and Robbins, 1998; Klein, 2000; Olick, 2002). Since the 1980s, references to term ‘collective memory’ resurged both in academia and the public more widely, resulting mostly from the rise of multiculturalism, the fall of Communism, and a politics of victimization and regret (Olick and Robbins, 1998).

Halbwachs (1992) asserted that all memories were formed and organized within a collective context. Virtually all events, experiences, and perceptions were shaped by individuals’ interactions with others. These ‘others’, however, are not just any set of people; rather, they are groups who conceive of their unity and peculiarity through a common image of their past. For example, Halbwachs (1992) considers families, neighbourhood and professional groups, political parties, associations, and nations as different groups. Every individual belongs to numerous such groups and, therefore, entertains numerous collective self-images and memories. Each group’s representation of their history can thus act as group narratives that shape responses to new challenges and legitimize a society’s current social and political arrangements (Liu and Hilton, 2005). When people’s lives are interrupted as a result of tragedy or disaster, their world becomes unmanageable and challenging, and often experiences a crisis. As a result, “people attempt to manage discontinuities and disruptions primarily through memories that have cultural salience” (Becker, 1997 in: Cohen, Meek and Lieberman, 2010, p.526).

The character of generations within a society is created by the events that the large-groups share during their youth (particularly the period between twelve and twenty five years of age – seen as a critical period for the construction of one’s identity); these events subsequently exert an important and decisive influence on the later

attitudes and actions of the group's members (Schuman and Scott, 1989). The creation and maintenance of a collective (or historical or social) memory is a dynamic social and psychological process of remembering and forgetting. Collective memory "gives shape to our experience, thought and imagination in terms of past, present and future" (Brockmeier 2002, p.21). It involves the ongoing talking and thinking about the event by the affected members of the society or culture (Pennebaker and Banasik, 1997). In a sense, therefore, "collective memory is the active past that forms our identities" (Olick and Robbins 1998, p.111). The way that people talk and think about recent and distant events is determined by their current desires and the needs. The long term impact of traumatic events help to determine these memories; individuals do not recall common events that do not have adaptive importance. Pennebaker and Banasik (1997) emphasize that, unless a traumatic event has an apparent institutional or personal effect, there will be a very low collective memory of it.

Cohen, Meek and Lieberman, in their work *Memories and Resilience* (2010), emphasizes the importance of the memories of the past for those who did not witness the history, and how these memories help to develop resilience. For example, the survivors of Holocaust, in the aftermath of injustice, demonstrated that memory promoted resilience by enabling them to remember the past, to share their meaningful stories with others, and to remember why and how they survived, all of which helped them to function and find meaning in an otherwise chaotic and destructive situation. Therefore, memories transmit the experiences of trauma to the present, "providing historical specificity of the survivor's experiences and their ability to develop resilience" (Cohen, Meek and Lieberman, 2010, p. 525). Rothstein (2000) further stresses that the variations in the ability of groups to manage disruptions can be located in the variations in their collective memories.

### 4.3.1.1 **Memory and behaviour**

The conflict in Cyprus has made the two communities see themselves as victims of each other (Volkan, 2008). Both communities in Cyprus celebrate the national holidays of their respective mother country, Greece and Turkey, raising Greek or Turkish flags, and each community has adhered to the image of the 'other' as their

traditional enemy. The history and collective memory of the past, explained previously, have created mistrust between the two communities. Furthermore, the recent history of North Cyprus, as shown in Figure 4.5, the unfruitful actions taken to resolve the ongoing conflict, and the interference of external agencies has created a sense of ‘uncertainty’. Rohner, Thoenigand Zilibotti (2012) suggest that conflict induces distrust mainly towards people ‘outside’ the ordinary social network. These people can be from different ethnic or religious groups, from different nations or professional groups, and are defined as the ‘others’ by members of the ingroup (Rothstein, 2000). Therefore, in order to explain the distrust towards these ‘others’, collective memory should be considered within its temporal context, since collective memory can be changed as a strategy of the power holders.

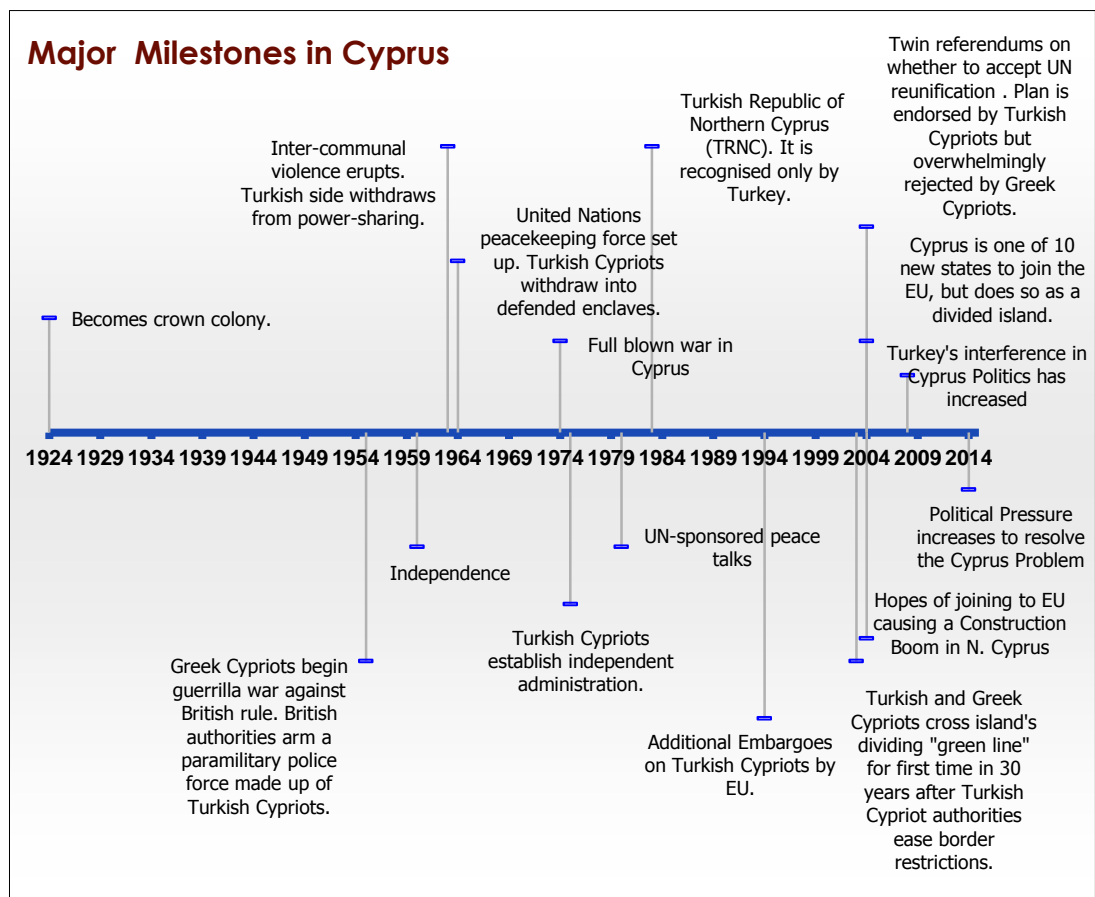


Figure 4.5: Major Milestones in North Cyprus’ History (by author)

As Shapiro states, “trust is a social relationship in which principals – for whatever reason or state of mind – invest resources, authority, or responsibility in another to act on their behalf for some uncertain future return” (1987, p.626). She further

emphasizes the necessity of evaluating the sources of the agencies in complex societies, and principals- individuals or organizations acting on behalf of other' responses to uncertainty.

A major reason for the distrust that people have towards 'others' in conflict zones, other than the collective memory of the past as suggested by Rothstein (2000), is the control of 'patron countries' or 'international aid' (Duffield, 2001; Kolstø, 2006;). In the case of *de facto* states, as well as countries with continuous conflict, state leaders often receive

the bulk of their revenues not from the taxation of their population but from international donors and through the exploitation of the country's exportable natural resources. Most money finds its way into the pockets of the power- holders and is not invested in projects to strengthen the state to improve the conditions for the populations. (Kolstø 2006, p. 724-25).

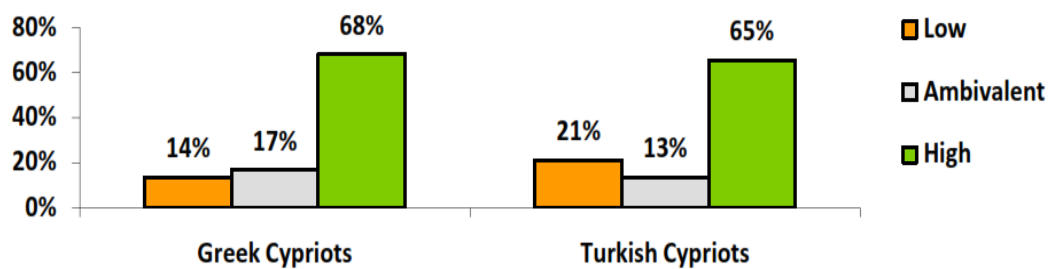
In addition, as Kolstø (2006) further states, power holders are also the representatives of these states in the international arena, where they possess the power to manipulate international donors and extract internal resources.

Following the war on the island in 1974, North Cyprus faced several challenges both at cultural and economic levels. Being unrecognized as a sovereign state and having little experience in running a state, North Cyprus relied on aid and governmental infrastructure from Turkey (Mehmet, 2010). The status of Turkish Cypriots on the island only changed geographically; their social position stayed at the bottom of the socio-economic and political ladder, "characteristic of pre-independence Cyprus" (Pollis 1996, p. 83). This has engendered a feeling of betrayal amongst Turkish Cypriots, mistrust of the 'others', like the power holders in North Cyprus, and perhaps loss of hope (Volkan, 2008). Figure 4.6 and Figure 4.7, adapted from the publication 'Solving the Cyprus Problem: Hopes and Fears' (Cyprus 2015 Initiative, 2011), which addresses the hopes and concerns that people of Cyprus have with respect to a possible settlement in Cyprus, clearly highlights the extent of the social dilemma of conflict in Cyprus:

Trust proves to be a scarce commodity when contemplating coexistence. Identity issues are salient... Despite fears associated with identity, people tend to be more enthusiastic about the prospects of social development within their respective communities... the all-consuming Cyprus problem

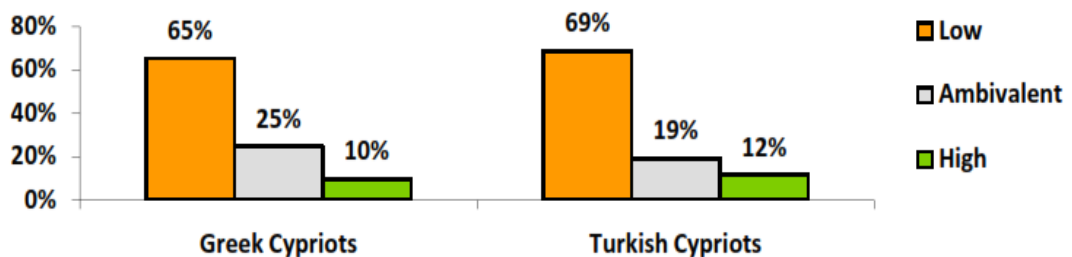
has served to impoverish public debate, contributing to a xenophobic and conservative society. (Cyprus 2015 Initiative 2011, p.62)

Figure 4.6 depicts the high level of desire among Greek and Turkish Cypriot communities for a possible solution on the island. However, as shown in Figure 4.7, both communities have very low hopes that the peace talk processes on the island will actually result in a solution. As matter of fact, the same report (Cyprus 2015 Initiative, 2011) emphasizes that the mistrust of both communities of each other lies at the root of previous unsuccessful attempts to reach a solution on the island.



**Figure 4.6: Level of desire that the peace process should result in a solution.**

Source: Cyprus 2015 Initiative (2011).



**Figure 4.7: Level of hope that the peace process will produce results.**

Source: Cyprus 2015 Initiative (2011).

### 4.4 Summary

One of the main objectives of this chapter was to investigate the history of the Cyprus conflict, the effects of the political isolation on the construction sector in North Cyprus, and how conflict might affect people's perceptions and behaviour. One major aspect that has been highlighted is that North Cyprus is a *de facto* state which, in return, creates a natural environment for certain vulnerabilities unique to states that are isolated politically from the rest of the world. The reasons why a country becomes a *de facto* state are usually quite traumatic. The effects of these traumatic events might last for years, and the perceptions of and responses to these events in the present may be diluted with the memories of these traumatic events in the past. Indeed, any disturbance in the system which is beyond the control of the system is perceived as a threat to the identity of a society, which can also affect the management of the businesses since society fears that it would become a victim once again; therefore, changes affecting business management might face resistance.

The construction industry in any country should be placed in its economic, social, political and administrative context in order to understand how management strategies are shaped. North Cyprus is a young developing state, but a *de facto* unrecognized state, which came into existence under extraordinary circumstances. The development of North Cyprus has been greatly influenced by its political environment, and is arguably based on trial and error (Tanova, 2003; Mehmet and Tahiroglu, 2002), as well as suffering from the trauma experienced in the aftermath of political conflict (Volkan, 2008).

In summary, the external environment of North Cyprus's infrastructure construction sector, within the context of its history, has been investigated in order to understand the disturbances that the external environment might exert on SMEs' adaptation strategies adaptation, which in turn might create resilience. The argument has been made that chronic political conflict and factors related to these conflicts in states such as North Cyprus, ultimately exaggerate the challenges in the business environment – in this case, for SMEs operating in the infrastructure construction sector.

## CHAPTER 5 RESEARCH PLAN

### 5.1 Introduction

The previous chapters provided a synthesis of existing research and theories into how a world full of social-political conflicts and disturbances can influence the management strategies of the owner-managers in the infrastructure construction sector, using North Cyprus as a case study. From this review, it has become clear that research examining *de facto* states such as North Cyprus in the context of the effects of the socio-political environment on management in the construction sector is scarce, and an area worthy of further investigation. Of particular interest to the current study are the views and understandings of local infrastructure construction company owner-managers, who are arguably constantly challenged by the unstable external environment of their industry in North Cyprus. As such, this interest needs to include an exploration of their personal and professional experiences within this sector and broader environment, in order to highlight themes that may be both unique to the current research and those that can further contribute to the literature, as well as suggest areas for further research and development.

This chapter provides an overview of the research methodology adopted in this thesis. It starts by providing a general overview of the research process, followed by specific details of the qualitative approach used, justifying this by outlining the philosophy that underpins the research approach, and discussing the researcher's interpretivist stance to research and the consequent choice of methodology, method and analysis. This includes a critical discussion of the multiple case study design and rationale behind the selection and recruitment of research participants. The methods employed for data collection and subsequent analysis are then presented, alongside the steps taken to ensure that standards of reliability and validity are maintained throughout the study. The chapter concludes by outlining the limitations of the research and ethical considerations.

## **5.2 Research Process**

The research process followed in this study consisted of three major steps, as depicted in Figure 5.1. Firstly, a preliminary literature review was conducted in order to identify the problems in the construction sector in North Cyprus. The driving premise of the research was revisited several times during this first stage of the process until gaps were identified within the area of research interest. Following this, the research questions were formalized, attempting to answer the gaps identified. The research objectives were then derived following the identification of the research aim. The research questions were revisited during the ethics form application process, and the aims and the objectives were refined several times in the process. Next, in order to answer the research aim, the literature was further studied to establish an appropriate theory. The key concepts or variables relevant to the research subject were identified.

The literature review focused on several areas. Initially, the construction sector in developing countries was explored, thus paving the way for examining how SME's may experience ongoing disturbances in the socio-political environment, both culturally and historically, where predictions for the future of SMEs are mostly based on history and the events. Finally, the complex adaptive systems metaphor was explored in order to understand how disturbances might ignite SME resilience presenting the infrastructure construction sector in North Cyprus as a complex system.

Secondly, the philosophy, methodology and research methods were identified. A qualitative approach to the research was adapted, using semi-structures interviews with open-ended questions as the main data gathering method, with owner-managers in North Cyprus' infrastructure construction industry as the key informants. Thereafter, thematic analysis was used to analyse the data, allowing the research to adopt an inductive approach to understanding subjective human experiences.

Finally, the collected data from the interviews was analysed (as shortly discussed in this chapter), identifying the main themes that emerged from the data. Subsequent



chapters present the discussion of the results of this data, and answers to the research questions.

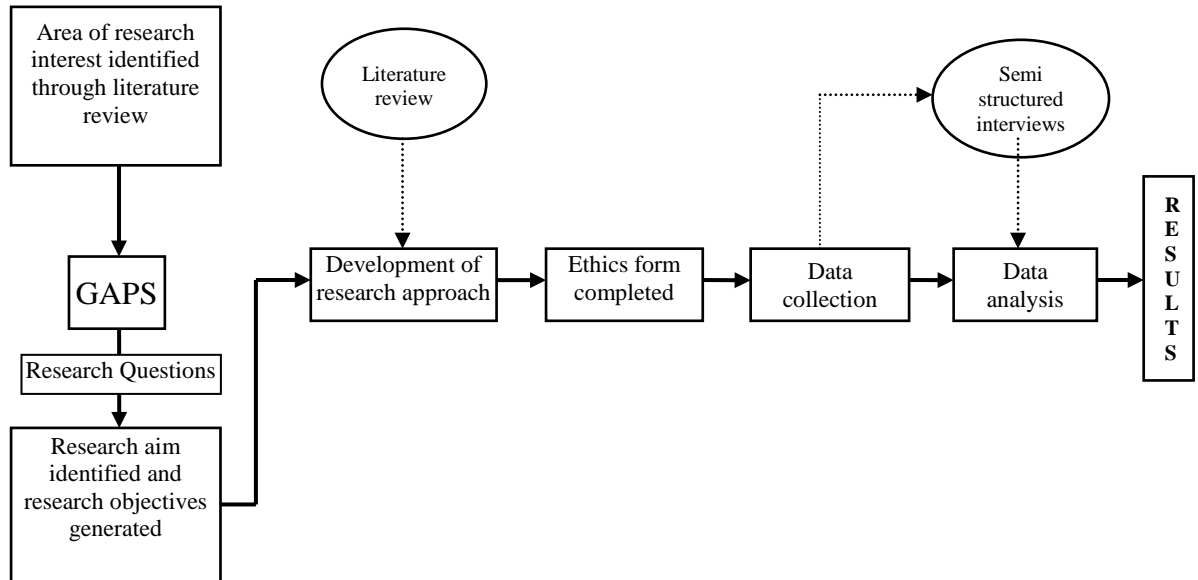


Figure 5.1: Research Process

### 5.3 Research Approach

#### 5.3.1 QUALITATIVE RESEARCH

As Willig (2008) and Yin (2011) observe, the qualitative research approach tends to be concerned with meaning, and with how people make sense of the world and experience events. The aim of qualitative research, then, is to understand ‘what it is like’ to experience particular conditions and ‘how it is’ to manage certain situations (Willig, 2008). In the second edition of their *Handbook of Qualitative Research*, Denzin and Lincoln offer the following definition of the same:

Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that makes the world visible. These practices... turn the world into a series of representations including field notes, interviews, conversations, photographs, recordings and memos to the self. At this level, qualitative research involves an interpretive, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of,

or to interpret, phenomena in terms of the meanings people bring to them. (2000, p. 3)

It is a known fact that there is no single accepted way of conducting qualitative research, or a fixed set of methods that are specifically associated with it (Denzin and Lincoln, 1994; Ritchie and Lewis, 2003). There are, however, several factors that shape researchers' decision to carry out a particular type of research. The philosophical stance of the researcher, the personal beliefs of the researcher, the aims and the objectives of the research and the research questions, the position and the environment the researcher are some of the indicators affecting the decision to adopt a certain research approach (Snape and Spencer, 2003).

Leading scholars seeking to answer questions about culture and meaning have found experimental and quantitative methods to be insufficient on their own in explaining the phenomenon they wish to study (Ospina, 2004). In organizational research, for example, the quest for research methods to present a more holistic view of organizational issues has led to the greater usage of qualitative methods (Lee, 1991; Lin, 1998; Cunliffe, 2011). Table 5.1, adapted from Snape and Spencer (2003), provides a list of the distinctive features of qualitative research that justify the selection of the qualitative approach to this research, based on the current researcher's philosophical stance and the phenomenon under investigation.

### **5.3.2 RESEARCH PHILOSOPHY**

Research philosophies differ on the goals of the research and the way to achieve these goals. Therefore, any research study first needs to identify if the purpose of the research is to test theories and discover general principles, or if it is to describe and explain complex situations (Rubin and Rubin, 2011). The design of a research begins with the selection of a topic and a paradigm, where the paradigm represents a worldview, shared beliefs that guide action, values, concepts and practices, and methods within which the research takes place. Furthermore, a paradigm can be defined as a function of how the researcher thinks about the development of

**Table 5.1: Key Characteristics of Qualitative Research**

<b>KEY CHARACTERISTICS OF QUALITATIVE RESEARCH</b>	Where research aims are directed at providing an interpreted understanding of the social world of research participants by learning about their social and material circumstances, their experiences, perspectives and histories.
	Where research samples are small in scale and purposively selected on the basis of salient criteria.
	Data collection methods which usually involve close contact between the researcher and the research participants, which are interactive and developmental and allow for emergent issues to be explored.
	Use of analysis which is open to emergent concepts and ideas, and which may produce detailed description and classification, identify patterns of association, or develop typologies and explanations.
	Use outputs which tend to focus on the interpretation of social meaning through mapping and ‘ <i>re-presenting</i> ’ the social world of research participants.

Source: Adapted from Snape & Spencer (2003).

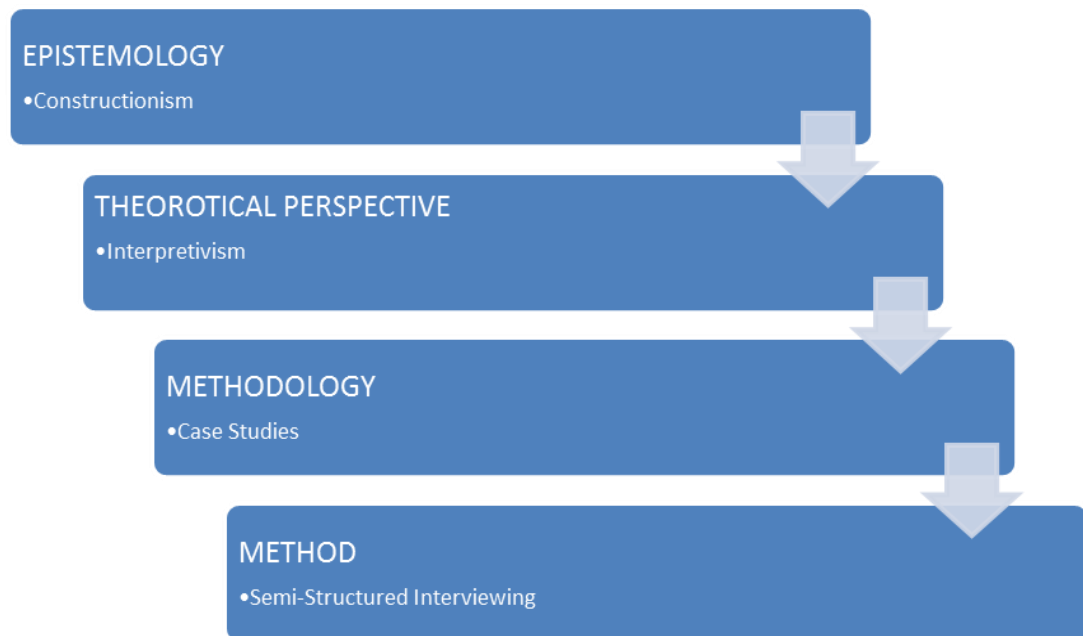
knowledge and the claims of knowledge (Guba and Lincoln, 1994; Crotty, 1998; Mertens, 1998; Denzin and Lincoln, 2000; Lincoln and Guba, 2000; Johnson and Christensen, 2008; Creswell, 2009). Guba and Lincoln argue that the research methods themselves are secondary to the overall research paradigm, noting that:

Qualitative and quantitative methods may be used appropriately with any research paradigm. Questions of method are secondary to questions of paradigm, which we define as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways. (1994, p. 105)

There are two main paradigms that are used during the research process – ontology and epistemology. Ontology asks ‘what is there to know?’ and is concerned with the nature of reality in the physical world, whereas epistemology asks ‘how can we know?’ and is concerned with the nature of knowledge (Creswell, 2008; Willig, 2008). While these two main philosophical dimensions are helpful in distinguishing between existing research paradigms, ontology and epistemology (Saunders, Lewis and Thornhill, 2009), Crotty (1998) chooses a different approach and conflates the

two paradigms in the research process as *epistemology*, claiming that they are mutually dependent and conceptually difficult to distinguish between when discussing research issues: ‘to talk about the construction of meaning [epistemology] is to talk of the construction of a meaningful reality [ontology]’ (Crotty 1998, p. 10).

Crotty (1998) further suggests four design elements, which are also adopted by Creswell (2009), which can guide a researcher to the optimum research approach depending on the researcher’s philosophical stance towards the nature of knowledge. These four elements are: epistemology, theoretical perspective, methodology and methods. The research design framework in the current study has adopted this approach, as illustrated in Figure 5.2 and discussed further in the following sections.



**Figure 5.2: Approach to Research Design**

### 5.3.3 CONSTRUCTIONISM

Management research ‘is concerned not only with knowing what, but goes beyond this to consider questions associated with knowing how’ (Tranfield and Starkey 1998, p. 346) Thus a discussion of epistemology is concerned with how we know and make sense of reality or what we perceive to be knowledge, and how we understand and use this knowledge. The epistemological stance taken in this research is a constructivist approach.

The intent behind the constructionist approach to research is to make sense of (or interpret) the meanings that others have constructed about the world (Creswell, 2009). This approach inductively develops a pattern of meaning, drawing attention to the fact that ‘human experience, including perception, is mediated historically, culturally and linguistically’ (Willig 2008, p. 7). Crotty (1998) emphasized that people tend to construct meaning in different ways even when looking at the same phenomenon, and identified several assumptions when discussing constructionism:

1. Meanings are constructed by human beings as they engage with the world they are interpreting. Qualitative researchers tend to use open-ended questions so that the participants can share their views.
2. Humans engage with their world and make sense of it based on their historical and social perspectives—we are all born into a world of meaning bestowed upon us by our culture. Thus, qualitative researchers seek to understand the context or setting of the participants through visiting this context and gathering information personally. They also interpret what they find, an interpretation shaped by the researcher’s own experiences and background.
3. The basic generation of meaning is always social, arising in and out of interaction with a human community. The process of qualitative research is largely inductive, with the inquirer generating meaning from the data collected in the field. (1998, in: Creswell 2009, p.8)

As Willig (2008) emphasizes, the knowledge a methodology aims to produce depends on its epistemological position. The view we take of what the research represents depends on the theoretical framework within which we approach any particular text. This framework, in turn, is informed by our epistemological stance. Taking constructionism as the epistemological stance of the current research allowed the researcher to interact with the owner-managers of infrastructure construction companies in North Cyprus. Crucially, this stance also allowed the researcher to understand and construct the reality from the owner-managers’ own perspectives and experiences of the phenomenon studied.

### **5.3.4 THEORETICAL PERSPECTIVE**

Crotty explains theoretical perspective as a: ‘philosophical stance informing the methodology and thus providing a context for the process and grounding its logic and criteria’ (1998, p. 3)

Furthermore, this philosophical stance justifies our choice of research methodology and methods, and the assumptions about the reality we bring to the research. The current research is mainly concerned with research participants’ experiences of the phenomena studied, and tries to appreciate the different constructions and meanings that the research participants place upon their experiences, thus adopting an interpretivist approach to the research that sits comfortably within the constructionist view.

#### **5.3.4.1 Interpretivism**

Modern science, or a positivist approach to research, posits that there is valid knowledge or truth only in scientific knowledge. Kim (2003) considers different research approaches and states certain limitations of the positivist approach in the context of organizational research. In general, positivism pays little attention to the influence of contextual factors in organizations where social context and cultural elements are studied and aims to draw casual interpretations only through phenomena that are readily observable, where research participants are treated as research objects. Another limitation of the positivist approach is the fact that ‘truth’ is often stated probabilistically, in the sense that theory never becomes regarded as fact. Furthermore, in this particular research paradigm, the analysis of human behaviour is undertaken by assigning quantitative values to certain actions in order for these to serve as a measurement to construct the truth. For positivists, reality is mind-independent.

The philosophical stance that stresses the importance of interpretation as well as observation in understanding the social world is known as ‘interpretivism’ (Ritchie and Lewis, 2003). The interpretive approach is fundamentally concerned with meaning and seeks to understand social members’ definition of a situation, aiming to provide deep insight into ‘the complex world of lived experience from the point of

view of those who live it' (Schwandt 1994, p. 118). Interpretivism rejects the notions of theory-neutral observations and the idea of universal laws as posited by science.

Theory in this paradigm takes on a different perspective:

Knowledge consists of those constructions about which there is a relative consensus (or at least some movement towards consensus) among those competent (and in the case of more arcane material, trusted) to interpret the substance of the construction. Multiple 'knowledges' can coexist when equally competent (or trusted) interpreters disagree. (Guba and Lincoln 1994, p. 113)

Schwandt (1994) also emphasizes that the researcher must understand the process of the construction of meaning and reveal the meanings embodied in the participants. As the researcher is essentially the vehicle for revealing this socially constructed meaning, the researcher's interpretation thus plays a key role in this kind of study. Furthermore, the meanings constructed are always negotiated within cultures, social settings, and relationship with other people. Knowledge is thus seen to be comprised of multiple sets of interpretations that are part of the social and cultural context in which it occurs (Kim, 2003).

The key focus of the current study is on local SMEs in the infrastructure construction industry in North Cyprus. This research, by understanding the perceptions and experiences of owner-managers in this sector, aims to construct a reality of strategies of management in their social context by revealing and interpreting the embodied meanings provided by these SME owner-managers. Therefore, an interpretivist approach to the research can be justified and has been adopted in contrast to, for example, a positivist approach, as the latter would not fit with the aim of the research.

### **5.3.5 METHODOLOGY**

Crotty explains methodology as 'the strategy, plan of action, process or design lying behind the choice and use of particular methods, and linking the choice and use of methods to the desired outcomes' (1998, p. 3). Underpinning a research methodology is a philosophical stance that has to be coherent with the theoretical perspective of the research, as discussed in the previous section. As Mertens (2005)

emphasizes, the subsequent research process of data collection and analysis will be influenced by the researcher's methodology and overall approach to the research.

A qualitative research methodology is concerned with meaning and is, therefore, one that is interested in understanding how people make sense of the world and how they experience events. Consequently, the aim of adopting this methodology is to understand 'what it is like' to experience particular conditions (e.g. what it means and how it feels to live with uncertainties), and how people manage certain situations (e.g. how managers cope with uncertainties) (Willig, 2008). Within this methodology, the case study approach has a distinct advantage over other research methods when 'how' or 'why' questions are being posed in order to explore a certain phenomenon, because 'how' and 'why' questions are more explanatory and, as such, deal with 'operational links needing to be traced over time, rather than mere frequencies or incidence' (Yin 2003, p. 6).

The context and the aims of the current study, and the research approach chosen, have directed the researcher to use the method of case study as a tool to answer the research questions. This method will enable the researcher to build a theory surrounding the psychological phenomena of 'resilience', whereby resilience in the context of this thesis refers to the pressure or collusion that organizations exert at the management level in order to manage the frequent disturbances experienced.

Case studies are constructed over a period of time for investigating certain phenomena within a particular context. The main aim of case studies is to study the context in order to provide meaning to the phenomena studied, by understanding how behaviour and/or processes are both influenced by and themselves influence context (Yin, 2003). As one study states, 'the phenomenon is not isolated from its context' (Hartley, in: Cassell & Symon 2004, p. 322). Therefore, as Willig states, a case can be "an organization, a city, a group of people, a community, a patient, a school, an intervention, even a nation state or an empire... It can be a situation, an incident or an experience' (2008, p.74).

Qualitative case studies, in turn, afford researchers the opportunity to explore or describe a phenomenon within its real life context using multiple sources of evidence



(Baxter and Jack, 2008). They also allow the researcher to explore individuals or organizations through complex interventions, relationships, communities or programmes, and to support the deconstruction and subsequent reconstruction of various phenomena. A case study approach can thus be used to provide models, frameworks or theories, which can then be extended to other cases in similar situations (Yin, 2003). As previously discussed, research on management in the construction sector in North Cyprus is very limited; therefore, case studies in this field can be particularly valuable because they generate rich subjective data.

The researcher believes that the case study approach is the most appropriate research strategy for this study owing to its advantages in revealing in detail the unique perceptions and concerns of individual participants. In line with its philosophical stance, this research thus adopted a multiple case study method for the research, designed in accordance to the procedures outlined by Yin (2003). Yin describes multiple case studies as analogous to multiple experiments; they follow ‘replication logic’ (2003, p.37). The logic underlying the use of multiple case studies is composed of several factors: each case must be selected so that it either 1) predicts similar results (a literal replication) or 2) produces contrasting results but for predictable reasons (a theoretical replication) (Yin, 2003).

As Yin (2003) suggests, multiple cases strengthen the results by replicating the pattern matching, thus increasing confidence in the robustness of the theory. In the multiple case studies design, there are no hard-and-fast rules about how many cases are required to satisfy the requirements of the replication strategy. Yin (2003) proposes that six to ten cases, if the results turn out as predicted, are sufficient to ‘provide compelling support for the initial set of propositions’ (2003, p. 46). Yin goes on to say that, since the multiple case studies approach does not rely on the type of representative sampling logic used in survey research, ‘the typical criteria regarding sample size are irrelevant’ (p. 50). Instead, sample size is determined by the number of cases required to reach saturation (until no significant new findings are revealed). The sample participants should be selected explicitly to encompass instances in which the phenomena under study are likely to be found. In other words, the cases for the research are chosen to replicate the emergent phenomenon of the study. As Eisenhardt (1989) and Yin (2003) suggest, the cases may be chosen to

replicate previous cases or may be selected to provide ‘polar’ positions to support the emergent theory.

Rather than focusing what each case individually represents, the text developed from each case and the meaning constructed from all data collected was the primary focus of this research. All the cases selected were of indigenous Cypriot origin, thus sharing the same history and culture to fit with the philosophical approach of the research, namely, that reality is socially constructed. The history of the island, where socio-political uncertainty is a way of life, is believed to be a factor shaping the management strategies of SMEs, as well as the structure of these companies, as family and business relationships are often intertwined. Therefore, the similarity of the cases is important in order for the research to reach to saturation point and to understand the phenomena being studied.

### 5.3.5.1 Case selection

Selecting the participants to be included in the case study coincides with selecting which companies should be included in the research. Before deciding how many companies would be required in order to collect sufficient and relevant information about the unit of analysis, the infrastructure construction companies in North Cyprus, the researcher needed to find out more information about the classification regulations relating to construction companies in North Cyprus. Therefore, prior to designing the research methodology, the researcher contacted the North Cyprus Building Construction Association (CT-BCA) for the information required. A list of contractors and their classification were received, and the contractors that could participate in the infrastructure projects were identified. According to CT-BCA regulations, only Class-1 contractors can undertake major infrastructure projects, especially those that are financed by foreign aid requiring tight control of the project specifications. A total of 12 companies were identified as Class-1 construction companies (see classification requirements in the Ethics Form in Appendix B) in North Cyprus that fit this criteria. The principal inclusion and exclusion criteria of the interview subjects were as follows:

### 1. Inclusion Criteria:

- All owner-managers (interviewees) should own the business
- All owner-managers (interviewees) should be Class-1 Infrastructure Construction Companies (see definition in Chapter 4 and Appendix B).

### 2. Exclusion Criteria:

- Residential (building) construction companies – companies that are not involved in infrastructure construction
- Construction companies that are not run by the owner-manager
- Construction companies that are not registered with the Contractors' Association – every contractor in North Cyprus has to be registered with the Contractors' Association in order to legally operate within the standards set
- Construction companies that are not classified as Class-1.

### 5.3.6 METHODS

Crotty explains research methods as: 'the techniques or procedures used to gather and analyse data related to some research question or hypothesis' (1998, p. 3). The case study approach makes use of multiple methods of data collection, such as interviews, document reviews, archival records, and direct and participant observation. Considering the research aim and objectives of the research, and the flexibility provided to the researcher by the interviewing and analysis process, semi-structured interviewing was selected as the data collection method for this study.

Firstly, as per the philosophical stance of the research positing that reality is socially constructed, semi-structured interviews are in line with this stance as they primarily enable the research topic to be explored – constructed – from the perspective of the participants. As Oppenheim states: 'the job of the interviewer is not that of data collection but ideas collection' (1992, p. 67). Qualitative interviews are effective research instruments for obtaining deep insights into how people experience, feel about and interpret the social world (Mack et al., 2005). Secondly, as Willig (2008)

emphasizes, semi-structured interviewing is the most commonly used technique of collecting data in qualitative research because interview data can be analysed in a variety of ways; moreover, semi-structured interviewing is compatible with different methods of data collection. Finally, semi-structured interviewing is a more flexible approach compared with other qualitative research methods.

The flexibility enabled by semi-structured interviews is two-fold. The first flexibility is that, while the researcher has a list of specific questions to cover, the participants have a great deal of freedom in terms of how to reply. Likewise, the researcher does not rigidly have to follow the list of the questions listed and might probe other questions that further contribute to the research. The second flexibility is that, even though the transcription of interviews and the analysis of transcripts can be very time-consuming, they can be more readily accommodated into researchers' personal lives (Rubin and Rubin, 2011).

### 5.3.6.1 Interview process

Initially, a semi-structured, open-ended interview question guideline was produced for each organization prior to the interview (Appendix B). As well as being designed to elicit information on the following issues, the questions also aimed to obtain particular information on how the history and socio-political environment of North Cyprus affect its construction industry:

- The role of the owner-manager in the organization
- The management structure of the organization
- The level of expertise available to the organization
- The decision making-process
- The way the organization operates, e.g. how the organization manages its stakeholders
- The owner-manager's opinion of future investments.

Additionally, some quantitative data was collected in order to gather some background information on each organization; these questions were included with

the main interview question guideline and filled out prior to each interview. The interview question guideline was iterated several times, thus increasing the validity of the research. The interviews followed the ethical approval by the university.

The study participants (owner-managers of the pre-selected construction companies) were compiled from the list provided by the CT-BCA, as discussed in the previous section. The researcher checked the companies that were still active in business at the time of the study by confirming their registration with the CT-BCA, in order to enhance the reliability of the data collected. The companies selected were directly approached by the researcher via telephone, who provided the participants with full information about the research. The interview questions and the Participant Information Sheet were sent to participants along with the consent form. The participants were contacted again a week after they had received the information and invited to participate in the research. A date and time was scheduled for the interview with the owners/managers who agreed to participate in the research, allowing a one-week ‘cooling off’ period before the interview took place.

The procedure used for conducting the interviews was as follows. The interviews were scheduled for a 90-minute to two-hour session in a private location chosen by the participants and conducted by the researcher herself. At the start of the each interview, the researcher introduced herself, briefing each participant again on why they had been contacted to take part in the research. The participants were then asked to read and sign the informed consent form (which they had been provided with beforehand), and asked if they had any questions for the researcher. The interview process did not start before the researcher had ensured that each participant was aware of their ethical rights (see section 5.4). The ethical procedures were explained to the participants, following which the researcher verbally checked again with all participants that they still wished to take part.

The participants were asked a series of open-ended questions in a semi-structured format using the pre-designed interview questions as a guideline, rather than strictly guiding the course of the interview. In an attempt to minimize the interviewer’s bias from the interview question guideline, minimal clarification was given if requested by the participants and the researcher tried not to direct the participant. The

researcher encouraged interviewees to speak out if there were any concerns regarding ambiguity or questions that were difficult to understand at any point during the interview. If it was obvious that a question would not apply in the situation of a particular interviewee, it was skipped and the next applicable question was asked. The participant was encouraged to describe situations in significant detail, with the researcher probing for expanded answers where necessary (Appendix D).

All participants were found to be very cooperative and kind. The interviews were recorded, increasing the authenticity of the data collected and allowing the researcher fully to focus on the interview itself. It was noticed that the participants were somewhat self-conscious when talking with the recorder was. Even though the interviews lasted, on average, 80 minutes, the conversations with participants often continued after the tape was turned off, when more information was typically revealed. Notes were taken of these subsequent conversations with the permission of the participants; however, these notes were not used in the analysis conforming to the design of the research. Another finding was that the researcher didn't need to ask all the questions on the interview question guideline to gather information, as participants answered them anyway, 'naturally' over the course of the interviews and much more (See Appendix C for the questions directed to the participants).

Some interview participants were more inclined to express widely ranging views and recount diverse stories drawn from their experiences. This is expected of qualitative interviewing. Cassell and Symon (2004) explain that, in qualitative interviewing, participants usually depart from the 'script' resulting in them saying more about what is relevant and important to them; this is the rich data that was revealed in this research. While not every question was asked, several other questions were probed on the spot in order to initiate more discussion (see additional probe questions in Appendix D). The approach was successful, as the participants highlighted some interesting thoughts on aspects relating to the phenomenon under study, albeit unrelated to the management of SMEs.

### 5.3.6.2 **Interview evaluations**

As previously stated, a total of twelve cases (participants) were identified that qualified for the interviews. All participants were contacted following the protocol stated in the ethics form (Appendix B) and eleven agreed to be interviewed. A total of eleven interviews were completed; however, two of the research participants did not consent for their data to be included in the analysis. Therefore, these two interviews were omitted from the research and the remaining nine used for the data analysis.

During the interviews, it was discovered that participants were more willing to participate in the discussion after the probe questions were asked. It is the researcher's opinion that, owing to the culture and smallness of the construction industry in North Cyprus, the participants were not used to being asked these sorts of questions and were more interested in participating in a more 'conversational' interview than a formal semi-structured one. Despite this, the questions selected were found to be very effective in guiding the interviews, with the exception of three. The questions 'how did you control the project?', 'did you use any management practices to help you?', and 'what challenges do you face when you try to adopt new management practices for the projects?' initiated the least discussion, where participants were observed to be reluctant to answer these questions. However, instead of reviewing these questions, the researcher kept them in the interview question guideline based on the idea that receiving no response to them would be a finding in itself; i.e. the lack of responses may provide evidence supporting certain hypotheses relating to the owner-manager's attitude towards management in the industry.

## **5.4 Ethical and Confidentiality Considerations**

Prior to data collection, the researcher considered the ethical challenges that the research may engender, and produced a report for the University of Manchester Research Ethics Committee (Appendix B). The report explained in detail the research content and the process of the research. The steps taken throughout the research to maintain an ethical approach to the study were explained, and procedures

protecting research participants were put in place. Upon approval of the report on 28th September 2012, the data collection stage began, following the guidelines outlined in the report.

### **5.4.1 CONSENT AND CONFIDENTIALITY**

The information collected during the interviews was transcribed from the audio recordings. The tape recordings, transcripts and any notes made were then stored safely in a secure location agreed by the University of Manchester. Only the researcher and supervisors have access to these recordings. Adequately handling tape-recorded and transcribed material is essential in order to protect all parties and the integrity of the research process. Copies of the audio recording will be stored. Interview transcripts were also anonymized by removing participants' names. Each of the nine participants were assigned one of the following labels to protect their anonymity: Owner A, Owner B, Owner C, Owner D, Owner E, Owner F, Owner G, and Owner K. The companies of the participants are also labelled accordingly: Company A, Company B, Company C, Company D, Company E, Company F, Company G, and Company K. All names and confidentiality-breaking references to these participants were omitted in order to comply with the confidentiality rights of the case study participants.

The forms provided with the ethics report, participants' information sheet, consent form and the questions were translated into Turkish to ensure that each participant could read and understand the forms and their rights, even though some participants also spoke English. In addition, great care was taken accurately to translate and to transcribe the interview data, respecting the participant's own language during the translations (from Turkish to English) and helping the researcher to interpret the findings with honesty and sensitivity.

The consent form and the participant information sheet were explained in detail to all participants prior to the interviews themselves, in order to ensure that the participants were clear about the research being conducted and why they had been chosen to take part. The participants' consent was taken prior to the interview. During the interviews, the researcher ensured that these were conducted transparently, where



mutual respect between the researcher and the participants were promoted. The participants were also informed that they could withdraw from the research at any time during the interview. The consent form clearly stated that participants' anonymity would be protected and that the interviews would be recorded (see Appendix B), which participants were fully aware of upon signing the form.

### 5.4.1.1 **Sensitive questions – some challenges**

The participants were asked questions regarding the history of their company and its management practices. This was foreseen potentially to precipitate responses where the conflict in Cyprus and the war trauma that participants may have experienced would also be discussed. If the participant became distressed during the interview, the interviewer followed an agreed distress protocol (see Appendix B).

### 5.4.1.2 **Translations**

To comply with the requirements of the University of Manchester, this thesis is written in English. Nevertheless the collected data for the research was in Turkish, as explained in section 5.4.1, and translated to English. In qualitative research, when the researcher and the translator are the same person, quality of the translation is influenced by factors such as: 'the autobiography of the researcher-translator; the researcher's knowledge of the language and the culture of the people under study (Vulliamy, 1990, in Birbili 2000, p.2) and the researcher's fluency in the language of the write-up' (Birbili, 2000, p.2). Furthermore, the decision how to translate the data is a balance between language proficiency and cultural knowledge which helps to improve the quality of the research (Birbili, 2000; Denzin and Lincoln, 2000). Sharing a similar cultural and historical background with the participants and having proficiency in both Turkish and English languages, it was decided to translate the collected data by the researcher, which helped to minimize loss of authentic meaning of the data collected.

## **5.5 Validity and Reliability**

Qualitative research is based on subjective, interpretive and contextual data, where qualitative researchers seek one key result: the truth as it is experienced by research participants. Therefore, most researchers strive to ensure that the research findings are valid and reliable in light of these experiences (Maxwell, 1992; Seale, 1999; Thomson, 2011).

Brinberg and McGarth assert that ‘validity is not a commodity that can be purchased with techniques... Rather, validity is like integrity, character, and quality, to be assessed relative to purposes and circumstances’ (1985, in: Maxwell 1992, p.280). Maxwell (1992) then states that understanding is a more fundamental concept to qualitative research than that of validity, commenting that ‘validity is not an inherent property of a particular method, but pertains to the data, accounts, or conclusions reached using the method in a particular context for a particular purpose’ (1992, p.281).

Reliability in qualitative research is usually concerned with the replicability of research findings. Replicability, as Ritchie and Lewis (2003) state, is ‘whether or not the findings would be repeated if another study, using the same or similar methods, was undertaken’ (2003, p.270). However, the constructivist qualitative research approach, which is the approach adopted in this study, is one where the researchers are less concerned with reliability or replicability, since there is no single reality to be captured in the first place (Ritchie and Lewis, 2003). This is because qualitative research explores a particular, possibly unique, phenomenon or experience in great detail (Willig, 2008); as Seale (1999) argues, the absolute replication of qualitative studies is very difficult to achieve given that they reflect specific realities at the time they were collected and in a situation which is likely to change. However, reliability is recognized as pertaining to the stability of data-collection measures, and sound validity is the sole guarantor of reliability (Long and Johnson, 2000). Additionally, reliability can be enhanced through the practice of reflexivity, where the researcher is clear about the research procedures followed and continually reflects on how these may lead to a particular set of conclusions (Seale, 1999).

Seale (1999), rather than solely focusing on the reliability and validity of qualitative research, emphasizes the quality of the research and how this can be achieved. The researcher is aware that the degree of quality of this study comes from careful implementation of the research approach in order to achieve the research aims and respect the study protocols.

## **5.6 Reflexivity**

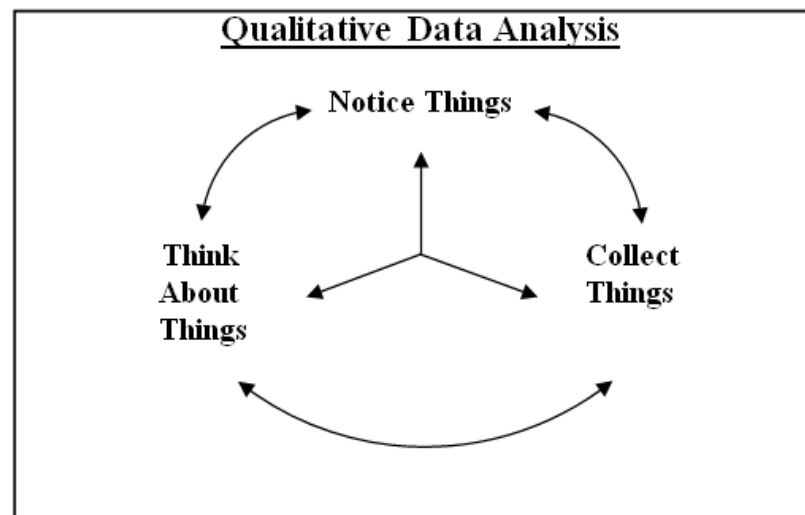
Reflexivity refers to researchers' reflection on the extent to which their biases, values, and personal background – such as gender, history, culture and socioeconomic status – shape their interpretations formed during a study. Practicing reflexivity, therefore, requires an awareness of the researcher's contribution to the construction of meanings throughout the research process (Creswell, 2009; Willig, 2008). Reflexivity in qualitative research invites us to explore the intersecting relationships between existing knowledge, our experience, research roles and the world around us, which can be both illuminating and confusing, threatening our certainties of the research process and evidence (King and Horrocks, 2010). However, King and Horrocks embrace this uncertainty as a 'good thing, opening up possibilities around additional, and often radically different, ways of seeing and comprehending people's lives and experiences' (2010, p. 25).

The constructivist paradigm within which this research is positioned claims that knowledge is transactional, subjectivist, and socially constructed, and that the researcher and participant interact and create the findings from the experiences of the participant; in other words, knowledge and reality are mutually constitutive (Pouliot, 2007). Thus, it should be made clear that the findings of this research are meanings derived from the research process, rather than the meanings derived only from the data gathered for the research.

## 5.7 Data Analysis

The goal of qualitative data analysis (QDA) is to uncover the emerging themes, patterns, concepts, insights, and understandings from the data constructed. The researcher views the data collected as an interpretation that can never be judged true or false, and which is only one possible interpretation among many (Patton, 2002). QDA often follows a general inductive approach (as opposed to a deductive one) in the sense that explicit theories are not imposed on the data to test a specific hypothesis. Rather, the data are allowed to ‘speak for themselves’ by the emergence of conceptual categories and descriptive themes. These themes are usually embedded in the data.

According to Seidel, QDA is a three-step process: noticing, collecting and thinking about the interesting elements that emerge (1998). Seidel emphasized that, while QDA is not as simple as following these three steps of the process, it is nonetheless a non-linear process (1998), as shown in Figure 5.3, which lists the key characteristics of the process.



**Figure 5.3: Process of Qualitative Data Analysis.**

Source: Seidel (1998)

- *Iterative and Progressive:* The process is iterative and progressive because it is a cycle that keeps repeating. For example, when you are *thinking* about

things you also start *noticing new things* in the data. You then *collect* and *think* about these new things. In principle, the process is an infinite spiral.

- *Recursive*: The process is recursive because one part can call you back to a previous part. For example, while you are busy *collecting* things you might simultaneously start *noticing* new things to *collect*.
- *Holographic*: The process is holographic in that each step in the process contains the entire process. For example, when you first notice things you are already mentally collecting and thinking about those things. (p.2)

The type of data collected for a qualitative research study needs to be naturalistic, representing the participants' views as presented during the data collection moment itself; therefore, the data should not be coded, summarized, categorized or otherwise 'reduced' at the point of collection (Willig, 2008), and the deduction of data should not start until the beginning of the analysis process. Even though collected data cannot represent exactly what the participant said, the reduction of the material should be minimized.

It should also be noted that no one method of analysis can be used for all types of interview data. As Willig (2008) highlights, the researcher cannot separate the selection of data analysis method from the approach chosen for the data collection and the research question of the research; they are dependent on one another. Pistrang and Barker (2010) explain in detail why and how to choose a method when analysing qualitative data, stating that the choice of qualitative method depends on a combination of scientific, practical and personal factors. The principal determinant of the method chosen, however, depends on the research question that the researcher is attempting to answer. Certain other factors, especially the researcher's own personal preferences and philosophical stance, play a role in method decisions. Practical factors also are important to consider when adopting a qualitative data analysis method. For example, in this particular research, the sample size was a factor in choosing a qualitative method as explained in section 5.3.5. However, the main reason for choosing a qualitative approach in this research was to gain an in-

depth understanding of the phenomena under study, with the goal of constructing a new reality in terms of how local SMEs design and implement their management strategies in societies facing constant uncertainties, where change is perceived as a threat to the existence of local SMEs.

Once the decision is made to conduct qualitative research, the researcher then has to make a decision regarding the method for data analysis. In line with the research approach and philosophical paradigm driving this research, as well as the research questions in mind, the method of thematic analysis was selected.

### **5.7.1 THEMATIC ANALYSIS**

According to the observations of Boyatzis, thematic analysis is “not another qualitative method but a process that can be used with most, if not all, qualitative methods...” (1998, p.4). However, thematic analysis (TA) is a process used for analysing qualitative data, and is the principle method employed with interpretivist theoretical perspectives (Langdrige, 2007). TA is considered the most appropriate process for any qualitative study that seeks discovery using interpretations. TA is not about counting the frequency of repeated words or phrases, but is a process for encoding qualitative information (Boyatzis. 1998) and reliability is of greater concern with TA (Guest, MacQueen and Namey, 2011). Even though reliability might be an issue of TA, as explained in section 5.5, TA is still considered the most useful and most commonly used analysis method in qualitative research to capture the complexity of meanings within a text (Sutton, Baum, and Johnston, 2004; Guest, MacQueen and Namey, 2011). TA focuses on identifying and describing ‘implicit and explicit’ ideas within the text; that is, themes (Guest, MacQueen and Namey, 2011). A theme captures something important about the data in relation to the research question. Themes can be constructed either during or after the data collection, and are often abstract or ‘fuzzy’. The literature review and the researcher’s experiences are rich sources from which themes can initially emerge; however, the researcher mostly induces themes from the data collected ( Denzin and Lincoln, 2000). As Namey et al. summarize;

Thematic analysis moves beyond counting explicit words or phrases and focuses on identifying and describing both implicit and explicit ideas. Codes developed for ideas or themes are then applied or linked to raw

data as summary markers for later analysis, which may include comparing the relative frequencies of themes or topics within a data set, looking for code co-occurrence, or graphically displaying code relationships. (2007, p.138)

TA ‘seeks to unearth the themes salient in a text at different levels’ (Attride-Stirling 2001, p.384) and repeated patterns of meaning. Hatch suggests that patterns are categorized by: 1) similarity (things happen the same way); 2) difference (they happen in predictably different ways); 3) frequency (they happen often or seldom); 4) sequence (they happen in a certain order); 5) correspondence (they happen in relation to other activities or events); and 6) causation (one appears to cause another) (2002, p. 155). The ‘keyness’ of a theme refers to it being independent of quantifiable measures, and capturing something important in relation to the overall research question (Braun and Clarke, 2006). Themes illustrate the data in great detail and deal with diverse subjects via interpretations (Boyatzis, 1998). King (2004) defines a code as a label that the researcher attaches to a section of a text according to the researcher’s interpretation of the data (in: Cassell and Symon, 2004, p. 257).

Alternatively, Saldaña states that coding is an interpretive act and should not be considered as a precise science. He defines a code in qualitative inquiry as a:

Word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data... and is a researcher-generated construct that symbolizes and thus attributes interpreted meaning to each individual datum for later purposes of pattern detection, categorization, theory building, and other analytic processes. (2013, p. 26)

Boyatzis provides a list of overlapping and alternate purposes of using TA, as follows:

1. A way of *seeing*
2. A way of *making sense* of seemingly unrelated material
3. A way of *analysing* qualitative information
4. A way of *systematically observing* a person, an interaction, a group, a situation, an organization
5. A way of *converting* qualitative information into quantitative. (1998, p. 4)

TA is regularly used by researchers in literature, psychology, sociology, cultural anthropology, history, art, political science, economics, mathematics and management, among many other fields (Denzin and Lincoln, 1994). One of the

advantages of TA is its flexibility (Braun and Clarke, 2006). Using TA provides the possibility of linking the various concepts and opinions of the researcher and comparing these with the data gathered in different situations and at different times during the research, with all possibilities for interpretation present (Namey et al., 2007). Essentially, the researcher is concerned with making sense of the participant’s world. Therefore, the researcher, initially, spends a significant amount of time working through the transcripts (and listening to the audio recording) in order to identify the major themes (Attride-Stirling, 2001; Braun and Clarke, 2006; Langdrige, 2007).

Braun and Clarke (2006) and Langdrige (2007) highlight the stages that the researcher has to follow during TA. These are depicted in Table 5.2, which is drawn from Braun & Clarke (2006) and also comprises of the stages listed by Langdrige (2007). These were the thematic analysis steps followed during the analysis of the data collected for this study.

**Table 5.2: Phases of Thematic Analysis (Braun and Clarke, 2006)**

Phase	Description of the process
1. Familiarizing yourself with your data	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
2. Generating initial codes	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3. Searching for themes	Collating codes into potential themes, gathering all data relevant to each potential theme.
4. Reviewing themes	Checking if the themes work in relation to the coded extracts (level 1) and the entire data set (level 2), generating a thematic ‘map’ of the analysis.
5. Defining and naming themes	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.
6. Producing the report	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

#### 5.7.1.1 **Thematic analysis process**

The data collected during the interviews were recorded to respect the originality of the interviews, and then transcribed. The researcher decided to transcribe the



interviews herself. Even though this was a time consuming process, it proved valuable in helping the researcher become more familiar with the data collected and ensured that no data was left out, thus improving the validity of the data collected. One major issue the researcher faced during the first stage of the research was that interviews were in Turkish, so all the recordings had to be translated into English. In order to improve the validity and the reliability of the study, all the recordings were translated and transcribed by the researcher herself as described in section 5.4.1.

This process required listening to the tapes and reading the transcripts over and over again; again, while time-consuming, this thoroughly engaged the researcher with the data and, in the process explained by Seidel (1998) as shown in Figure 5.3, further helped to familiarize the researcher with the data collected. The biggest contribution of this process was that it enabled the researcher to take notes on emerging salient thoughts and to draw mind maps of connected meanings, which greatly aided the analysis process thereafter.

After completing the translations and transcriptions, the transcriptions were transferred into NVivo10 qualitative data analysis software for the coding process of the analysis. The software helped the researcher to keep track of all the codes and organize the data faster than this would have been achieved if the process was done manually. The linking of the text (words, sentences or paragraphs) to the codes and the grouping of the codes were easily achieved. The software also provided the opportunity to add or delete codes as new meanings emerged, helping the researcher to achieve a better construction of meaning by easily scanning the whole data set, thus also minimizing errors.

During the first stage of the coding process, the researcher read the text at a semantic level where surface meanings were explored (Braun and Clarke, 2006), without looking for anything beyond what the participant said. Initially, each transcript was read line by line and the meaningful text highlighted, enabling the initial codes to emerge (see Table 5.3).

**Table 5.3: An example of a coded text.**

<b>Data extract</b>	<b>Coded for</b>
We used to have expectations because each year more people know about us... but for the last 6 months... because of the negative things that the country has experienced... because of the different approach of the relationship between Turkey and Cyprus... I lost my hope. (Owner C)	<ol style="list-style-type: none"> <li>1. Uncertainty and Distrust</li> <li>2. Remembrance and Memory</li> </ol>

Having completed the initial coding stage, the researcher re-evaluated the coded text for consistency or overlap with other codes. In the second stage, the coded text and the codes, following the constructivist paradigm of the research, were read at a latent level where the researcher started identifying the underlying ideas, assumptions and conceptualizations central to thematic analysis, as highlighted by Braun and Clarke (2006). During this stage, each coded text was given equal attention, and interesting text potentially forming the basis of repeated pattern (themes) across the data set was extracted.

In the third and the fourth stage of the analysis, the relevant coded data extracts were collated within the identified themes, as relevant. Some initial codes were abandoned or merged at this stage due to overlap with others. The emergent codes were then compared against the research questions in order to ensure that only the codes that significantly contributed to the research phenomena were pursued. As Braun and Clarke emphasize, ‘the “keyness” of a theme... is dependent on whether it captures something important in relation to the overall research question’ (2006, p.82). Some initial codes then went on to form main themes, while others formed sub-themes, and still others were discarded in linking the data together. The literature review also assisted in identifying these themes. It is also important here to note that this is the stage where the researcher noticed the similarity of the responses by the participants. Of the codes identified, 77 % of the 13 main codes emerged from the first couple of transcripts and these codes did not vary much until all the transcripts were reviewed for additional codes. Only three additional main codes were identified by the time all the transcripts were reviewed, which provided an insight that the collected data reached saturation. As Mason (2010) states more data does not mean more information and that “researchers generally use saturation as a guiding principle

during their data collection”. The first two transcripts were also reviewed and interpreted by the supervisor of the researcher which also identified similar codes, which helped to identify the themes for the research, improving the validity and the reliability of the results. The list extracted from NVivo10 in APPENDIX F (Table F2) also shows the frequency of the segments from the collected text linked to these codes, which shows that responses of almost all the participants were repeatedly linked to the similar codes, which also indicates saturation of the data collected.

The fifth step of the analysis focused on refining the themes, as there were several meanings that were constructed during the analysis stage that produced several themes. Keeping the research question and aims in mind, the researcher had to be careful not to overwhelm the study with irrelevant themes and maintain focus on the themes that provided coherence to the overall research. A re-coding of the text was required if the identified themes were found not to fit, and the sub-themes were also refined accordingly (see Appendix F for an illustrated example of the thematic analysis process and Chapter 6 for the themes and subthemes).

Subsequently, the themes and sub-themes were finalised and the researcher analysed the data within them. The analysis and the write-up of the thesis was the last step in the process, as presented in the following chapters.

## CHAPTER 6 RESULTS

### 6.1 Introduction

The aim of the current study is to explore how the owner-managers of SMEs in a developing country manage in a turbulent environment, and how they seek to create resilience in their organizations.

This chapter sets out the process for analysing the data within the methodology and method described in Chapter 5; that is, using inductive thematic analysis. The analysis identifies and explores the dominant themes using the process suggested by Braun and Clarke (2006), exemplifying these through the data (excerpts drawn from the interviews). The findings are discussed in relation to the research questions and considered with reference to the literature on resilience and SME previously discussed, within the context of North Cyprus. To ensure anonymity, participant owner-managers have all been assigned a letter prefix in order to respect participants' anonymity, as explained in Chapter 5.

### 6.2 Participant SMEs

The data in this section were gathered from the interviews with nine owner-managers of the total twelve Class-1 infrastructure construction SMEs in North Cyprus. This section is a distillation of this material, presented in a format where each participant provides the background and structure to their respective SMEs, using the results of the interview questions from 1-5. The purpose of this section is to provide an overall perspective of how the participants perceive the infrastructure construction sector in North Cyprus, in order to then help analyse the data in the following section.

The main characteristics gathered from each SME are highlighted in Table 6.1. The table presents each individual company in turn, all of which are privately owned infrastructure construction SMEs, showing: the age of the participant, the origin of

each owner-manager, their professional qualifications related to their business, their gender, the SME’s annual turnover, the age of the business in years, the total number of employees, and the number of professional personnel (personnel with professional education) and technical staff (personnel with no professional education but skilled) employed. As explained in Chapter 5, the participant owner-managers and their companies are represented by a capital letter where, for example, Owner A is the owner-manager of Company A. When presenting participants’ responses to different questions, the research uses abbreviations to refer to each of the questions, for the sake of simplicity; e.g. IQ:7 represents interview question number 7 (see Appendix B for a full list of interview questions and their corresponding numbers). Since there were different responses to interview questions from 6-15, and since not each question was posed to each participant (see Appendix C of questions directed to the participants), as explained in Chapter 5, the references to the interview questions are not chronologically ordered.

**Table 6.1: Characteristics of the participant owner-managers and their SMEs**

Owner	Age group	Country of birth	Professional qualifications	Sex	SME annual turnover (in £)	Years in business	Full time employees	Technical staff
A	30-35	North Cyprus	Yes	Male	100-500k	15-20	Varies	3
B	50-55	Cyprus	No	Male	1000k >	30-35	<50	15
C	50-55	Cyprus	No	Male	500-1000k	30-35	< 20	8
D	50-55	Cyprus	Yes	Male	500-1000k	30-35	< 50	8
E	45-50	Cyprus	No	Male	500-1000k	20-25	<50	3
F	50-55	Cyprus	Yes	Male	500-1000k	20-25	< 20	2
G	55-60	Cyprus	Yes	Male	500-1000k	40-45	Varies	3
H	55-60	Cyprus	Yes	Male	500-1000k	40-45	<50	15
K	35-40	North Cyprus	Yes	Male	500-1000k	25-30	< 20	3

### 6.2.1 COMPANY A

The youngest of all participants is Owner A, who took over the family business from his father. Company A is a Class-1 infrastructure company that is also involved in residential development and commercial construction. The respondent was born in North Cyprus and is professionally educated in construction. His is also the SME with the smallest annual turnover, and mainly works with sub-contractors in order to keep the number of employees low. Owner A's father was involved with the construction sector since 1962, but Owner A does not consider this as the start of the business, stating that: 'there was no company then... As a result of my father's individual efforts, since 1962, we established the company in 1995.'

When asked about the company's most memorable project to date (IQ:5), Owner A recounted a public project for a university in 2003 that was conducted to high standards: 'to tell the truth... we saw more organized and controlled work... we needed to do everything according to the specifications. We did a lot of things we never saw before.' However, as he went on to state, these were mostly new techniques in construction rather than managerial practices; when it comes to management, in his view, all companies have similar approaches, as supported by his response to IQ:8: 'in Cyprus it is generally all the same.' Owner A added that his company had not changed its management strategies since its establishment: 'there aren't any changes. It goes the same way how we started. There are no changes,' as a response to IQ:13.

Owner A also emphasized the vagueness of the regulations in North Cyprus by stating that 'old English rules' imposed during colonization still persist, and that the 'insufficient resources' in North Cyprus prevent growth. While he also stated that his company's job volume had increased since the Annan Plan, he sees no future or potential in the construction business, responding to IQ:14 and IQ:15 by asserting: 'I am not planning to make any changes... there is no future.' Owner A also thought that 'people in Cyprus can't rule the country' and expressed resentment towards the country's turbulent political environment: 'if there is a governor [from Turkey], it [North Cyprus] will be ruled better.'

**6.2.2 COMPANY B**

Company B is one of the oldest established SMEs in North Cyprus, with the highest volume of business amongst all participating SMEs and also employing the highest number of technical staff. Owner B does not have any professional education and started as a lorry driver in the construction business, later establishing his company. Today, the company is not only involved in infrastructure construction, but also owns concrete and asphalt plants as part of the business model. The number of full-time employees is higher than that in most of the SMEs that participated in the research given the higher number of full-time personnel required to run these plants.

Owner B manages the whole business and its projects with his son. 'Unfortunately, we cannot find any employees as a manager... Nowadays, nobody wants to take responsibility at our headquarters... we have to manage it all,' he said, adding that 'all of them [contractors] have the same management approach', and that 'all owners manage themselves,' in response to IQ:8. In response to IQ:12, he asserted that 'nothing has changed in the government management,' and also complained about the lack of regulations in tender laws. Overall, Owner B had not undertaken any alternations to his own management strategies over the years, stating this in his response to IQ:13: 'we do not change our operation system so often.' Furthermore, he did not plan to make any changes 'now', in response to IQ:14 and IQ:15 given his concern about the company's return on investments, and also the fact that he could not 'see the future.' In addition, Owner B could not envision his company growing anymore under the circumstances in North Cyprus: 'North Cyprus is an island country... we cannot perform any work abroad due to embargos... cannot go abroad.'

**6.2.3 COMPANY C**

Company C was established as a family business in early 1985. Owner C's father used to be a construction worker before North Cyprus came into existence in 1974. Owner C continued in his father's footsteps, working in the construction sector until the establishment of their company with his two brothers, none of whom have any professional training. Company C was a sub-contractor until 1998, after which it became an official contractor and started participating in bigger public projects.

Owner C also emphasized that these larger projects were not available before 2000 anyway, and that his company never employed professional expertise until 2000.

Owner C's most memorable project (IQ:5) was the first road project they were awarded in 1998: 'for the first time, the Turkish Republic [Turkey] authorized our country's [North Cyprus] Transportation and Motorway Ministry to open such a tender.' Owner C also stated that, before 1998, infrastructure companies in North Cyprus could only work as sub-contractors for major companies from Turkey, which were building North Cyprus' infrastructure. As he commented: 'the Turkish Republic [Turkey] didn't give any opportunities to our contractors... they still don't give the opportunity and that time they never gave the opportunity.' Owner C was of the opinion that the reasons for the arrangement of these policies were 'because we are still managed by Turkey.'

Owner C's response to IQ:9 recounted an increase in the volume of projects after 2000, and that the management of his company had changed accordingly by improving its technical aspects and adding to the number of professional full time employees. However, Owner C was not planning any changes to the company for the future (IQ:14 and IQ:15): 'we stopped our improvement at some point... because our country is small and doesn't have the luxury to open itself to abroad and because this sector is saturated.' Owner C was also unsure about the future position of Company C: 'in 10 years... not even in 5 years... we don't know... because our country is unknown and we weren't given the opportunity to do projects here.' Owner C further expressed that he used to hope for the future, even before 1974, referring to hardship in those years: 'it wasn't like this... we used to hope,' but that he then lost his hope owing to what they had recently been experiencing: 'we are trying to maintain ourselves emotionally and with our own funds... we lost the chance to go somewhere and do business... we are stuck.' Owner C also stated that, depending on the nature of different projects, the company's employees try to 'adapt' themselves and work with 'small projects that are given by the private sectors and local governments,' in order to ensure the company's sustainability.



#### 6.2.4 COMPANY D

Owner D is a professional engineer who began his career in sales in the late 1970s. Later, in the early 1980s, he started his construction company, which is a family company. Owner D diversified Company D's business operations and, in terms of the construction sector, currently works only with sub-contractors, employing only one supervising project manager owing to the constant change in the volume of work. Even though Company D has a high number of technical personnel working in the company, these employees are in divisions other than construction. Owner D justified having operations in many fields by stating that:

Although operating in many fields causes questions like in which field we are specialized and whether what we are doing is right, unfortunately North Cyprus is too small to have a corporate and a bigger structure, so it is necessary to operate in many fields.

Owner D acknowledged that there were currently growing numbers of infrastructure construction works in North Cyprus, but also emphasized that those projects are financed primarily by Turkey:

The Turkish Republic would want to give these projects that they are financing to the contractors that operate in their own state. It is a very natural thing even though others might think differently. We have to know who we are if we are in North Cyprus.

In addition, Owner D stated that: 'our [North Cyprus] institutions do not have the know-how, finance and technical personnel to participate in such tenders.' When asked to recall a memory of a significant project (IQ:5), Owner D, rather than talking about a specific project, expressed his concerns regarding the incapacity of the technical personnel available in North Cyprus, and how the quality of work suffered in construction projects due to this lack of human resources. He also stated that the quality delivered in the construction sector was better before the Annan Plan period, and that the increased demand in construction followed by the increased number of unqualified contractors ultimately diminished the quality of the work delivered, asserting that 'this disease is still going on.'

When asked about the challenges of being a *de facto* state, Owner D critiqued other local contractors operating in North Cyprus as a response to IQ:9, commenting that local companies have weak structures and are hesitant to act together to challenge

the political embargoes and the barriers of isolation. Owner D also shared his observations about how the government (the client in public projects) has changed over the years, indicating that the internal structure of the client used to be better organized and had progressively worsened over the years owing to the country's politics: .

The state [North Cyprus] was founded properly with its organs, structure and everything at that time... also founded properly in documentation and how it should function. However, afterwards, instead of developing step by step, it remained at its place; that's why we remained primitive for today's conditions.

Given this state of affairs, Owner D did not feel confident about predicting the future of his company (IQ:14) .

### **6.2.5 COMPANY E**

Owner E began his career in construction in the early 1980s by doing small private contracted jobs, and then set up an asphalt plant. By the early 1990s, Company E had reached the point where it could bid in public tenders, mainly road construction, and developed his car park accordingly. Owner E had no professional training in construction and admitted that he learned his craft by trial and error; he also observed that there had only been three or four companies that could have bid for public tenders before the 1990s.

Owner E remembered that public road projects were awarded to companies from Turkey in the 1990s and that local construction companies in North Cyprus had protested against these tendering procedures. As a result, these local contractors were allowed to bid for tenders for village roads but not city interconnections. Owner E blamed the weak government structure for this and asserted that, even though local companies had significantly improved, the majority of major public tenders are still being awarded in Turkey to Turkish contractors. He stated that: 'the Ministry of Public Works in North Cyprus needs to say that these projects [tenders for projects] will be done here [North Cyprus],' further expressing that 'there is unfair competition.' According to Owner E, the challenges that North Cyprus' local construction sector face from this unfair competition has 'started to turn to anger.'

When asked about how he manages his work and clients (IQ:11-12), Owner E referred to different clients and how the company adapts itself according to the requirements of each project, stating that: ‘the agreements [with the clients] force’ Company E ‘to set up a management strategy.’ Owner E reiterated that it is difficult to sustain consistent management procedures: ‘if there isn’t enough work and if there is only one project in a year, although you want it you can’t make that system work.’ When asked about how Company E has changed over the years (IQ:13), Owner E felt that it had improved: ‘compared to the past, we have converted into a more institutionalised company but are we adequate? No, we aren’t... we aren’t adequate.’ Owner E also added that, during the Annan Plan period, the increased number of unqualified contractors delivered poorer quality of work; however, those contractors were not locally owned: ‘the ones who did those mistakes... tarnished Cypriot Turkish people’s name.’

Owner E was not hopeful regarding the future of Company E:

I can’t predict where it will be. I can’t predict what will happen tomorrow or the following day in this country... our [North Cyprus] condition is totally different. For example, tomorrow if the Greek part makes a claim in the European Human Rights Court [referring to Oram’s Case, as explained in Chapter 4] that may collapse my whole system.

Owner E predicted a similar future for other contractors in North Cyprus: ‘most of them become smaller... not bigger... they plan to become smaller and move carefully.’

### **6.2.6 COMPANY F**

Company F is a partnership of brothers. Owner F is the oldest brother and the director of the company, responsible for the company’s construction projects; he has a two-year technical professional training accreditation. As a family tradition, all the children of the family are studying construction-related professions and are trained in the family business. Company F also diversified into sales of construction materials and building construction. Company F was established before North Cyprus came into existence by Owner F’s father, who was an accomplished carpenter and one of the only two Turkish people in the region involved in a construction-related

business: ‘in the period of the Cyprus Republic [before 1974]... it was difficult to do business for Turkish Cypriot contractors.’

When asked about its infrastructure projects that Company F was involved in and their approach to management, Owner F stated that they did not have any ongoing projects but talked about previous projects that the company had been involved in. The first infrastructure project that Company F undertook was the construction of a roundabout for a junction in 1998. Owner F mentioned that there were no standards for them to follow during the construction, and that these standards are still not available; furthermore, in response to IQ:5-6, he commented that ‘the standards depend on the architect’s or the contractor’s approach.’ Owner F further stated that the Ministry of Public Works should have a set standard that all contractors should adhere to but that, in contrast, all that the Ministry has is ‘a book from the 1970s, but it isn’t valid anymore and needs to be updated.’ When managing projects (IQ:6), Company F uses technical staff to supervise daily activities; however, all management activities are controlled by the owners. For bigger projects, Company F employs a project manager, but not for smaller projects.

Owner F also talked about the lack of human resources in North Cyprus, and that one of the biggest problems is that the staff on site just ‘do whatever you tell them... if you tell them what to do they will just do that thing... they won’t consider the next step,’ and that the quality of the projects subsequently suffers from this attitude. He emphasized that since most of the Turkish Cypriot population choose to work as civil servants for the government, regardless of their profession, private companies have difficulty in finding young professionals to train in construction: “‘Father Government’ takes care of them and our young population [Turkish Cypriot] isn’t interested in this profession.’ Consequently, when Company F has a big project to undertake, it needs to ‘bring in staff from Turkey and other countries.’

Owner F’s response to changes in its management and the clients’ management over the years (IQ:9, IQ:11-13) was as follows:

In this profession... you have to force the management so you can change it... first we have to ask this... the management of government in North Cyprus... in my opinion the luckiest contractors are the ones who

have a bag and a car...working with an office is quite costly in this country.

Additionally, Owner F asserted that: ‘you can create a team depending on the projects but it won’t sustain itself,’ given that ‘there is a very unstable construction market in North Cyprus... because it is a small country... one day there is a boom and the other day we hit rock bottom.’ Owner F also critiqued the Turkish and North Cyprus Governments for declaring that local contractors ‘don’t have the proper technical implementation capacity,’ and for awarding all the recent public tenders to foreign contractors rather than allowing Turkish Cypriot contractors to participate.

Owner F did not particularly accept the idea of North Cyprus being *de facto* (IQ:10), stating ‘yes, we are challenged... but we have to defend North Cyprus and the republic system,’ and referring back to history by adding that Turkish Cypriots were deceived and forced to sell their land owing to political pressure and poverty:

In my opinion... I’m a nationalist... I believe in North Cyprus because Cypriot Turks were deceived... when the British came to the island, they counted the lands... and according to British records, Turks owned 80% of the land... until 1940... or maybe in 1935 this decreased to 60%... and then we lost most of the land.

Ultimately, Owner F was of the opinion that, if the current political situation and the economic crisis do not end soon, there will be no future for them in this business.

### **6.2.7 COMPANY G**

Owner G is an engineer by profession. He started working as an engineer for the government right after completing his education during the establishment of North Cyprus. He later worked as a manager for his friend’s company for several years. Company G was founded in 1985 in building construction before moving into the infrastructure construction sector. Company G also has a sister company that sells fertilizers in the agriculture sector. Company G is a family owned business, with all family members actively working in the company. The number of employees in Company G varies according to the projects the company have under construction; at the time of the interview, Company G only had 12 full-time employees, including three technical personnel.

Company G is one of the construction companies interviewed that was involved in a project financed by the European Commission and United Nations Development Program (UNDP). Owner G explained how this project was delivered, and that it was one of the most memorable projects undertaken by the Company (IQ:5). Even though this particular project had been awarded to a Turkish company from Turkey, Company G was hired as a sub-contractor, with only one manager from the main general contractor on site. One of the main issues that Company G faced during this project was that UNDP ignored the building regulations of North Cyprus, causing animosity between the engineers in North Cyprus and the UNDP employees, leading to delay and additional cost to the contractor. When asked about how they manage their clients (IQ:12), Owner G talked about the UNDP and how the client had changed over the years: ‘they were more respectful and more thorough with their works before. But now I think they are acting differently, recently.’ Owner G thought this may be because ‘the Builder’s Association boycotted the UNDP tenders of North Cyprus for UNDP using New York as the address for any arbitration and adding that this is still the case.

Owner G also discussed the EU projects and how similar problems were creating serious challenges for other contractors involved in these projects in North Cyprus. ‘The Brussels [Belgium] courts are authorized in the case of arbitration,’ owing to the isolation North Cyprus faces. Owner G also criticized the Turkish Government for creating unfair competition by opening up tenders in Turkey for infrastructure projects in North Cyprus, saying that these tenders were also boycotted without any success. Owner G followed this by asserting that: ‘because we are not the strong side. You need to live so you want a job, you also have to make your employees live. But your opponent is strong.’

Owner G also commented about the government of North Cyprus as their client, which used to have very good standards and qualified personnel until the 1980s when the country was establishing itself; however, according to Owner G, this is no longer the case: ‘after that period with the effect of the politics, most of these experienced staff left their jobs in government. Some of them established their own businesses and some of them went abroad.’

When asked about management in other companies (IQ:8), Owner G perceived no difference between the management approaches of the companies in the infrastructure construction sector of North Cyprus:

The companies are facing some problems but they are very flexible, they can grow or they can become smaller. If you keep all your employees while you don't have any ongoing projects, you will collapse. But these companies have the capacity to grow again or to build some partnerships, or to be re-organized again.

### **6.2.8 COMPANY H**

Owner H is a trained engineer by profession and started working for a Greek company in Cyprus before North Cyprus came into existence (i.e. before 1974); he was the only Turkish employee in that particular company: "I was the only Turkish engineer in the company... everybody wondered and came and visited me..". Owner H was taken as a prisoner of war during the conflict on the island for 100 days and, following his release, went to Libya to work with other Turkish engineers. After returning back to Cyprus, Owner H set up Company H with his engineer friend from college and Libya, and with a Turkish Cypriot foreman whom Owner H had met in Libya. At the time of interview, Company H is owned by the two engineer partners and their families, who are all actively working in the company. Company H had closed its production plants owing to the saturated market and accrued costs.

Company H, among the participant companies, employs the most professional personnel who are directly involved in managing projects on site. Owner H stated that other companies in the sector only employ the minimum number of professional expertise as required by law in order to receive Class-1 certification: 'everyone gets to first class in 5 – 10 years. Then classification has no meaning at all.'

Company H is the company that constructed most of the internationally funded infrastructure projects in North Cyprus, including all of the EU projects but one. Owing to Company H's qualifications and references, which were built up over the years, Company H was able to participate in EU tenders, with German partners. T Company H's first job was a restroom repair job; the company then moved on to building almost all of the infrastructure projects in their region. As Owner H stated: "we undertook almost all of the infrastructure projects at the time [in the 1980s]...

because we were the only company that knew how to prepare a bid to international standards.’

When asked about his most memorable project (IQ:5), Owner H referred to building construction work he undertook for a particular entrepreneur friend, where he had the most fun and improved his own skills: ‘we had a vision. The money was in the second plan.’ Being a *de facto* country is a challenge in construction, according to Owner H: ‘

Temporarily, the news comes of a possible solution [referring to the Annan Peace Plan]... and everybody plans as if it will finally happen ... then you see it has no results... I mean those who carry out projects are coming from Turkey... They either tender the projects in Turkey or they are works that started in Turkey... There are hotel works in North Cyprus, you see... are there any contractors doing these projects who are from North Cyprus? No.

Owner H also held the government to be responsible for creating unfair competition by awarding projects to contractors from Turkey and providing these companies with exemptions that North Cyprus contractors are not eligible for: ‘I mean, the contractor who comes from there [Turkey], does not pay any tax here and buys everything as exempt, from fuel oil to tyres.’

Owner H was concerned about the future of infrastructure companies in North Cyprus owing to the politics of the EU and Turkey, and the tendering and controlling processes of the projects that are funded by them:

If this structure goes on, then it’s difficult for us. I mean, if our government structure remains in such a submissive position... firstly, the politics should change... with such a policy, citizens of North Cyprus are ruined... I mean, we become a sector, where the contractors try to win infrastructure public tenders by going after politicians... If this situation goes on, then only one or two companies would remain in infrastructure in North Cyprus within several years... I mean that’s what I predict.

### **6.2.9 COMPANY K**

Like several other companies described thus far, Company K is also a family business. Owner K took over the company in 1998 from his father, who had started the business as a sub-contractor in 1967, before North Cyprus was established in 1974. Owner K is a college graduate with a professional degree and was born in



North Cyprus. Owner K works with his sister in Company K, who is responsible for the accounting of the business; their late brother was also a partner.

According to Owner K, the demographics of the construction sector had changed over the years, including the labour force as well as the clients and contractors, as made clear in his response to IQ:9. Owner K was of the opinion that the construction sector in North Cyprus has a bad reputation, and that this is a result of the foreign contractors who benefited from the boom and delivered poor quality jobs:

‘everybody became a contractor... the regulations of the contractor’s association was not enforced... some companies were bogus... most of these companies are the foreign ones.’ Owner K believed that the construction sector in North Cyprus is seriously affected by the politics of the country, especially owing to the country’s internationally unrecognized status, and the fact that most of the contractors in North Cyprus are finding it difficult to sustain themselves:

Unfortunately politics is an effective factor... especially as it determines the future of infrastructure companies... infrastructure companies are about to become bankrupt... after 2008... the projects became rare... these 600 companies [number of contractors registered to the Contractor’s association before 2008, according to Owner K] decreased to 250, and from 250 to almost only 160 companies, active companies... this number decreased to 150 from 600... 160 last year... 150 this year... this will decrease to 140 next year... and only 7-8 infrastructure companies are fully operational.

When Owner K was asked about his plans for his company’s future (IQ:14-15), he talked about down-sizing: ‘next year... we may be placing more emphasis on sub-contracting.’ Owner K also plans to invest in tourism, where he sees more potential. He complained about the politics in the construction sector, which is influenced by Turkey’s policies towards North Cyprus:

People have difficulties sustaining themselves... especially over the last one or one and a half years, society worries about the things that may happen... nobody trusts in politics or the stability of politics... they [Turkey and EU] tried to weaken the economy here, and there existed politics which were forcing us to say ‘yes’ to the Annan Plan.

Owner K also blamed the construction sector for the problems the sector might have, emphasizing that the sector could be improved by the active efforts of the contractors: ‘there are lots of things that will help the construction sector to

improve... first we have to check ourselves... secondly, we have to explain the construction to the government.’ Overall, Owner K was more concerned about how the politics of the country change and shape his management strategies. When asked about his relationships with his clients (IQ: 11), who are mostly public, Owner K’s response was: ‘I have declared my political ideas... If the government changes... I have to change.’

#### **6.2.10 SYNOPSIS OF PARTICIPANT SMES**

All participant SMEs had become official, registered companies in the 1990s, following the establishment of North Cyprus in 1983 and the establishment of the CT-BCA in 1994. All of these SMEs have family members actively working in them. Their owner-managers all have very vivid memories of the past and how they developed their businesses. All of the SMEs diversified into related fields in construction. Companies K and F also diversified into other sectors, i.e. agriculture and tourism. Three of the participants, Owners D, H and G set up their own companies because of their professional training, whereas the others are in this sector owing to family tradition. Owners D, H G think that their companies are the most structured, and that other SMEs in the sector are inadequate in performing infrastructure public projects.

The politics of Turkey and its policies towards infrastructure construction were presented as having a major controlling influence over the infrastructure sector in North Cyprus by all participants. Only two of the respondents interviewed, G and H, said their companies had undertaken major public projects financed by the EU, UNDP or Turkey, which were the ones who were professionally trained and had the longest experience in the infrastructure construction sector. Overall, the participants were found to be politically driven and to perceive government policies towards this sector as insufficient. None of the participants expressed much about how they manage their companies, but mostly talked about the external environment and how they try to cope with frequent changes in this environment. They all thought that the construction sector is saturated, and that there is unfair competition in infrastructure construction that might threaten their companies’ sustainability in the long run. All the companies, at the time of the interviews, were critical of the present conditions in

the industry and were trying to change their structures by downsizing; however, most do not have any plans to change their approaches to management.

### **6.3 Thematic Analysis**

This section analyses the data gathered for the research using extracted references from the coded text, as explained in Chapter 5. Some of the extracts might repeat since some text may have been coded more than once. At the end point of the analysis stage, 13 main codes and 47 sub-codes in total were created across the nine transcripts (See Appendix F). Additional codes were produced during the data analysis process, but were then discarded due to irrelevance to the research questions or collapsed into other codes. The codes were data driven and evolved at each stage of the analysis.

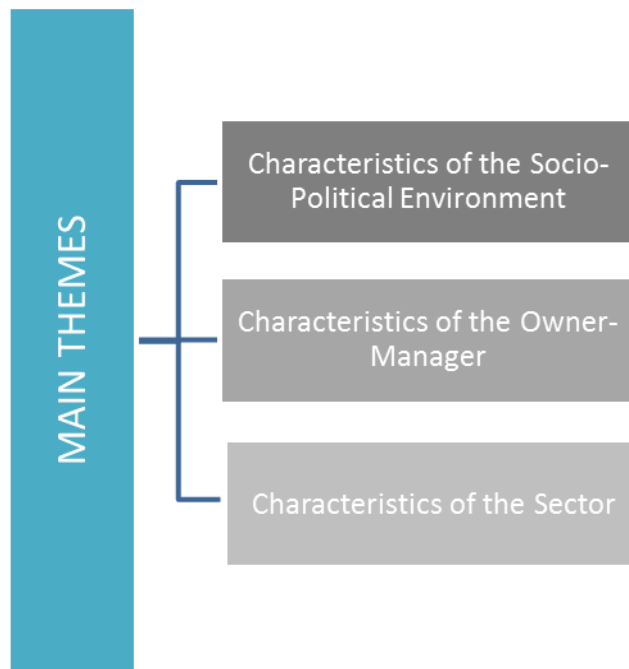
The results display different thematic levels– main overarching themes and subthemes within them. A ‘theme’ is defined as capturing ‘something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set,’ whereas sub-themes are ‘themes-within-a-theme’ (Braun and Clarke 2006, p.92) which give structure to main themes.

### **6.4 Main Themes Identified**

From the interview data gathered, there emerged a number of main themes and sub-themes that relevant to management strategies in the context of the research question (Figure 6.1). These themes are: the characteristics of the socio-political environment, the characteristics of the owner-manager, and the characteristics of the sector. As will be discussed in Chapter 7, these all represent major factors influencing the management strategies of infrastructure construction SMEs in North Cyprus. The first theme, ‘the characteristics of the socio-political environment, represents the external environment of the infrastructure construction sector, including its history and culture, politics and the demographics of the country. The second theme, ‘the characteristics of the owner-manager, represents the perceptions of the owner-

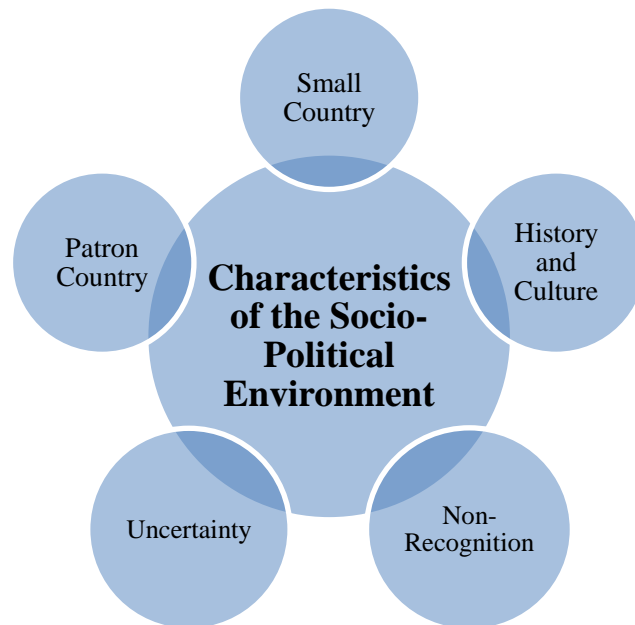
managers of SMEs in the infrastructure sector and their perceptions of the industry. The third theme, characteristics of the sector, represents the challenges faced by the owner-managers owing to the characteristics of the infrastructure construction sector, including management approaches within the sector, changes, and how the owner-managers of the SMEs try to adapt themselves to these changes.

A thematic map of all the main themes was generated (Figure 6.1). Within these map, each of the themes is illustrated along with the associated sub-themes, as shown in Figure 6.2, Figure 6.3 and Figure 6.4. Each sub-theme has been illustrated with examples of coded text-segment, which are presented as a table following the definition of the sub-themes.



**Figure 6.1: Main themes – Challenges influencing SMEs’ management strategies**

### 6.4.1 THEME 1: CHARACTERISTICS OF THE SOCIO-POLITICAL ENVIRONMENT



**Figure 6.2: Main Theme 1 and sub-themes**

The major theme of characteristics of the socio-political environment was labelled as such as it includes participants' experiences of the industry over the years, including incidents of political events and how these events may have affected their growth in business, in addition to the lack of resources. This theme also includes what participants viewed as the function of these connections, and their experiences of the effect of the country's politics on their organization. Overall, this theme highlights the types of changes that took place in their management approach, as well as indicating the development of the industry within time and space. The data for this theme are organised into five sub-themes, which are explored in more detail as follows.

#### Sub-theme 1: Small country

Several research participants acknowledged that certain aspects of their management strategy were related to the size of the country. Even though growth is part of the owner-managers' strategy, the smallness of the country and the lack of available resources – both financial and technical – are an obstacle in growth strategy. The saturated market was also presented as a problem, which increases competition in tenders. The size of the country was further associated with the volume of projects

available in North Cyprus. This was presented as a barrier for participating in bigger projects; however, partnering with local contractors for projects was presented as an alternative strategy to participating in bigger projects alone. The supporting interview quotations relevant to this sub-theme are listed in Table 6.2.

#### Sub-theme 2: History and culture

All the research participants referenced '1974' in the interviews when describing the construction sector in North Cyprus, comparing the latter either to events before or after '1974', indicating that this date was a major milestone in the development of the country and the sector. The history of North Cyprus is very young. As Kanungo and Jaeger (1990) indicate, organizations in developing countries are 'past and present' oriented, and the history of the society (external environment) cannot be separated from the culture of the organization (internal environment).

It is also evident from the data that Turkish Cypriots were not significantly involved in building the infrastructure of Cyprus before 1974. After 1974, a new country was established and the people who entered the construction sector were inexperienced, with limited resources available to them. When the participants explained their companies' growth and the sector's development, they typically used 1974 as a key reference point and benchmark for 'before' and 'after' growth of the industry, given the events on the island before and after 1974.

While the participating owner-managers talked about some developments in the industry, 1974 was widely seen as a major threshold, where the events experienced by society before and after this date evoked a new regime that meant new adaptations were necessary, thus highlighting how influential history can be. The history of the island shaped the culture of the newly established North Cyprus at that time, as it did attitudes towards organizational management, as apparent from participants' comments – this re-shaping is a key emerging theme. The supporting sample extracts for this theme are listed in Table 6.3.

Table 6.2: Sample extracts for main theme 1, sub-theme ‘small country’

<i>Theme</i>	<b>Characteristics of the Socio-Political Environment</b>	
<i>Sub-theme</i>	<i>Small Country</i>	<i>Company</i>
<b>Supporting Interview Quotations</b>	<i>“Why do people want to enter such a sector in such a small country, where the volume of the projects is not so large?”</i>	<b>B</b>
	<i>“We are a small island ... in the islands when everybody tries to do the same thing we face a saturated market.”</i>	<b>E</b>
	<i>“Unfortunately, North Cyprus is too small to have a corporate and a bigger structure.”</i>	<b>D</b>
	<i>“Cyprus is a small place. You cannot get bigger here.”</i>	<b>A</b>
	<i>“We live on an island so we can’t have big infrastructure projects.”</i>	<b>F</b>
	<i>“We can have partnerships with other companies. I am not sure what the future will show us but there are company mergers in Europe. Companies come together for some bigger projects. But this is a small country and there hasn’t been anything like that yet.”</i>	<b>G</b>
	<i>“Unfortunately, because the budget of North Cyprus is very limited, and the size of the projects is too small, even if we want to provide training and know that such training is necessary, we cannot include the cost of training in our budget.”</i>	<b>D</b>

Table 6.3: Sample extracts for main theme 1, sub-theme ‘history and culture’

Theme	<b>Characteristics of the Socio-Political Environment</b>	
Sub-theme	<b>History and Culture</b>	
Supporting Interview Quotations	<p><i>“Cypriot Turks stayed in their own villages ... if they could find a job, they worked... as a worker... only as a worker... they couldn’t work in another position... there were 2-3 rich people... they used to own lands... they had properties but that was it... but there were only 2-3 of them... after 1974 our people started to do business in commerce, art, construction, business world... before they used to be workers in specific fields... for example they only used to put the plaster but nothing else... we also experienced these things... we still experience... that’s the reason for the troubles that we have today... think about it.”</i></p>	F
	<p><i>“I can give you an example from myself... until ’74 we used to work individually... we used to construct roads with our own facilities... the measurement... that period’s conditions were different and today’s measurements are different... in that period there weren’t any projects that required engineers, contractors... after ’74 with the improvement of the country it became more professional.”</i></p>	C
	<p><i>“I was the only Turkish engineer in the company... everybody wondered and came and visited me.”</i></p>	H
	<p><i>“In those years [referring to 1974] there were no associations like the contractors’ association [CT-BCA established in 1994], we were all alone... there were three, four contractors participating in the government’s public infrastructure tenders... that was it.”</i></p> <p><i>“It changed after ’74... we maintained our patterns until ’74... after ’74 it started to change... also our lifestyle... maybe we couldn’t change ourselves because of the things we experienced in those years... there are also lots of sociological reasons... the conditions weren’t suitable... the movement started after ’74.”</i></p> <p><i>“For example, tomorrow if the Greek part makes a claim in the European Human Rights Court [referring to Oram’s Case, as explained in Chapter 4] that may collapse my whole system.”</i></p>	E
	<p><i>“Our government’s system used to be different... we used to enjoy the work.”</i></p>	F
	<p><i>“After 1974 the Turkish contractors in Cyprus began to go Libya and Saudi Arabia. At that time Turkish engineers from Cyprus, especially the ones graduated from METU [Middle East Technical University, Turkey], moved to Libya and Saudi Arabia. And when these engineers came back to the island, they all established construction companies.”</i></p>	G
	<p><i>“We anticipated that the Annan-plan would work and made big investments.”</i></p>	B



### Sub-theme 3: Non-Recognition

Throughout the thematic analysis, another unique situation emerged as a challenge in management in the ICS in North Cyprus; that is, the ‘lack of recognition’ of North Cyprus as a legal state. Even though this theme could have been evaluated within the theme of history and culture, it is kept separate since it has its own explicit references made by research participants, who mentioned it quite often throughout the interviews.

North Cyprus is a *de facto* state, a system recognised to work for the benefit of the power holders within the state (Lynch, 2004; Pegg, 1998). This has had a direct influence on both the construction sector and a profound effect on the owner-managers of its SMEs, as they constantly have to deal with the politics of being *de facto*.

From the research, it becomes evident that being *de facto* is also synonymous with a highly unstable political environment, where owner-managers in the construction industry are forced to adopt a particular political stance and, as such, tend to view the politics of Cyprus as one of the biggest obstacles to managing their work.

Furthermore, as these politics encourage the owner-managers to facilitate their management strategies primarily by managing their relationships with power holders, this decreases the level of their accountability towards official regulations. The owner-managers have been living under these circumstances for almost forty years and have experienced, socially, a great resentment towards the power holders; the interviews showed them to be frustrated by the challenges presented by the unresolved Cyprus Problem. This, in turn, has led the owner-managers to associate their weaknesses and problems with the politics of the country. The supporting sample extracts for this theme are listed in Table 6.4.

### Sub-theme 4: Uncertainty

This theme was identified and labelled due to owner-managers’ descriptions of the difficulties and negative experiences they have encountered in managing their SMEs, and how these have affected the future planning for their organizations. This includes circumstances, approaches or emotions that are seen to hinder effective management. In a society where there exists an unstable and turbulent external

environment, long term planning is hindered and the owner-manager is more focused on to day-to-day activities, which are themselves shaped by the politics of the country.

Even though future forecasts are uncertain for the owner-managers in this study, their perceptions of the future are based on change external to the sector, which may also trigger change in management strategies. Nevertheless, hopes for change have largely been suppressed, directly affecting the attitude towards change in the sector as a whole. The supporting sample extracts for this theme are listed in Table 6.5.

#### Sub-theme 5: Patron Country

Another sub-theme that emerged from the interview data is that of the ‘patron country’. This, as evident from the interviews in terms of respondents’ identification of it, is Turkey. This sub-theme was labelled as such as it was characterised by participants’ personal views of the ‘patron country’, including their personal experiences with it and how they perceive the involvement of the patron country in the politics of North Cyprus which, in turn, directly influences the politics of the construction sector.

North Cyprus’ state of being unrecognized and, as such, its society having to deal with embargoes and being a small new country with limited resources, invoked the involvement of the patron country in the internal decision making of the local government. This involvement has, in the past, shaped the image of the patron country itself, and also the identity of the owner-managers in this study. The participants, even while acknowledging the contributions made by the patron country typically described these contributions as mostly based on the past rather than the present; indeed, the present contributions of the patron country were perceived as a disturbance to the system.

However, the patron country’s ongoing involvement in the politics of Cyprus has caused reality of North Cyprus and the construction sector to be interpreted through the inner perceptions and feelings of the owner-managers. In particular, when a new conflict situation appears (or a stress factor in society appears) and tension arises, the current mental image of the patron country is one that becomes contaminated with

the image of an enemy. Despite understanding that Turkey is trying to be a guarantor country for North Cyprus, the participants tended to perceive the patron country as a disturbance. The supporting sample extracts for this theme are listed in Table 6.6.

Table 6.4: Sample extracts for main theme 1, sub-theme ‘non-recognition’

Theme	Characteristics of the Socio-Political Environment	
Sub-theme	Non-Recognition	Company
Supporting Interview Quotations	“Turkish people from Cyprus don’t have the opportunity to do business outside of their territory. I mean how... Their qualifications are not accepted; their company is not accepted because you are not accepted as a country. Unknown, illegal – you are an unknown, illegal country. If I go to Germany as a company they will look at me laughing. It will be considered very funny.”	E
	“For a short period, news come out of a possible solution [referring to Annan Peace Plan]... and everybody planned as if it would finally happen... then you saw it had no results.”	H
	“They [Turkey] tried to weaken the economy here, and there existed the politics forcing us to say ‘yes’ to the Annan Plan.”	K
	“Because our country is unknown and we weren’t given the opportunity to do projects here.”	C
	“Cannot perform any works abroad due to embargos... cannot go abroad.”	B
	“We used to have some customers from Israel... in 2006... they planned to invest some money here and we gave them an offer... here everything is unclear... even though you make an agreement all this investment will be nonsense.”	F
	“Your relationship with the state depends on the political party that you support... I declared my political ideas... If the government changes... I have to change.”	K
	“I mean, we have become a sector where the contractors try to win infrastructure public tenders by going after politicians.”	H
	“I don’t want to be mean but we feel that the construction companies who are close to the government always get the projects. We believe that.”	G
	“We revitalised ourselves over the past 25-30 years, seeing the potential in our country [more opportunities in construction]... and considering that maybe one day this country will be recognized so we can do projects abroad... we prepared ourselves as if we were going to operate internationally... with saying this year... this year... we stopped at the highest point... we waited for that process... but unfortunately now... instead of going forward we’re drawing back... this is the point that we’ve reached.”	C
	“We can’t grow. The needed opportunities are not given... by the government.”	A
“It started to turn into anger... for many years, Cypriot Turkish people considered Turkish people as a taboo... they didn’t criticize it [Turkey]... they considered criticizing as a sin... they considered protesting as a sin. But the point came... our children are going away. For that reason this has turned into anger... this is considered as insensibility... and slowly this has turned into anger... I don’t know what will happen in the future.”	E	

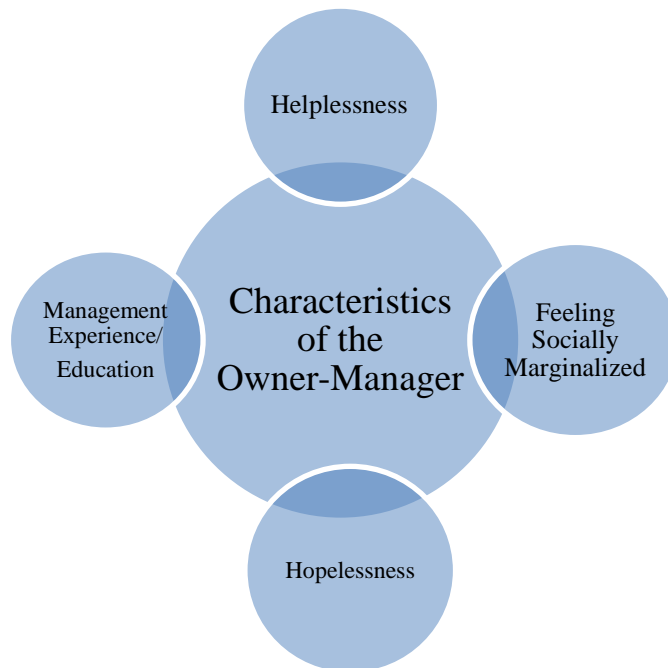
Table 6.5: Sample extracts for main theme 1, sub-theme ‘uncertainty’

Theme	Characteristics of the Socio-Political Environment	
Sub-theme	Uncertainty	Company
Supporting Interview Quotations	<p><i>“Sincerely, I can’t predict where it will be. I can’t predict what will happen tomorrow or the following day in this country. Really, erm, because the countries determine targets according to their socio-economic politics.”</i></p> <p><i>“Whoever you chat with about company management, he will mention the Cyprus problem and the social problem... because this a part of daily life... it is always with us.”</i></p>	E
	<p><i>“We knew that the projects will be done in 2-3 years in our country... but we have never seen them... suddenly we found about it a week ago as a prepared meal... there are 3 or 4 to 5 or 6 roads that will be constructed in our country.”</i></p>	C
	<p><i>“Temporarily, news came out of a possible solution [referring to the Annan Peace Plan]... and everybody planned as if it would finally happen... then you saw it had no results.”</i></p>	H
	<p><i>“If 86% percent of the budget of a government goes to pay the government employees... the private sector like us... we pay high taxes... there is no feedback from the government, really... we don’t know where it will go.”</i></p> <p><i>“Yes... we need a change... the governing system has to change.”</i></p>	K
	<p><i>“It hasn’t changed for all these years and it won’t change... there is no intention for changes.”</i></p>	F
	<p><i>“I am not planning to make any changes... there is no future.”</i></p>	A

Table 6.6: Sample extracts for the main theme 1, sub-theme ‘patron country’

Theme	Characteristics of the Socio-Political Environment	
Sub-theme	<b>Patron Country</b>	Company
Supporting interview Quotations	“We gave the chance to Turkey.”	K
	“This problem in Cyprus was recognized by Turgut Özal [president of Turkey in 1990’s] who was the government of Turkey. And they encouraged people to work in government offices as officers. He said I will pay your salaries, I don’t want you to be unemployed [blaming Turkish politics for dominating the private sector.”	G
	“If you say and sign... ok. You came and saved our land, what are your terms, here I give you these” in an agreement made by two countries, and it initiates a tender. It initiates the tender in such terms... I mean, the contractor who comes from there does not pay any tax here and buys everything as exempt from fuel oil to tyres... and nobody can interrogate who the person is, who he is bringing with... what is he doing here ... You provide all these privileges.”	H
	“We prepared ourselves believing that we’ll improve more... but in the last 2-3 years we saw that there is a different approach, different direction ... with the cooperation of TC [Turkish Republic] and North Cyprus government... they put a barrier in front of this country’s businessmen, investors ... we see that they don’t want them to improve, gain power, go forward... and we are falling down from the point where we are now ...”	C
	“If the tenders of Turkish projects [funded projects by Turkey] were available here, I would tell you where I would be as a company [referring to future and blaming Turkey].”	E
	“Turkey. Do you know what I want? A governor should come here [from Turkey]. Neither president nor prime minister. A governor is much logical [to control the politics of country]. I am very serious [being sarcastic about the interference of Turkey on the island].”	A

### 6.4.2 THEME 2: CHARACTERISTICS OF THE OWNER-MANAGER



**Figure 6.3: Main Theme 2 and sub-themes**

The personal attributes of the owner-manager is an important factor in managing small businesses, such as those operating in the infrastructure construction sector in North Cyprus. Their education, management experience, family experience and age can be listed among these factors. The second main theme that emerged from the interview data was precisely that – the characteristics of the owner-manager. The theme was labelled as such as it was characterised by the participants’ personal approach to management, including their personal experiences, values and beliefs, and how they perceive the environment they have to operate in. This theme also includes the internal and external challenges they perceive, to the industry, and how the owners-managers try to manage the barriers imposed on the infrastructure construction sector. The data for this theme is organised into four subthemes, which are explored in more detail as follows. The supporting sample extracts for this theme are listed in Tables 6.7, 6.8, 6.9 and 6.10.

### Sub-theme 1: Management Experience and Education

This sub-theme emerged as significant from the interview data as the participating owner-managers emphasized that one of the key barriers to planning management strategies in the sector was actually the background of the owner-managers themselves.

A lack of education, coupled with some owner-managers' limited experience, were identified as obstacles to growth and, therefore, also to the application of proper management in these SMEs. As expressed by the participants, this had limited their participation in bigger and more complicated projects, which may have contributed to improved management strategies.

The rapid growth of the sector in the 1990s influenced the rapid growth of infrastructure construction companies. This led all the participating infrastructure companies to apply for and receive Class-1 certification, in order for them to be able to participate in the public tenders, even though they were not qualified or adequately experienced. This, as evident from the previous discussion in Section 6.2, underestimates the importance of planning strategies for growth, which eventually increased the SMEs' vulnerability.



Table 6.7: Sample extracts for main theme 2, sub-theme ‘management experience and education’

Theme	<b>Characteristics of the Owner-Manager</b>	
Sub-theme	<b>Management Experience and Education</b>	Company
Supporting Interview Quotations	<i>“I mean, infrastructure contractors are mostly not educated [the other contractors]... I mean, among those companies, there are no such persons who graduated from university and established a company and became an infrastructure contractor... I guess we are the only one.”</i>	H
	<i>“Did any of the contractors [owner-managers] study at university? Most of them finished only primary school... it is very difficult to deal with them.”</i>	K
	<i>“So without any experience and knowledge we tried to do business.”</i>	F
	<i>“We cannot participate in such tenders due to us. Our institutions, we do not have know-how, finance and technical personnel to participate in such tenders.”</i>	D
	<i>“We cannot participate. Because major projects have major requirements. For bidding for a tender that opened last year, one had to have a 50-million Turkish Liras work completion certificate. There have been no such projects in this country.”</i>	B
	<i>“Everyone gets to first class in 5 – 10 years. Then classification has no meaning at all.”</i>	H
	<i>“The capacity of our companies are obvious [referring to limited capacity]”</i>	K

Sub-theme 2: Feeling Socially Marginalized

Another theme which emerged from the data is how the owner-manager perceives the present position of his/her company (therefore himself/herself) in reference to the external environment. As discovered throughout the research, the lack of adequate management experience and education in the industry was causing external agencies, especially Turkey (patron country), to fund and build most of the infrastructure projects when North Cyprus was established.

As time passed and the country started developing, the need for infrastructure increased and, therefore, the demand for these projects. However, over time the funding source has not changed. Almost all participants expressed how they had tried to improve by increasing investment in their business, but were ultimately marginalized from the sector, with most of the projects undertaken by Turkish companies from Turkey. Even though the owner-managers in this study were not as educated and lacked experience in some cases, the participants largely thought that the requirements for bigger projects could be adjusted to favour the local contractors and so prevent unfair competition.

Feeling socially marginalized is inhibiting the further development of the local companies, causing owner-managers to withdraw their investments from their own companies. Even though, without the finances of the patron country and the EU, the sector cannot sustain itself, these financial aids are now perceived as a threat to the identity and survival of North Cyprus' construction SMEs; their owner-managers are not optimistic for the future, as shown in Table 6.8.

Table 6.8: Sample extracts for main theme 2, sub-theme ‘feeling socially marginalized’

Theme	Characteristics of the Owner-Manager	
Sub-theme	<i>Feeling Socially Marginalized</i>	Company
Supporting Interview Quotations	<i>“All of them are financed by Turkey. All of the investment tenders... investment projects... those were in TRNC... were financed by Turkey. I mean, they [North Cyprus Government] do not even fund to pay their officers, how could they finance projects? I mean investment budgets are provided by Turkey.”</i>	H
	<i>“A couple of contractors experienced problems with UNDP projects... as I remember... if we want to prove our rights we can sue Brussels by going to the USA, to New York... can a contractor from North Cyprus go to Brussels and sue them [referring to NC being a de facto state]?”</i>	C
	<i>“The project is completely financed by the Republic of Turkey. And of course, the Turkish Republic would want to give this project that they are financing to the contractors who operate in their own state [contractors from Turkey]. It is a very natural thing even though some others think differently. We have to know who we are if we are in Northern Cyprus.”</i>	D
	<i>“Because we are not the strong side [North Cyprus contractors]. You need to live so you want a job, you also have to make your employees live. But your opponent is strong [contractors from Turkey].”</i>	G
	<i>“There is a difference between when an elephant falls and a mouse falls... a mouse will get up immediately... an elephant doesn’t fall easily but doesn’t get up easily... because our companies are small we can only save ourselves for a short time... next year especially the number of infrastructure companies will significantly decrease... the ones that remain will have big problems.”</i>	K
	<i>“There is no light on the horizon. Everything is granted to Turkey.”</i>	H
	<i>“If this situation goes on, then only one or two companies will remain in infrastructure in North Cyprus in a few years... I mean that’s what I predict. If someone wants to buy my asphalt plant, I would sell.”</i>	D
	<i>“I think Turkey has a policy that is... to bring its own population here... to transfer funds... as a Cypriot community... they want to create a new community calling it the Turks that live in Cyprus. That’s what I understand from this progress. And because of this they send lots of businessmen here.”</i>	E

### Sub-theme 3: Helplessness

Memories of the past are very important since they persist into the future. Some memories are highly accessible due to the frequency of their occurrences and recollection. The data gathered from the interviews highlight that the local contractors in the infrastructure sector share traumatic memories of the past, which are still easily accessible. These memories are connected with experiences and feelings of helplessness, and an inability to change their situation.

These accessible memories, coupled with the uncertain environment in which these SMEs' operations are carried out, were found to have instigated the owner-managers' distrust and feelings of helplessness. The control of the patron country and other external agencies are further contributing factors to this distrust, as highlighted in Table 6.9.

### Sub-theme 4: Hopelessness

The interview data highlights different influences and frequent disturbances, both at the socio-political and individual levels, that are shaping the infrastructure construction sector in North Cyprus, and which are constantly challenging owner-managers' perceptions of the future. While the owner-managers in this study have come to believe that there is a potential window of opportunity for a political resolution in North Cyprus, they also feel that they lack the ability to be influential, meaning that any attempts made on their behalf would be futile in obtaining a solution.

None of the nine participants had a vision for the future of the sector. When they talked of the future, participants referred to their lost hopes for the whole society in North Cyprus rather than just mentioning the future of the construction sector on its own. This hopelessness relating both to the sector and attempts to change the politics of the country is a major factor driving some participant SMEs to diversify into other fields, with hopes that there they could survive. In addition, at the time of interview, all the participating SMEs were downsizing.

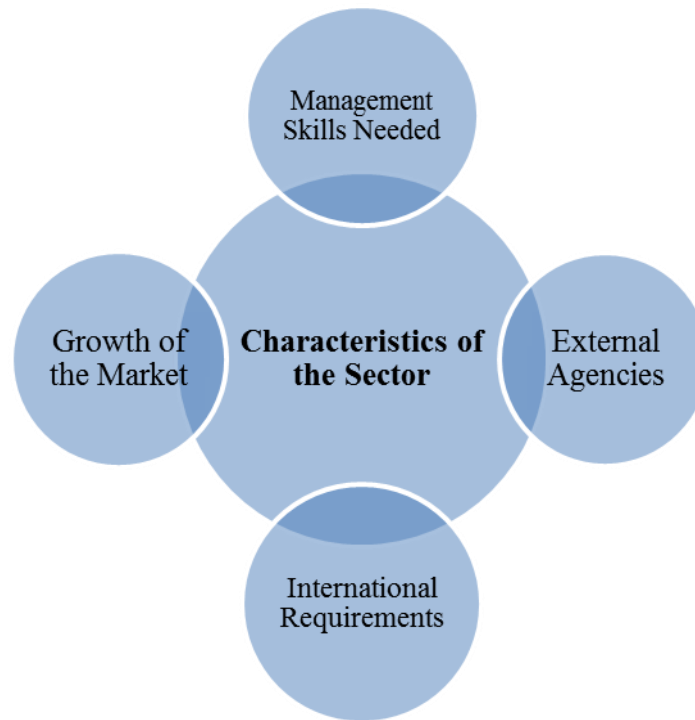
Table 6.9: Sample extracts for main theme 2, sub-theme ‘helplessness’

Theme	Characteristics of the Owner-Manager	
Sub-theme	Helplessness	Company
Supporting Interview Quotations	“They invited us to the US and we had a meeting there with Carrier’s CEO, we were sitting on the one side and Greeks on the other. There were 2 persons on the Turkish side, and on the Greek side there were the Greek distributor of Carrier-Petridis, Greek Ambassador of Cyprus and Greek Ambassador next to it. We were alone there.”	D
	“No... Cypriot Turks and Greeks... they didn’t eat in the same kitchen... in the same war they got injured and a Cypriot Greek didn’t want to enter an infirmary where there was a Turkish Cypriot... they didn’t want to eat in the same kitchen with Turkish Cypriots... they didn’t want to be in the same squad... what I mean is... in 1945... the British period... we had these difficulties... this differentiation and this exclusion.”	F
	“Our [North Cyprus] condition is totally different. For example, tomorrow if the Greek part makes a claim in the European Human Rights Court [referring to Oram’s Case, as explained in Chapter 4], the whole system may collapse.”	E
	“On the other hand, there is money that comes from Turkey for the infrastructure and they are trying to give this to their own contractors... the tenders are opened in Ankara... for that reason I can’t tell you anything about the future.”	D
	“They [Turkey] tried to weaken the economy here, and there existed the politics which forced us to say ‘yes’ to the Annan Plan... the departure of the ‘Ulusal Birlik Partisi’ [the governing political party at the time] from the government in 2000... with Turkey reacting by decreasing its economical help and not opening tenders in construction... creating chaos here.”	K
	“If they will make it this way, then it is very difficult... I mean, everyone is complaining... contractors etc... Because they crushed us... with the European Union... what should I say... they used 50% of funds for their own expenses.”	H

Table 6.10: Sample extracts for main theme 2, sub-theme ‘hopelessness’

Theme	Characteristics of the Owner-Manager	
Sub-theme	<i>Hopelessness</i>	Company
Supporting Interview Quotations	<i>“We do not see the future. Our works are short-term works. Therefore, we never considered the future. Our longest project is for 5-6 months. We need to see the future. I mean, for now, that’s all.”</i>	B
	<i>“We could have opened ourselves to the world and improved our capacity for any kind of project... but unfortunately we weren’t given this opportunity... so we can’t know what our company’s position will be in 10 years... not even in 5 years... we don’t know.”</i>	C
	<i>“There is no light on the horizon. Everything is granted to Turkey.”</i>	H
	<i>“Now the construction sector is in a dilemma... I can surely say this... the infrastructure companies especially are about to bankrupt.”</i>	K
	<i>“As I said... we can’t see our future... we see the next year as dark... for example, next year what kind of investments are there in this country, what kinds of tenders will be opened? We don’t have any idea.”</i>	E
	<i>“The Turkish Cypriot community will disappear slowly... they don’t want us to gain economic power... so the Turkish Cypriot population will be alienated... the Turkish Cypriot community will be differentiated... that’s why over the last 6 months I lost my hope about the agreement [end of conflict on the island]... I don’t have any expectations at all.”</i>	C
	<i>“I don’t want to do anything about investment.”</i>	A

### 6.4.3 THEME 3: CHARACTERISTICS OF THE SECTOR



**Figure 6.4: Main Theme 3 and sub-themes**

The characteristics of the infrastructure construction sector are an important factor in how these SMEs' owner-managers shape their management strategies in North Cyprus. Moreover, the smallness of this industry sector, including the number of contractors who can qualify for major projects, the lack of standardization and regulations, the availability of projects and the size of the companies are important factors to consider in deciding optimum management strategies for infrastructure construction SMEs in North Cyprus. In light of these, the third theme that emerged from the interview data was that of the characteristics of the sector. The theme was labelled as such as it was characterised by the participants' personal experiences of the industry, the owner-managers' responses to the changing environment of the industry, and how they view foreign aid to the industry. The data for this theme is organised into four subthemes, which are explored in more detail as follows. The supporting sample extracts for this theme are listed in Tables 6.11, 6.12, 6.13 and 6.14.

Sub-theme 1: Management Skills Needed

Interviewees reported that being a small state was one of the major challenges in the sector that limited availability of skills, as observed in the discussion on Theme 1 and, in turn, influenced management in these SMEs. It also became evident from participants' that SMEs in the construction sector in North Cyprus are not different to SMEs in other countries in terms of their propensity to hire family members, even though they might lack the professional skills. However, it also became evident from the data that owner-managers, whether professionally trained or not, were educating their own family members in relevant fields. All research participants had employed extended family members to work in key positions within their SMEs, putting family relations before the skills required to manage their businesses, and doing so also to maintain control over family members and the company.

Another issue that appeared related to growth and to developing better management was the availability of human resources or, rather, the lack of it – this was frequently expressed as a barrier to the industry's development. The owner-managers talked about how they were unable to recruit skilled professionals in North Cyprus for management roles; despite this, however, many of them did not budget for further training of their current employees. The owner-managers also complained that the young members of staff they hired were not interested in improving themselves, thus contributing to the limited skill sets within the sector.

The limited volume of work available in North Cyprus seems to be driving construction companies to operate in more than one field, thus limiting their specialization and their capacity to undertake infrastructure construction work, which was acknowledged by the participants. While some of the owner-managers had diversified into other fields to sustain their existence, others had diversified in construction-related fields as their growth strategy in the 1990s, when more opportunities were available to local contractors.

The owner-managers also acknowledged that the capacity of the local industry was limited and that they faced several difficulties in management, expressing their desire for a more professional approach towards management in the industry. However, there were some conflicting remarks made about management at the level



of individual projects. Some participants were of the opinion that their management approach was not a problem, whilst others thought otherwise. It was also the opinion of some participant owner-managers that the specifications of certain projects, especially externally funded projects, could be a challenge during construction, but then emphasized that this was not related to their management strategies.

### Sub-theme 2: External Agencies

According to the participating owner-managers, one of the important characteristics of the sector is the influence of external agencies. Participants often referred to how politicians in the patron country, the policies of the EU and international politics surrounding Turkey and its policies towards the island, the Greeks and their position towards politics in Cyprus Politics, all made it challenging for them to have a long-term vision for their business. Respondents also mentioned local politicians and the local politics of the country; however, these were perceived to be guided by the latter external agencies mentioned. Therefore, the sub-theme ‘external agencies’ does not represent local politicians and local politics in North Cyprus.

Owner-managers tended to blame external agencies for manipulating the politics of the country with little consideration as to how the local society of North Cyprus might be affected, which in turn affects the business environment that their SMEs operate in. However, even though participants expressed negative feelings towards the external agencies, the degrees of interference of the latter were differentiated by participants, depending on how particular external agencies influence the sector. Some external agencies, which also represent clients of the funded infrastructure projects, were blamed for manipulating the sector and disregarding the capacity of the local SMEs, especially the patron country which, according to several owner-managers, has unquestionable control over policy making in the sector and the politics of North Cyprus. Therefore, the involvement of the patron country in the sector was widely perceived as a disturbance, and every research participant viewed it as a manipulation of the dynamics of the sector. There were also other external agencies referred to as influential in the country’s politics, which were perceived as a factor in shaping the management strategies of SMEs.

The EU and UNDP, however, were perceived to be more involved in the control of funded projects rather than as a disturbance to the system of the country (North Cyprus). However, it was also reported that the dogmatic behaviour of the employees of external agencies and the policies of the EU and UNDP during the implementation of the projects in North Cyprus were perceived as insulting to the identity of the local owner-managers. Nevertheless, EU industry standards were welcomed. The owner-managers were also of the opinion that the EU and the patron country were conspiring to exclude local infrastructure SMEs in North Cyprus in their contract tendering processes. According to research participants, the requirements for the infrastructure projects could have been designed to create a more favourable environment for local companies, which would then have helped them to sustain themselves.

Table 6.11: Sample extracts for main theme 3, sub-theme ‘management skills needed’

Theme	Characteristics of the Sector	
Sub-theme	Management Skills Needed	Company
Supporting Interview Quotations	“There was no company then... As a result of my father’s individual efforts since 1962, we established the company in 1995.”	A
	“Before ’74 we didn’t have any experience in construction nor in commerce... we slowly gained experience.”	F
	“We are partners of the company with my wife. And our daughter is also working in the company. We want to leave the company to her.”	G
	“We are three brothers in the company... my brother has 3 kids... one of them is an interior designer... the other one has started to study electrical engineering... the oldest one is continuing with construction engineering... there is also a designer... my brother’s daughter... all of us are in the construction sector... they have just started... in the summer holidays they come and try to learn the business.”	F
	“Unfortunately, we cannot find any persons to be a manager. Now, nobody wants to take responsibility at our headquarters. So we have to manage it all.”	B
	“Our engineer friends returning to North Cyprus do not really develop themselves, they remain uneducated.”	D
	“Unfortunately, because budgets in North Cyprus are too limited, and the size of the projects is too small, even if we want to provide training and know that such training is necessary, we cannot spare the budget for training.”	
	“We have not put all our eggs in the construction basket but invested in other things... from time to time those investments support us.”	K
	“Here everybody does everything.”	A
	“Although operating in many fields raises questions, such as which field we are specialized in and what we are doing right, unfortunately Northern Cyprus is too small to have a corporate and bigger structure, so it is needed to operate in many fields.”	D
	“The capacity of our companies is limited.”	K
	“We don’t experience any difficulties in managing projects [projects that are financed locally]... but we experience difficulties in production and quality in the projects that are financed by European Union and UNDP.”	C
“The standards of the infrastructure contractors are low indeed... I mean in terms of management style, not in the works they carry out... there is a low standard of management and the effects of this problem can be seen in the sector.”	H	
“Most of them become smaller... not bigger... they plan to become smaller and move carefully.”	E	

Table 6.12: Sample extracts for main theme 3, sub-theme ‘external agencies’

<i>Theme</i>	<b>Characteristics of the Sector</b>	
<i>Sub-theme</i>	<b><i>External Agencies</i></b>	<b>Company</b>
Supporting Interview Quotations	<i>“There are four highway constructions here now. All of the bidding for these projects would have been opened in Cyprus. One of these projects is Yeşilırmak Highway, other one is Gönyeli Highway, which goes behind the Near East University, goes north of the industrial zone and reaches to the Magusa Road, another one is Karpaz Road. The bidding for these highways would have been opened separately. But they were brought together and the one bidding was opened in Turkey. And we were told to join the bidding. But there is not any construction company that is big enough to join the bidding of four highways in Cyprus. If the biddings were done separately we could have joined, but when the bidding is done together the limitations don’t allow contractors from Cyprus to join the bidding.”</i>	G
	<i>“But in this country... this year there will be 5-6 tenders... there is no reason to finish all these roads in 2-3 years... it is nonsense – I don’t know exactly if it is because of the Turkish government or our government... these roads can be constructed in a time period... for example they can open a tender for the roads that may cost 15-20 million per year... they can determine one or two contractors here... for instance if this project costs 15 million, they can distribute it to 7 or 8 contractors.”</i>	F
	<i>“They think about these payments like donations [financial aid for projects]. So they think they can control the payments [stage payments]. There have been some meetings; I was also in the meetings by myself. They said ‘no we won’t give you, and we won’t do that’. So these meetings continued for 6 months and during that period all UNDP tenders [In North Cyprus] were boycotted [contractors chose not to bid for the UNDP tenders].”</i>	G
	<i>“The supervisor [of an EU project] who was a female Italian engineer stirred up some troubles about the project. She didn’t respect our effort for this project.”</i>	D
	<i>“I mean, everyone is complaining... contractors etc... Because they crushed us... with the European Union [referring to the payment strategy and arbitration policies of EU in North Cyprus]... what should I say.”</i>	H
	<i>“Tomorrow if the Greek part makes a claim in the European Human Rights Court, that may collapse the whole system [referring to the biased politics of the EU].”</i>	E
	<i>“If it [the tendering system in North Cyprus] depended on the European Union tender system, I would buy equipment and employ personnel according to the project... my main staff would be clear... so I could have minimized my company’s expenses.”</i>	K

### Sub-theme 3: Growth of the Market

Immediately following the war in 1974, the majority of infrastructure contracts were funded and undertaken by the patron country, i.e. Turkey. This was acknowledged by the participants, as the country was still recovering from the conflict and there were no local companies equipped to participate in infrastructure projects.

Since 1974, the capabilities of the participant SMEs had developed. The participants clearly explained this growth and organization phase as lasting until 2004, when the Annan Peace Plan on the island was rejected. The growth phase of the sector was initially sparked by the formalization of the SMEs after the foundation of the Building Contractors Association in 1994 in North Cyprus, which paved the way for these SMEs to participate in public infrastructure projects. This growth phase, as participants expressed, continued because of the Annan Peace Plan, which was drafted in 2000 as an attempt to solve the conflict on the island. The plan, which was a UN comprehensive settlement plan to reunite the divided island, sparked speculative demand in land and property in North Cyprus, and triggered this growth in the industry. The years between 2000-2004 also coincided with an increasing number of infrastructure projects financed to prepare the country for possible EU membership after the rejection of the Annan Peace Plan. However, the expectations of the owner-managers of their participation in these funded projects after 2004 were not met. Ultimately, they were disappointed by the challenges raised by the policies of external agencies and the patron country towards the politics of North Cyprus during tendering and construction processes.

According to research participants, the relatively weak state of the local industry was not taken into consideration. The SMEs in the sector were very young and developed during the same period, following the separation of the island. This meant that they could not effectively compete with international companies in bidding for infrastructure projects. Nevertheless, the owner-managers still believed that, if conditions were favourable, they would have the capacity to expand their operations.

Table 6.13: Sample extracts for main theme 3, sub-theme ‘growth of the market’

Theme	Characteristics of the Sector	
Sub-theme	<b>Growth of the Market</b>	Company
Supporting Interview Quotations	<p><i>“I’m speaking about the period before ’74... meanwhile... of course there weren’t lots of contractors in that period... for example, we used to live in Gönyeli [town in North Cyprus]... there were 2 construction companies... actually we can’t even call them companies... one of them was Şakir... my father... the other one was Faruk... they were known as contractors.”</i></p>	F
	<p><i>“Those times [in the 1980s]... because we were the only company that knew how to prepare a bid at international standards.”</i></p>	H
	<p><i>"Because of the conditions that required more tools, we started to improve in our business... we improved in terms of tools, personnel... the tenders also started to grow – we proved to ourselves that we could handle these kinds of projects but unfortunately after that project, for a long time we didn’t have these kinds of projects in our country... until 2000 we didn’t have this kind of big project."</i></p>	C
	<p><i>“Compared to the past, we have converted into more institutionalised companies.”</i></p>	E
	<p><i>“Turkish company... because we are still managed by Turkey, no? This is the reality... today we have the highest technology in our equipment, personnel, engineer, experience that will fulfil the projects’ requirements that Turkish companies do in our country, and we developed these on our own... we weren’t given the opportunity... we renewed ourselves... we renewed ourselves by considering the project opportunities... both in equipment and in personnel... we were expecting that with the cooperation of our government and the Turkish government they should have taught us how to fish... not to eat fish.”</i></p>	C
	<p><i>“The European Union accepted an economic aid package after the Annan plan in return for our citizens’ vote for yes [the Greek Community voted ‘no’ to the Annan plan]. And then the European Union projects came out but could not observe the understanding [by EU] and the mentality we observed in the earliest projects we have carried out.”</i></p>	H
	<p><i>“The companies are facing some problems but they are very flexible; they can grow or they can become smaller. If you keep all your employees while you don’t have any ongoing projects, you will collapse. But these companies have the capacity to grow again or to build some partnerships, or to be organized again.”</i></p>	G

**Sub-theme 4: International Requirements**

Throughout the interviews, the owner-managers made several references to how unstable the environment they worked in was. Even though they were experiencing a growth phase in the sector, with the hopes of a better future, the uncertainties in the politics of the country were forcing them to reconsider their position in the sector. The participants expressed the importance of their locality and how their presence in the sector was important for their society's existence, frequently asserting that local government needed to be more proactive in protecting their position in the sector.

It became evident from the research that both the patron country and external agencies were demanding certain requirements from the local companies undertaking the funded projects. The local companies viewed these requirements as unrealistic. However, most of the contractors insisted that they had improved and learned from the external agencies, even though they might lack certain qualifications. They also insisted that these requirements of the external agencies should be revised in order to allow local SMEs to participate in the infrastructure projects.

While the owner-managers tended to see the existence of the external agencies as a threat, they acknowledge that conforming to the demands of the projects had contributed to the development of their management practices. However, some of the owner-managers perceived this as a disturbance to the traditional values of their community, which in turn induced resistance to new management practices.

Table 6.14: Sample extracts for main theme 3, ‘sub-theme ‘international requirements’

Theme	Characteristics of the Sector	
Sub-theme	<i>International Requirements</i>	Company
Supporting Interview Quotations	<p><i>“We weren’t 100% adequate... because we haven’t bid for tenders that are at European Union standards for many years... we didn’t know it... we can’t deny it... but we bid for these tenders and saw our deficiencies... we experienced some difficulties... but we improved ourselves, starting from the first tender that we bid for at European Union standards... we saw our deficiencies and prepared ourselves.”</i></p>	C
	<p><i>“At the beginning, we undertook almost all of the infrastructure tenders... Because there was only our company [amongst the local companies] that knew the international bidding system.”</i></p>	H
	<p><i>“We experience difficulties in production and quality in the projects that are financed by the European Union and UNDP.”</i></p>	C
	<p><i>“To keep existing as a community we have to protect our sectors, we have to force the solutions.”</i></p> <p><i>“The Ministry of Public Works in North Cyprus needs to say that these projects [tenders for projects] will be done here [North Cyprus].</i></p>	E
	<p><i>“We are resistant in every condition... we get our strength from our social structure... we have good social relationships in North Cyprus so we also have the strength to resist... the people who don’t have good social relationships may have psychological problems... as Cypriot Turks we have our own social structure... we are family based... this must be the reason behind being resilient.”</i></p>	F
	<p><i>“And then European Union projects came out but could not observe the understanding and the mentality we observed in the earliest projects we have carried out [in previous projects financed by EU] ... due to the controllers we see in the European Union, we began seeking our own [complaining of the EU employee attitudes towards local contractors].”</i></p>	H
	<p><i>“So they aren’t paid [contractors building project for EU]... who is responsible for this? I think we first have to check ourselves... or is the European Union guilty? If we look for the guilty we can’t reach a point... and the European Union came... there are 3 years of projects... there are contractors who complain that they couldn’t get their money... maybe they are right or not... as contractors, first we have to groom ourselves.”</i></p>	F



## 6.5 Summary of the Results

In total, three main themes and 13 sub themes were identified during the data analysis (see Figure 6.5). ‘Characteristics of the socio-political environment’ was identified as theme one, where five sub-themes identified as most influential in affecting the perceptions of the owner-managers of the external environment they operate in; these were ‘small country’, ‘history and culture’, ‘the patron country’, ‘uncertainty’ and ‘non-recognition’. ‘Characteristics of the Owner-Manager’ was identified as the second theme, with four sub-themes: ‘management experience and education’, ‘feeling socially marginalized’, ‘helplessness’ and ‘hopelessness’; these were found to be the unconscious defensive reactions residing within the owner-managers. The final theme identified was ‘characteristics of the sector’, with four sub themes: ‘management skills needed’, ‘growth of the market’, ‘external agencies’ and ‘international requirements’; these indicated the adaptation capacity of the infrastructure construction SMEs (and their owner-managers) in North Cyprus.

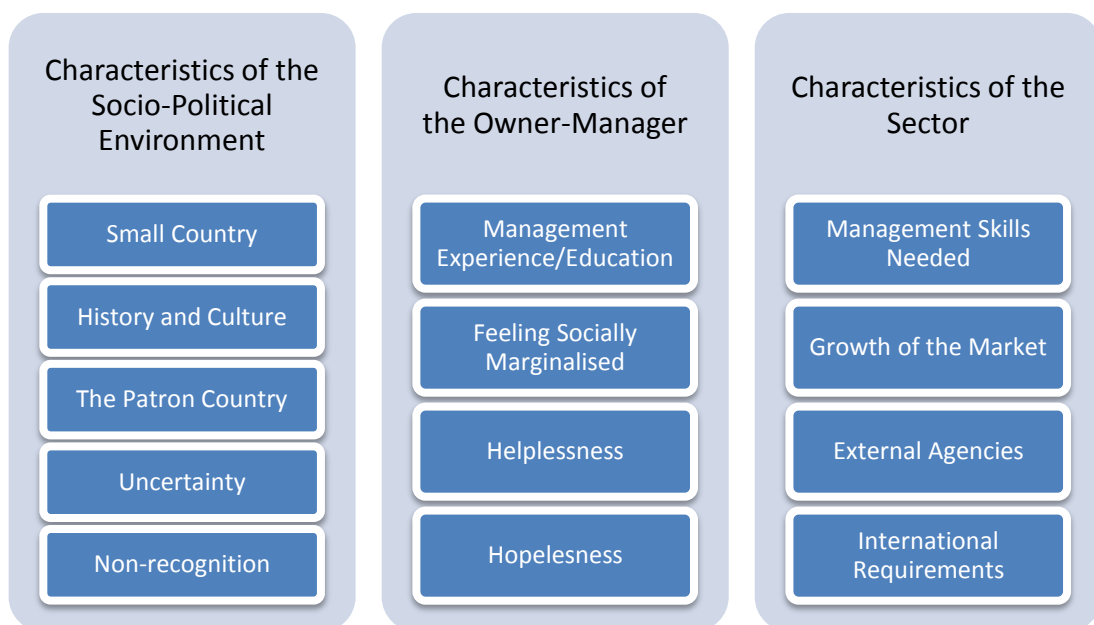


Figure 6.5: Summary of main themes and sub-themes

## CHAPTER 6 RESULTS

The themes that have been discussed in this chapter reflect a comprehensive analysis of both the external and internal characteristics of SMEs in the construction sector in North Cyprus. It is clear from the results that the environment the companies operate in is quite unstable, and that the owner-managers of these companies are reactive to the external political environment and protective of their locality. The aim of this thesis is to understand, at the organization level, how owner-managers of SMEs in a developing country manage in a turbulent environment, and how they seek to create resilience in their organizations. Therefore, using the themes identified in this chapter and referring to the literature discussed in Chapters 3 and 4, the following chapter will aim to identify how SMEs in North Cyprus create resilience by their management strategies. The next chapter will also aim to evaluate the resilience of SMEs in North Cyprus, using the definition of resilience constructed in Chapter 3 and the concepts of resilience discussed in Chapter 2.

## CHAPTER 7 DISCUSSION AND FINDINGS

### 7.1 Introduction

The aim of this study is to understand, at the organization level, how owner-managers of SMEs in a developing country manage in a turbulent environment, and how they seek to create resilience in their organizations in this context. This chapter presents the analysis of the research findings, organised around the two main research questions and themes developed in Chapter 6. The two main research questions are:

1. What are the most influential factors shaping the management strategies of the infrastructure construction industry in North Cyprus? (RQ1)
2. How do the owner-managers create resilience in these organisations? (RQ2)

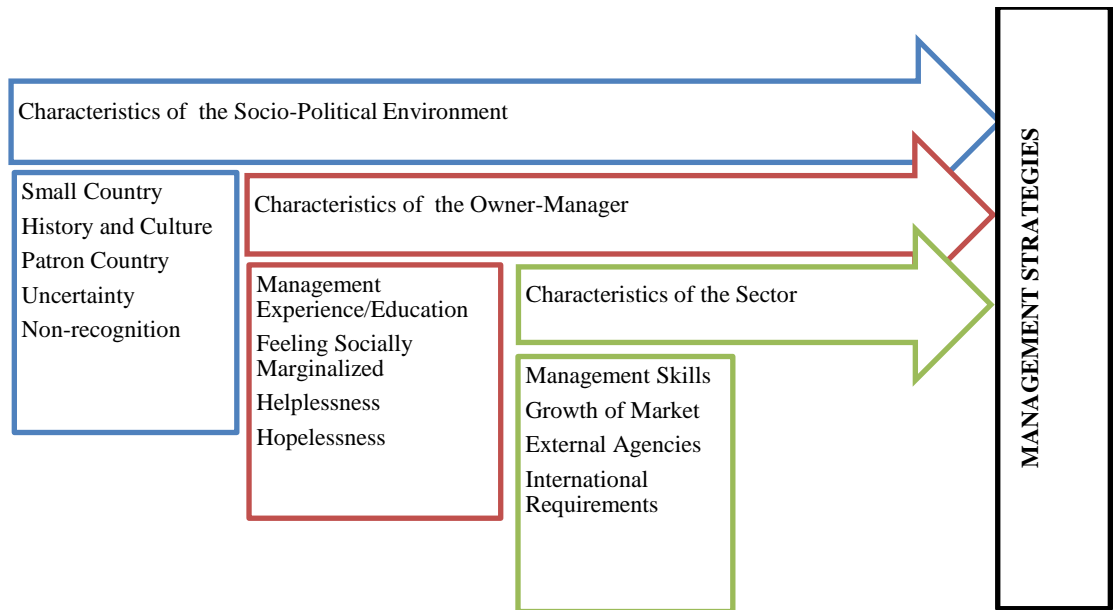
The analysis aims, firstly, to engage with RQ1 by explicating the dominant themes arising from the research interviews. These themes are identified as the dominant factors shaping the management strategies of these SMEs. Secondly, the analysis aims to answer RQ2 in order to understand how the interactions of these themes in the system can create resilience within the SMEs. The latter analysis is organized chronologically in order to highlight important milestones in the development of the sector, starting from the separation of the island in 1974.

Although the research is inductive, the findings for each theme are also discussed in relation to the existing literature, in addition to the socially constructed reality of the participants.

## 7.2 Development of Management Strategies in Infrastructure Construction Industry SMEs in North Cyprus

The first research question can be engaged with by recalling the three themes developed in Chapter 6, which identified the factors influencing the management strategies in the SMEs in North Cyprus, and owner-managers' on perceptions of the extent to which these factors contribute to their existing management strategies. Examining what the owner-managers said about their experiences in the infrastructure construction sector and their interaction with the external environment (the characteristics of the socio-political environment) over the years provided an insight into aspects that guide their behaviour and, consequently, the ways in which they choose to manage their SMEs. Understanding the characteristics of the external environment that these SMEs are positioned in and the experiences of the owner-managers specifically relating to these, can further help to evaluate whether the management strategies of SMEs in North Cyprus can create resilience when these companies are challenged by disturbances, both internal and external to their individual organizational systems. Overall, the participating owner-managers expressed negative experiences, both socially and politically, that have had a serious impact on their management strategies. The examples provided by the respondents indicated that they are trying to survive in a complex system that is constantly being interrupted by frequent disturbances; thus the system is ever-changing, inducing inevitable challenges to business management.

The main factors influencing the development of management strategies in SMEs in North Cyprus are those identified within the themes discussed in Chapter 6; namely, the characteristics of the socio-political environment, the characteristics of the owner-managers, and the characteristics of the sector, as shown in Figure 7.1. These factors will be discussed in turn in the following sections, analytically and with a view to explaining how these influence the management strategies in SMEs in North Cyprus.



**Figure 7.1: The Main Factors Influencing Development of Management Strategies in North Cyprus**

**7.2.1 FACTORS RELATED TO THE CHARACTERISTICS OF THE SOCIO-POLITICAL ENVIRONMENT**

Similar to organizations in every culture and every sector, the infrastructure construction industry in North Cyprus does not exist in a vacuum – external forces constantly affect the management of these organizations. One of the major factors that emerged from this research is the specificity and particular significance of the socio-political environment in North Cyprus, which was found to have a great impact on the SME management process. This environment is full of uncertainties, one that SME owners/manager find it very difficult to predict or cope with.

As Table 6.1 in the previous chapter depicts, compared to the definition of SMEs in chapter 3 (Table 3.1), the ICS in North Cyprus can be classified as primarily composed of micro organizations. These findings also support the fact that most of the organizations in North Cyprus are SMEs (Eyupoglu and Samer, 2011; Unlucan, 2010). Furthermore, the literature shows that limited resources available in SMEs, the location of the SMEs, and the nature of the sector itself are important factors related to growth (Vossen, 1998; Runyan, 2006; Gupta, Guha, and Krishnaswami, 2013). This, then, reiterates the notion that the smallness of North Cyprus presents

challenges to the availability of resources in the country which, in turn, limits the growth of its SMEs. The size of the country, with limited resources and its small volume of infrastructure construction projects, thus influences the growth strategies of SMEs in this sector, where sustaining a bigger organizational structure is problematic, as frequently expressed by the research participants. Even though the results indicate a desire for growth by the owner-managers, the latter nonetheless indicated that their organizations are reluctant to grow. As a result, the owner-managers choose staying small as a dominant management strategy for their businesses.

The history and culture of the country was often referenced by respondents, supporting the idea that the past has a serious effect on contemporary management practices. The history of Cyprus, and particularly North Cyprus, is dominated by an ongoing political conflict. Theme 1, as outlined in Chapter 6, indicates that Turkish Cypriots were not involved in any management activities in the construction industry prior to the separation of the island; the main concern for them was survival under very harsh conditions as a consequence of the political conflict.

The post-war on the island and the Annan Plan were also frequently mentioned by research participants in explaining the construction sector's development in North Cyprus. Infrastructure development of the newly established North Cyprus started right after 1974. This development was mainly undertaken by contractors from Turkey since there were no established local contractors in North Cyprus. As one respondent stated: 'in that period there weren't any projects that required engineers, contractors... after '74 with the improvement of the country, it became more professional' (Owner C). By the mid 1980s, the local contractors had started establishing themselves, and by the 1990s the Building Contractors Association (CT-BCA) was set up. This has since enforced the structuring and classification of construction contractors in North Cyprus; the participant SMEs in this research were largely able to participate in public projects as general contractors. By the time of the Annan Plan, right after 2000, the number of local contractors had increased dramatically due to the boom in construction. This boom was followed by a serious decline in construction during 2006-2009 and by a decline in the number of the local contractors. The policies of the projects funded by Turkey also changed during these

years, making it almost impossible for local contractors to participate in Turkish funded projects. Respondents' memories of how the construction industry developed in that period still persist, in the sense that local construction companies were in the process of learning management strategies and had envisioned a better future. As one participant commented: 'our government's system used to be different... we used to enjoy the work' (Owner F).

Nevertheless, this envisioned future has been obscured by the ever-changing politics of the island, which has constantly affected the decision making processes of the owner-managers interviewed. This has also allowed memories of the past to persist into the present. As one respondent recounted, 'the Turkish Republic [Turkey] didn't give any opportunities to our contractors... they still don't give the opportunity and that time they never gave the opportunity' (Owner C). As Brockmeier (2002) states, in support of the current findings, the historical facts or certain important events – in this case, the frequency of the changes in the politics of the country – also shape people's memories and are passed onto business management techniques, which are characteristically cautious in light of the possible occurrence of another disturbance. The owner-managers' perception of the current situation of the sector was thus seen to be coloured by their perception of past injustices. As was also stated in the literature, when people's lives are interrupted as a result of a tragedy or a disaster, their world becomes unmanageable and challenging, and often experience a crisis. As a result, 'people attempt to manage discontinuities and disruptions primarily through memories that have cultural salience' (Becker, 1997 in: Cohen, Meek and Lieberman, 2010, p.526). One of the research participants emphasized this in stating that:

It changed after '74... we maintained our patterns until '74... after '74 it started to change... also our lifestyle... maybe we couldn't change ourselves because of the things we experienced in those years... there are also lots of sociological reasons... the conditions weren't suitable... the movement started after '74. (Owner E)

Another major finding from the analysis was also the fact that North Cyprus being an unrecognized country, or a *de facto* state, affects SME management strategies, in line with what the literature suggests. Being a *de facto* state, as the data indicate, brings with it many problems in undertaking infrastructure projects, such as a lack of

stability, the interference of external agencies (which will be discussed later in this chapter in Section 7.2.3) and, most importantly, an increased frequency of interruptions to the operation of the companies. In *de facto* states, instead of economic imperatives, as stated in the literature in Chapter 4, politics is the utmost factor controlling the activities at every stage of social life (Lynch, 2004). This is particularly obvious in the case of North Cyprus. Consequently, SME management strategies are influenced by this unique political environment. The constantly shifting politics of the country and the vagueness of the tender policies in the infrastructure construction sector place mean that business owner-managers place great emphasis on managing relationships with policy makers in order to sustain their businesses. As Owner (K) stated, ‘your relationship with the state depends on the political party that you support... I declared my political ideas... If the government changes... I have to change.’ The ever changing and uncertain politics of inherent to the Cyprus Problem also mean that there is a constant flux among the power holders, creating further changes in the dynamics of the external environment.

The formal lack of recognition of North Cyprus was also found to be causing the owner-managers to feel inferior in terms of their status in the sector and within time and space, ultimately reducing their motivation, which is an important factor affecting resilience, as stated in the literature (Cooper, Estes, and Allen, 2004; De Vries and Shields, 2005). After all, according to the participant owner-managers, their efforts are being ignored by the international community, where change or growth has no relevance: ‘for a short period, news comes out of a possible solution [referring to the Annan Peace Plan]... and everybody plans as if it will finally happen... then you see it has no results’ (Owner H).

The socio-political environment of North Cyprus is resonant of a very uncertain and unstable environment, where long-term planning for SME owner-managers in the construction sector is difficult. In the research, they frequently expressed their fear of further investment in their companies owing precisely to these uncertainties, and also basing their decision making from past experiences of the same, such as perceived unjust treatment: ‘Turkish Cypriots are deceived and there is an unfair treatment’ (Owner F). The fear of becoming a victim again, as suggested in the literature on



societies that have undergone traumatic events (Yilmaz, 2005), and the highly accessible personal memories of the past are used as crucial reference points for decision making in organizations (Bernsten and Rubin, 2007). This, then, forces SME owner-managers – such as those in this study – to adapt ‘rent-seeking’ behaviour (Svensson, 2000), as explained in Chapter 4, where they hope to benefit from the decisions of the policy makers or else hope that they may be able to influence policy makers’ decisions. In the absence of a ‘rule of law’ in *de facto* states, personal connections prove to be a much more effective mechanism by which to achieve one’s rights, privileges and benefits than official mechanisms (Adžanela, 2010). The current research findings concur with this, as this form of behaviour appeared to be encouraged by the unpredictable environment and past events, promoting negligence towards management: “I don’t want to be mean but we feel that the construction companies who are close to the government always get the projects. We believe that’ (Owner G). Consequently, many owner-managers showed no motivation or interest towards change within this unpredictable environment; e.g.: ‘I am not planning to make any changes... there is no future’ (Owner A).

The owner-managers in the study also frequently expressed that their personal and professional values and beliefs were not aligned with those of the patron country, causing respondents to take a more protective attitude towards their own identity. Culturally, Hofstede (1980) and Kanungo and Jaeger (1990) have identified countries such as North Cyprus as placing a low value on individualism, where owner-managers expect their ingroups (family, organization, etc.) to look after them; in exchange, they feel absolute loyalty to that entity. The role of the patron country and its excessive control over the politics of the North Cyprus was strongly emphasized by owner-managers throughout the study. According to many of them, both socially and politically they feel they have no control over the future of the country, and that changes in their environment threaten their social mores. One respondent spoke for many in commenting that:

The Turkish Cypriot community will disappear slowly... they don’t want us to gain economic power... so the Turkish Cypriot population will be alienated... the Turkish Cypriot community will be differentiated... that’s why over the last 6 months I have lost my hope about the agreement [end of conflict on the island]... I don’t have any expectations at all. (Owner C)

It seems that, even though acceptance of the patron country's involvement was higher in the past, the increased control of the patron country is perceived as a disturbance in the present. This, in turn, has caused an escalation of this cultural dimension, altered mental image of the enemy, preventing the owner-managers from assuming responsibility towards the construction sector as they view their efforts as largely fruitless. Therefore, it can be argued that excessive external political control over a society can be seen as a disturbance contributing to a lack of effective management strategies, as illustrated by the case of construction sector SMEs in North Cyprus.

The influence of history and culture, the smallness of the state, non-recognition by the international community followed by great uncertainty in the political environment, and the influence of the patron country are all factors affecting the management strategies of these SMEs in North Cyprus. Operating in a small state with limited resources, with a never-ending conflict on the island where the local community is being neglected by the international community, has arguably paved the way for the patron Country to manage the politics of the country, thus impeding owner-managers' motivation to have long-term planning strategies in place for the management of their businesses. Regardless of how the owner-managers manage their companies, it can be argued that no different outcomes will be produced since they collectively have the strong impression that they have no control or influence over this sector, or over the politics of their country. From this, it can be deduced that the latter factors acting within the external environment of the sector are important factors in influencing the management strategies of SMEs in Cyprus.

### **7.2.2 FACTORS RELATED TO THE CHARACTERISTICS OF THE OWNER-MANAGER**

Although SMEs are greatly influenced by external environmental forces, there also exist certain crucial internal elements relating to the owner-managers themselves, which can influence their management strategies. As evident from the literature (Kotey and Meredith, 1997) and the analysis of the data collected for this research, the personalities of the SME owner-managers were key to how they ran their businesses; in many cases, it became evident that personal values and goals could not

be separated from the goals of their businesses. Thus, the ways in which these personalities develop and how they persist into the management strategies of their businesses are important. In North Cyprus, the personal values of the owner-managers in the construction industry are greatly influenced by the conflict on the island, and by the challenges that the society they are part of has had to bear accordingly. This unstable environment have also caused these SMEs' management strategies to be reactive to the changing environment, rather than proactively constructed with a view to future planning. As it is stated in the literature (Jennings and Beaver, 1997) and also supported by the findings of this research, the management activity of SMEs expands and contracts depending on the characteristics of the owner-manager and the context in which the business operates. Strategy making in SMEs is often informal and intuitive, and is shaped in the mind of the owner-manager.

The limited education and experience of the owner-managers also appeared to be a significant barrier to the enactment of effective management policies, and affected their perception of management practices themselves. Before the war in 1974, there were no Turkish construction companies on the island. After the war, which caused the division of the island, the urgency of developing the infrastructure of North Cyprus provided Turkish Cypriots with the opportunity to set up construction companies with little did they know as acknowledged by the participants of this research. Most of the knowledge of the construction sector that the owner-managers in this study gained was transferred from previous family experiences. As one respondent observed: 'did any of the contractors [owner-managers] study at university? Most of them finished only primary school... it is very difficult to deal with them' (Owner K). Even though some of the owner-managers were educated at university level, their attitude towards management was dominated by family influences, and their main goal was to support not only their immediate family but also the extended family. For example: 'I am responsible for my family. You know Cyprus is a small country. People feel responsible for their family, their elders, and their parents in-law' (Owner G).

The current analysis, in line with the literature (Vos and Roulston, 2008), thus suggests that owner-managers hire family members in key positions, regardless of

their background, in order to maintain tight control over the management of their business. As one respondent illustrated:

One of them [Owner F's daughter] studies architecture... my brother has 3 kids... one of them is an interior designer... the other one has started to study electrical engineering... the oldest one is continuing with construction engineering... there is also a designer... my brother's daughter... all of us are in the construction sector. (Owner F)

This aspect also suggests that the owner-managers are aware of their limited professional capacity when it comes to larger projects. As one stated, 'we cannot participate in such tenders due to us. Our institutions, we do not have the know-how, finance and technical personnel to participate in such tenders' (Owner D). However, they insisted that local SMEs in North Cyprus are usually not given the opportunity to improve their capacity. While this is a widespread reality of small enterprises and small economies, the owner-managers in this study perceived this differently: 'we can't grow. The needed opportunities are not given... by the government' (Owner A).

The behaviour and beliefs of the owner-managers were also found to be influenced by their memories and the frequency of the events reminding them of their past. Even though there is currently no violence on the island, the constantly shifting politics and uncertainty in terms of how the construction industry is being – and will be – affected by the chronic Cyprus Problem, are causing the trauma experienced by the violent history of the island to evolve into a different form of trauma through the shared memories of the owner-managers. As stated in the literature (Akgün and Tiryaki, 2010) and also supported by the data analysed, these owner-managers, in addition to all the suffering they have undergone historically, still have to face the economic consequences of these historic disturbances, which thus still impact on their activities. As Caruth states: 'it is not the experience itself that produces a traumatic effect, but rather the remembrance of it' (1995, p.17). Owner F poignantly illustrated this:

No... Cypriot Turks and Greeks ... they didn't eat in the same kitchen ... in the same war they got injured and a Cypriot Greek didn't want to enter to an infirmary where there was a Turkish Cypriot ... they didn't want eat in the same kitchen with Turkish Cypriots...they didn't want to be in the same squad... what I mean is... in 1945... the British period...we had these difficulties... this differentiation and this exclusion

The owner-managers' remembrance of these disturbances and the constant changes in the politics of the industry is thus still shaping the relationship between the behaviour of the owner-managers and their justification for their practices in the sector. This finding, in turn, suggests that the memories of these SME owner-managers have a significant effect on how they strategize their approach to management. 'Our [North Cyprus] condition is totally different. For example, tomorrow if the Greek part makes a claim in the European Human Rights Court [referring to Oram's Case, as explained in Chapter 4] that may collapse my whole system' (Owner E).

The long, violent history and unresolved Cyprus Problem on the island have penetrated the minds of these SME owner-managers. This appears to have had a great impact on how the owner-managers view the external environment and, specifically, how they perceive their position within infrastructure construction sector in North Cyprus. As indicated by the literature on 'shared trauma' (Volkan, 1999) and 'collective memory' (Berntsen and Rubin, 2007) and highlighted throughout the current data being analysed, the respondents are interpreting the reality of the island through their inner perceptions and feelings. The references they made to the constant political conflict on the island and how their management (and themselves) were interrupted by frequent disturbances, indicated that this situation is causing them to feel socially victimized and marginalized in the industry. As one person questioned:

A couple of contractors experienced problems with UNDP projects... as I remember... if we want to prove our rights we can sue Brussels by going to the USA, to New York... but can a contractor from North Cyprus go to Brussels and sue them [referring to being a de facto state]? (Owner C)

This sense of being victimized was also another reason why these owner-managers within the construction sector were not planning significant change or improvement to their practices. According to many respondents, regardless of how hard they try, they cannot control the external environment of their business and see the external players in the industry as a disturbance. This also suggests that the owner-managers mistrust the external agencies, which play a key role in the sector as previously discussed. Both the literature (Van der Kolk, McFarlane and Weisaeth, 1996) and the

current data point to this – that the effects of continuous disturbances are preventing the owner-managers from trusting these external agencies. Furthermore, feeling this socially victimized and marginalized, the owner-managers highlighted ways in which assumptions about their core worldviews had been shattered, causing them to reorganize their priorities in the sector and how they conduct their business, ultimately putting their own beliefs and values before the management of their companies.

This recalls one of the key challenges to people living in *de facto* states, as emphasized in Chapter 4. The future for these owner-managers is ambiguous: ‘if this situation goes on, then only one or two companies would remain in infrastructure in North Cyprus within several years... I mean that’s what I predict. If someone wants to buy my asphalt plant, I would sell’ (Owner D). It is a known fact that *de facto* states and the businesses within them cannot survive without the support of external agencies. Nevertheless, the owner-managers in this study were of the strong collective opinion that this support undermines their independence and their sustainability, diluting their hopes for the future.

Ultimately, the owner-managers interviewed for this study were found to be feeling both helpless and hopeless, in addition to feeling socially marginalized owing to the effect of external factors on the sector. Although respondents frequently acknowledged their lack of experience and knowledge in management, this was also being attributed to the social isolation they typically experience given these external factors, thus also causing mistrust of external agencies to arise, and greater reliance on family members to aid with management. Consequently, these owner-managers do not have a proactive management style; rather, their styles are very much impacted by their perceptions of the environment they operate in, which also affects the pace of change they implement in their SMEs – typically very slow.

### **7.2.3 FACTORS RELATED TO THE CHARACTERISTICS OF THE SECTOR**

This group of factors represents the sector-specific difficulties and barriers that the owner/managers in this study encounter in the management of their businesses. As discussed in Chapter 4, the infrastructure construction sector in North Cyprus is

small and relatively recently established; the SMEs in this sector were formalized only in 1994 by the establishment of the Cyprus Turkish Building Contractors Association, and they are all family owned. The volume of projects in this sector is limited, with the majority of large projects financed by external agencies such as the EU and UNDP. The participant SMEs, which represent almost 80% of all Class-1 technical construction companies in North Cyprus (according to the CT-BCA), have varying numbers of employees and annual turnover, and have only been in business since the separation of the island. While the literature emphasizes that the age and size of SMEs are important factors for their business performance and growth (Blackburn, Hart and Wainwright, 2013), the findings in the current research show that, in North Cyprus, construction sector SMEs display a similar approach in their management strategies regardless of their age and size.

SME management strategies are different to those enacted in large organizations, as stated by the literature in Chapter 3. SMEs might restrict growth to avoid risk, uncertainty and new capital investment (Mazzarol, 2005). However, over the years and especially since the 1990's, the management strategy of SMEs in North Cyprus has been focused on growth, with the hope that their growth would be sustainable following a solution to the political conflict on the island. Unfortunately, as the research participants frequently states, the challenging requirements of the externally funded public infrastructure projects – both technically and in terms of the sheer volume of work – meant that it was usually too difficult for the local contractors to compete with larger foreign construction organizations. As one respondent emphasized, 'the capacities of our companies are limited' (Owner K). Even though there was growth in this sector and the capacity of the contractors improved, the management strategies of the companies largely stayed the same: 'all of them [contractors] have the same management approach' (Owner B). Growth in SMEs, therefore, in this research show that is not associated with change in management strategies. This, in turn, may be inducing their resilience by applying of what the owner-managers know best. Conversely, as Ates and Bititci (2011) state, SMEs that are able to manage change can increase their sustainability and adaptability and, therefore, their resilience.

While small organisations might lack capacity, as highlighted in the current empirical results, the owner-managers were nonetheless hesitant to embrace changes in the industry. Instead, they mostly continued to manage their businesses with more idealistic sentiments, wherein nationalism and loyalty to locality take priority over the business itself (Ghobadian and Gallear, 1996). Since the constantly changing socio-political environment challenges ‘how’ and ‘what’ to change, adaptation to the new environment is slow to come, and the internal values of the organizations are surpassed by external disturbances. As one comment starkly made clear: ‘I can’t predict where it will be. I can’t predict what will happen tomorrow or the following day in this country’ (Owner E). As Janssen puts it, ‘different perceptions of reality will lead to surprises when expectations significantly differ from observations’ (2001, p.242).

The owner-managers in this research often spoke about the politics of the country and how external agencies manipulate the construction industry, with very little consideration of the local capabilities within the industry. The external agencies respondents mostly referred to were Turkey – the patron country of North Cyprus, seen to have unquestionable control over policy making in the industry – as well as to the EU and UNDP. This is an interesting aspect to consider in terms of how these agencies may be exacerbating the ongoing resentment of external interference with the politics of the country, and consequently the industry, and how this correlates to the attitudes of the owner-managers towards their management strategies in the industry. Whether it be the EU, UNDP or Turkish Aid, it is usually difficult for local owner-managers in North Cyprus to comply with the requirements of these agencies given the lack of capacity and size. From the data gathered, it is evident that these agencies are trying to influence the local owner/managers to change by presenting challenging specifications in the tenders and projects. These demands were widely perceived as unrealistic in the research, and the change needed to meet them was likewise considered a threat to the organisation’s identity, which ultimately also represents the family and local community identity. Given the close latter connection, change in the organizations would therefore mean moving away from their local identity and, therefore, according to the participant owner-managers, needs to be protected.



The growth in the construction industry during and after the Annan Plan (see Section 2.4), as made clear in government reports (SPO, 2009; Besim and Sertoglu, 2013), was discussed in Chapters 1 and 4. Prior to this, there were also some big construction projects in North Cyprus (right after the war in 1974). However, as indicated by the owner-managers in this study, the construction sector was not yet at a sufficient stage of maturity to be able to participate. The owner-managers accepted these circumstances and said they had initially welcomed the support of external agencies, especially the aid from Turkey, to help develop the infrastructure of the country. However, it became evident throughout the interviews that, at present, there exists antagonism towards these agencies amongst the owner-managers, engendered by frustration as to why local companies were not included in these projects, which might have helped to transfer expertise to them and thus accelerate progress and growth in the local infrastructure construction industry. As one respondent wryly said, ‘we gave the chance to Turkey’ (Owner K).

There were no Turkish Cypriot contractors on the island before the full-blown war in 1974. As one respondent made clear:

I’m speaking about the period before ’74... of course there weren’t lots of contractors in that period... there were 2 construction companies... actually we can’t even call them companies... one of them was Şakir... my father... the other one was Faruk... they were known as contractors.  
(Owner F)

The financial aid provided by the external agencies presented itself alongside the improvement of the infrastructure of North Cyprus. This, in turn, led to the establishment of the local construction sector, where a process of fast learning and capacity improvements were adapted by the owner-managers after 1994; this growth continued until the failure of the Annan Plan in 2004. As the research results show, bigger projects in the sector became available following the failure of the Annan Plan; however, given the changed policies of the patron country and other external agencies, difficulties in the contractual specifications of the funded projects and the onerous demands of international requirements challenged the capacity of the local SMEs in the industry.

The degree of disturbances faced by the owner-managers was seen as a threat to their organizations, but in the meantime these disturbances initiated different reorganization phase of the sector after the failure of the Annan Peace Plan in 2004. At the time of the interviews, most of the participant owner-managers were either strategizing to downsize or were diversifying into other fields. These strategies might allow these SMEs to absorb the current changes and then still grow in the future. The literature on small firms emphasizes that their growth is correlated with their ability to absorb learning and accumulate the knowledge necessary for the next growth phase (Phelps Adams and Bessant, 2007).

The disturbances faced by these owner-managers in the industry resulted in strong emotional reactions, such as ‘anger’ (Owner E). To meet the increased demand for more complex projects, the owner-managers of SMEs in North Cyprus, even though resistant, appeared to adapt themselves to the changes under certain circumstances, such as for EU funded projects. Even though external agencies such as the EU were typically perceived as a threat to their community, the owner-managers complied with the changes required and adapted quickly. As one respondent observed: ‘the companies are facing some problems but they are very flexible; they can grow or they can become smaller’ (Owner G).

As suggested by the complex adaptive cycle (Holling, 2001), these disturbances can trigger changes in the perception of reality and related management strategies. Following the failure of the Annan Plan, there were changes in the industry, especially given the politics of the patron country and the attitude of external agencies towards the local SMEs: ‘the supervisor [of an EU project] who was a female Italian engineer stirred up some troubles about the project. She didn’t respect our effort for this project’ (Owner D). This external involvement was, therefore, perceived as a defeat by the owner-managers in this study. This perception of defeat can also be associated with their loss of hope for the future. As a result, several respondents argued that local government needs to take action to protect the survival of local SMEs: ‘the Ministry of Public Works in North Cyprus needs to say that these tenders will be done here [North Cyprus]’ (Owner E). Conversely, the owner-managers are not facing similar demands for change by the local community (local policy makers) who share their values and beliefs. Therefore, the different demands

for change made by the external agencies are perceived as a threat to the existence of these SMEs in the sector as well as to the owner-managers' local identity, as also suggested by Volkan (2008). One respondent summed this up:

People have difficulties in sustaining themselves... especially for the last one to one and a half years, society has worried about the things that may happen... nobody trusts politics or the stability of the politics... they [external agencies] tried to weaken the economy here and there existed the politics that forced us to say 'yes' to the Annan Plan. (Owner K).

### 7.3 Summary of the Findings

Research Question 1 (RQ1) was focused on exploring the most influential factors influencing the management strategies of SMEs in North Cyprus. Following the thematic data analysis, three major themes were extracted that reflect these factors. The discussion of these factors in the previous sections has tried to unravel the complexity of their interactions within the context of this thesis; Figure 7.2 illustrates these interactions.

North Cyprus is a small country, where most businesses are small and run by their owners. As observed in other developing countries (Hillebrandt, 1999; Ofori, 2000), globalization is a factor affecting the growth of SMEs in North Cyprus. In addition, the increased influx of foreign aid to develop the infrastructure of the country has caused an escalation in the number of foreign contractors operating in the country, and presented significant challenges to local SMEs owing to their inherent characteristics, as discussed in Chapters 3 and 4. Even though the challenges for SMEs in small and developing countries are mostly related to these inherent characteristics, SMEs in North Cyprus are additionally affected by a unique combination of encounters in their environment. North Cyprus is small in land area, on an island divided by political conflict and recent war. Being a *de facto* state (i.e. isolated), the lack of international recognition adds additional difficulties to daily business life. In such an uncertain environment, the management strategies of SMEs might alter quite often given unexpected disturbances in the system. These disturbances include cultural clashes, unexpected changes in the law and government, state unrest, and embargoes. Consequently, the management of local infrastructure construction companies is controlled more by the political

environment than the economic environment. This can also be seen as closely related to the Cyprus Problem. Daily negotiations around this problem has become a lifestyle, wherein society and the companies alike cannot predict the future and management is aligned with the changing politics of the country, making future planning insignificant.

As Figure 7.2 depicts, the management strategies of construction sector SMEs in North Cyprus are highly influenced by the fact that they are being forced to operate in this very difficult socio-political environment. The family owned SMEs are tied to the politics of the country, which has effectively been made an enclave by its invisible wall of socio-political unrest and history of a traumatic conflict, which persists in the memories of the SMEs' owner-managers. The conflict and trauma surrounding these SMEs' external environment, which is provoked perpetually by the patron country, reminded the owner-managers of the past, where the growth of the industry was interrupted and sometimes prevented by external factors beyond the control of the local industry.

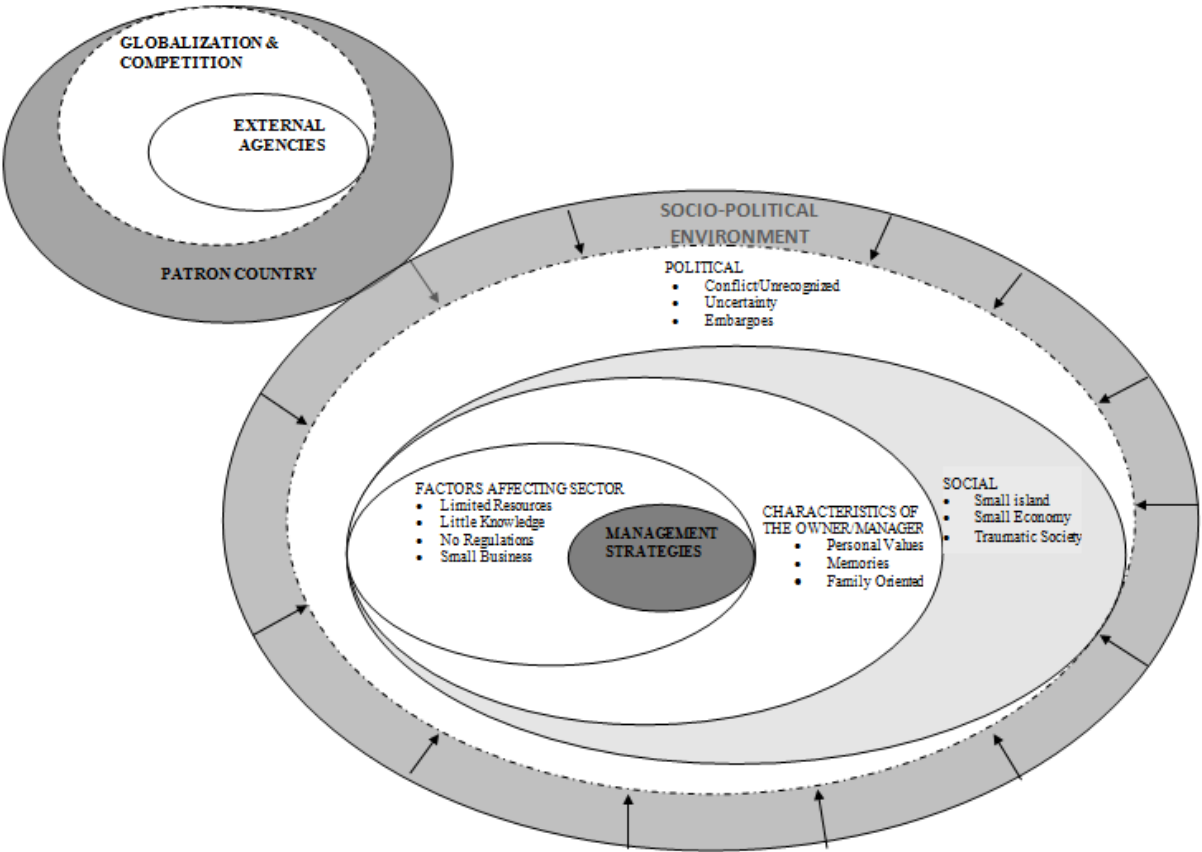


Figure 7.2: Interaction of Factors Influencing the Management Strategies of ICS-SMEs in North Cyprus

## 7.4 Resilience in SMEs

The second research question is designed to understand how the owner-managers of SMEs create resilience in their organizations. It is clear from the results and the discussion in the previous section that SMEs in North Cyprus operate in a complex system. Complexity is sensitive to its system variable properties and the relationships between these system variables, where studying the constituent parts precludes a full understanding of its dynamics and properties. Therefore, understanding how the relationships between the variables influence other variables can aid the understanding of how these SMEs' owner-managers implement their management approaches in North Cyprus, and their reactions to the changing environment and disturbances, which might create resilience. As the literature emphasizes (Coleman, 2011; Mamouni Limnios et al., 2014), the resilience of a system depends on the system's adaptive capacity – that is, a set of variables and their interactions – which then allows the system to respond to disturbances (Coleman, 2011).

The disturbances to a system can either be internal, such as the values of the owner-managers of the SMEs, or they can be external such as the socio-political environment of North Cyprus. The boundaries of the system and the timescale are also important factors when defining the resilience of a system, as suggested in the literature (Rykiel, 1985; Pickett et. al, 1989; Carpenter et al., 2001). In light of this, the boundaries of the system in this research have been defined as 'the infrastructure SMEs in North Cyprus', 'the SME owner-managers', and 'the socio-political environment in North Cyprus'. The timescale, on the other hand, has been identified from the analysis of the results, and can be defined according to three different phases where different approaches to management were observed from the interview results. The first phase is the time period 1974-1994, when the SMEs were trying to adapt to their new circumstances and establish themselves following the separation of the island. The second phase is the time period 1994-2004. In this stage, the SMEs grew, with hopes of a political solution on the island. The last phase is the period after 2004, when the construction sector on the island collapsed following the rejection of the Annan Peace Plan on the island and hopes for an immediate political solution on the island were shattered.

**7.4.1 ADAPTATION AND TRANSFORMATION PERIOD: 1974-1994.**

According to the evaluation of the themes identified in Chapter 6, the most important factor affecting the management strategies of SMEs in North Cyprus is the connection between the construction sector and its wider socio-political environment. The uncertainties in this environment, characterised by frequent changes, were seen to trigger certain changes in the management strategies of these SMEs. However, these changes, rather than planned, were shaped as a response to the circumstances of change in the external environment. Arguably, this behaviour can be expected given that small enterprises have fewer resources 'to plan, respond and recover' (Ingirige, Proverbs and Jones, 2008, p. 598) and are least prepared of all organizations when faced with disturbances.

Some of these disturbances in the political environment are sudden and some build gradually, as suggested in the literature (Coleman, 2011), until a threshold is reached. The period following the war in 1974 until the establishment of North Cyprus as a state in 1983 represents a gradual change and an adaptation period, where transformations in the infrastructure construction industry could be observed, as shown in Figure 7.3. During this period, the patron country was dominant in controlling and commanding the development of the industry. Meanwhile, the Turkish Cypriot population in Cyprus was trying to adapt to its new circumstances. This process of adaptation lasted until 1983 and the establishment of North Cyprus. The subsequent lack of recognition of North Cyprus by the international community wrought serious consequences on these organizations, such as embargoes, as explained in Chapter 4. These embargoes limited the market opportunities and resources available for construction SMEs, thus increasing their vulnerability, as strongly indicated by research participants. Nevertheless, their rapid response to environmental change and turbulence, alongside quick learning and adaptation of their management strategies, which are important characteristics of small enterprises (Vossen, 1998), led the local construction companies to reorganize and found the Cyprus Turkish Building Contractors Association in 1994. The SMEs further established themselves formally until they were able to participate in the infrastructure construction projects locally; this had the knock-on effect of initiating a growth phase among SMEs in North Cyprus. This phase shows that the SMEs in North Cyprus possess the adaptive capacity needed to enhance their resilience.

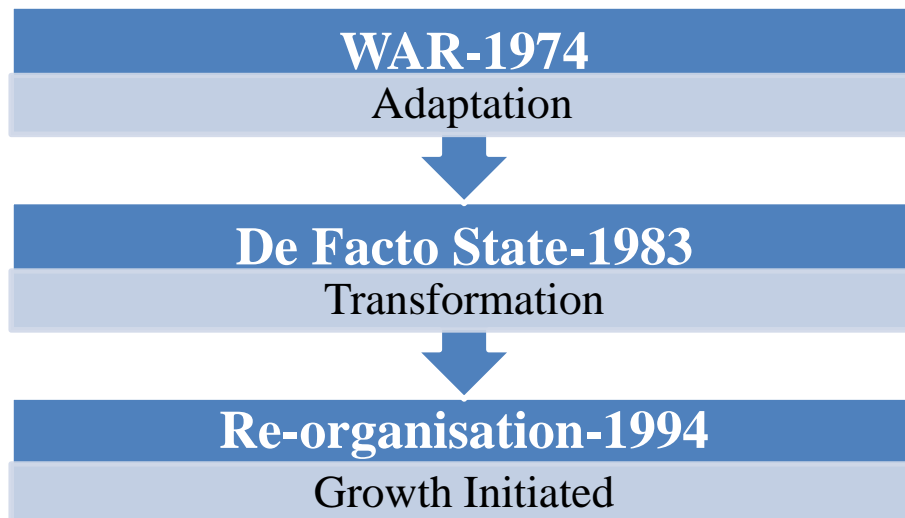


Figure 7.3: Stages of Change in SMEs in North Cyprus between 1974-1994.

#### 7.4.2 GROWTH AND PERSISTENCE PERIOD: 1994-2004

One of the characteristics of SMEs is that, while their growth strategy is greatly influenced by the limitation of the resources available to them, they can operate with greater external uncertainty in their environment than larger organizations (Storey, 1994). In North Cyprus, this uncertainty in the external environment is exaggerated by the unstable political environment. The owner-managers of SMEs in North Cyprus are aware of their limitations and capacity. However, even though the limitations of these companies (owing to their small size and the limited resources available in the country), exert a certain influence over their growth strategy, the politics of the country is a major factor determining how the owner-managers strategize their growth. The thematic analysis shows that, after the SMEs were established, there was growth, both in the size and capacity of the SMEs. This growth phase also indicates the adaptability and the flexibility of construction sector SMEs. Nevertheless, this growth was not achieved by long term planning and was rapid, guided with by hopes that the Cyprus Problem would finally be resolved. This rapid growth rendered the SMEs increasingly vulnerable to disturbances.

Another important finding from the analysis of the themes in Chapter 6 is that this growth phase did not induce changes in the structure of these SMEs, contrary to what the literature suggests. According to literature on SMEs, high growth is associated with the development of an internal organizational structure, where the



owner-manager delegates their project responsibilities and is more focussed on strategic level functions (Smallbone, Leig and North, 1995); this was not observed in the participating SMEs in North Cyprus. Instead, in this uncertain environment in North Cyprus, an organizational structure based mainly on family relationships persisted, and was a key factor dictating the management strategies of these SMEs. This persistence can be seen as an element of resilience, as argued in Chapter 2.

The expected changes in management in SMEs in North Cyprus could not be sustained owing to the uncertain and ever-changing environment. Considering the limited resources available on the island and the instability of the politics, strategic business planning was not perceived among research respondents as a strategy that would create resilience, again in contrast to the literature (Runyan, 2006). Therefore, one main finding of the current research is that, although vulnerability is recognized in the literature as the 'flip side' of resilience (Folke et. al., 2002), in this period persistence proved to be the more important element; vulnerability here does not mean lack of resilience. The research on resilience (Waller, 2001; Folke et.al., 2002; Adger, 2006 ), discussed in Chapter 2, defines vulnerability in various ways. However, all agree that systems or individuals can be vulnerable to disturbances at one time and not vulnerable at another, or systems can be vulnerable to certain disturbances and not to others. As Holling posits, resilience is 'a measure of the persistence of systems and of their ability to absorb change and disturbance and still maintain the same relationships between populations or state variables' (1973, p.14). Additionally, an acute degree of uncertainty in the external environment, as occurred in this period, enhanced the SMEs flexibility and responsiveness (Stokes, 2002), which are both important characteristics of adaptive capacity that can also increase the system's resilience. It is also important here to note that adaptive capacity is not about change but, rather, refers to the capacity of the system to absorb disturbances, as highlighted in Chapter 2.

The SMEs under study in North Cyprus had the capacity to grow. However, they were constantly challenged by uncertainty in their external environment, meaning that change for these SMEs was not about internal organizational change but, rather, about how the owner-managers could protect themselves from these changes in such a way that would also boost the company's ability to resist disturbances and manage

stress (Truffino, 2010). The resilience of SMEs in North Cyprus arguably lies within the skills and capacity of the owner-managers and their ability to ensure the company is robust under conditions of enormous disturbances, according to the definition of resilience provided by Coutu (2002).

### **7.4.3 OPERATING NEAR THE BIFURCATION POINT**

With the failure of the Annan Plan in May 2004 – a prime example of a sudden disturbance in a system – the building construction industry collapsed. The growth rate of the general construction sector dropped to -18.5% in 2009, causing the majority of the companies in the construction sector to go bankrupt; according to the latest statistics available for the country (SPO, 2009), the sector is yet to recover. Following this collapse, the patron country and external agencies continued their investment in North Cyprus' infrastructure construction, which provided additional opportunities in the sector. However, these new opportunities brought with them certain changes in the policies of these investments, such as the procedures and process of tendering and specifications for the projects, which exceeded the capacity of the local SMEs. As a result, the local infrastructure SMEs perceived themselves to be disadvantaged. In addition, the owner-managers interviewed believed that their investment and growth in the period 1994-2004 had no influence for their sustainability, and that the industry was always overly influenced by the socio-political environment. This then resulted in the 'helpless' and 'hopeless' perceptions that were found to characterise the owner-managers' attitudes to the current future state of their businesses, and which are not conducive to growth and development in the industry.

As explained in the complex systems literature (Holling, 1973; Gunderson, 2000; Coleman, 2011; Mamouni Limnios et al., 2014), the resilient character has its limits. When these limits are passed, the system changes to another condition; in other words, the resilience of the system is progressively reduced and, when the inevitable unexpected event occurs, the system collapses (Holling, 1973; Gunderson, 2000). As Hartling states: 'resilience is all about relationships' (2008, p.53.) The relationships between populations or system variables provide the primary source of ability to be resilient and strengthen the individual characteristics associated with resilience after

a disturbance (Bertalanffy, 1968; Holling, 1973; Hartling, 2008). Thus the interference of the patron country in the politics of North Cyprus and its control over the infrastructure projects since 2004 changed the market dynamics of the sector. Additionally, the external agencies requested some changes that SMEs in North Cyprus could not deliver, such as onerous job specifications (international requirements), payment procedures and inaccessible location for arbitration to most North Cypriot business owners (Brussels or New York). Additionally, local politicians lost their power to the patron country, which caused the local SMEs to lose their ability to influence the politics of the sector through their own relationships with local politicians. These events can arguably be seen as a collective disturbance to the system of infrastructure construction SMEs in North Cyprus, where the owner-managers no longer maintain the same relationships with the industry and the political environment, thus increasing their vulnerability.

As the analysis suggests, the owner-managers interviewed perceived their organizations as almost helpless and vulnerable, without hope of recovery for the future. The complex and contested changes in the system caused by the aforementioned events resulted in a sporadic growth of construction sector SMEs. This research also found that the owner-managers are currently diversifying into other sectors, or downsizing. This indicates another reorganization phase, where the SMEs are attempting to change sector or downsize in order to remain resilient.

The direction that these SMEs will follow in the future is uncertain, as it is evident that much external variability controls their systems' vulnerability. The interrelationship of all the agents in the system indicates that the management of SMEs in North Cyprus is not the sum of its agents in the system; rather, it is about the ever-changing relationships of these agents, which itself depends on the disturbances in the system and, as such, is suggestive of a dissipative structure. As previously discussed in Chapter 2, this conclusion indicates that the SMEs are operating at the 'edge of chaos'. At this point, instability is very high and the SMEs are self-organizing, which is a spontaneous and unpredictable strategy. Initially, as stated in the literature (MacIntosh and MacLean, 1999), following a breakdown of its existing structures (due either to internal or external fluctuations), an organization moves out of its existing state. This change in structure follows a period of

experimentation during which the organization selects a new form of behaviour that aligns itself with its most available resources within their system. The SMEs, by behaving as dissipative structures, thus maintain their openness to disturbances, continually experimenting and adjusting to process the disturbances they face. As Smith and Gemmil (1991) suggest, these systems would ultimately become ‘self-referencing, drawing upon its own history and accumulated learning to bring forth new structures and processes’ (1991, p.709). Therefore, where these SMEs will be in 5-10 years’ time is difficult to predict, as the owner-managers in this research concur.

#### **7.4.4 DO ICS-SMEs IN NORTH CYPRUS POSSESS RESILIENCE?**

Resilience within the context of this research is defined as: ‘the adaptation of management strategies of SME owner-managers in the presence of disturbances, by experimenting and adjusting themselves in the existence of disturbances throughout their history,’ as outlined *in* Chapter 3. The characteristics of SMEs, the context of the environment, the sector and the owner-manager’s values are found to be important in how resilience is created in SMEs. However, resilience also includes temporal and spatial aspects, and develops naturally with the interrelationships of these factors; as Coutu (2002) emphasizes, the resilience of a system is something that is realized after it is first acquired.

The analysis of the results in this chapter has identified the major factors affecting the management strategies of SMEs by understanding these companies’ responses to disturbances within their environment. As the discussion in the previous sections shows, the external political environment is a more important factor than the internal characteristics of the SMEs when strategizing their management. It is also indicated that owner-managers’ perceptions of this environment, affected by the history of their country, are the key driving forces affecting the resilience of their SMEs. In the literature on resilience, motivation, perseverance, flexibility and optimism are emphasized as the key characteristics of resilient people (Cooper, Estes, and Allen, 2004; De Vries and Shields, 2005); it has been further argued that the same factors can enhance resilience in SMEs (De Vries and Shields, 2005). Even though the owner-managers in this study demonstrated low levels of motivation to drive their

businesses forward in construction and were largely not optimistic about the future of their existence in this sector, they still possessed the characteristics of flexibility and perseverance and that their cultural traits, i.e. collectivism, render their motivation for survival. They recognized that SMEs in North Cyprus can grow, diversify and downsize, depending on the volume of the projects available in the sector. However, growth was not correlated with change in their organizations but, rather, with changes in the political environment and how the owner-managers themselves can cope with these disturbances. This ever-changing political environment has forced these SMEs to find different solutions to manage disturbances, depending on the circumstances that the external environment has presented. Some change can decrease resilience by increasing the vulnerability of both people and their organizations.

It was also found that the owner-managers do not plan but, rather, react to the opportunities provided by the political environment; thus their strategies are developed spontaneously. The history of the island and the development that the owner-managers had to go through during the period of 1974-1994 ultimately led nowhere, following the failure of the Annan Plan. The owner-managers in this study felt that they had been deceived and are living in an 'invisible' enclave, such as it was before 1974, and that history is repeating itself, whereby they are disadvantaged. After the war, the owner-managers recounted that they had changed and adapted, but still could not sustain the growth of their SMEs owing to the turbulent environment they were operating in. Subsequently, they perceived any change in the external environment as a threat. Their resilience, therefore, is not about adaptation to change but, rather, about being robust to protect themselves from disturbances by creating new solutions for their survival. For example, instead of just focusing on the infrastructure sector, they have ensured that their SMEs can prepare to diversify into other sectors.

In dissipative structures, the system faces the possibility of multiple evolutionary paths at the bifurcation point. The variables or agents that are the most adaptive or receive the most resources will then become dominant and decide the path that the system is to follow (Leifer, 1989). The SMEs in this study are arguably operating at

the edge of chaos, near the bifurcation point. The periods 1974-1994, 1994-2004 and the period after 2004 show that the resilience of these SMEs lies in their solutions to cope with disturbances by being flexible and perseverant, and choosing the most resourceful path for themselves. As the dissipative structures show, change at the bifurcation point is irreversible. Each time the point is crossed, there is a new strategy developed by SMEs to stay in the game, as depicted in Figure 7.4 . Figure 7.4 is developed referencing Figure 2.1 of De Toni and Camello (2010) and Leifer (1989).

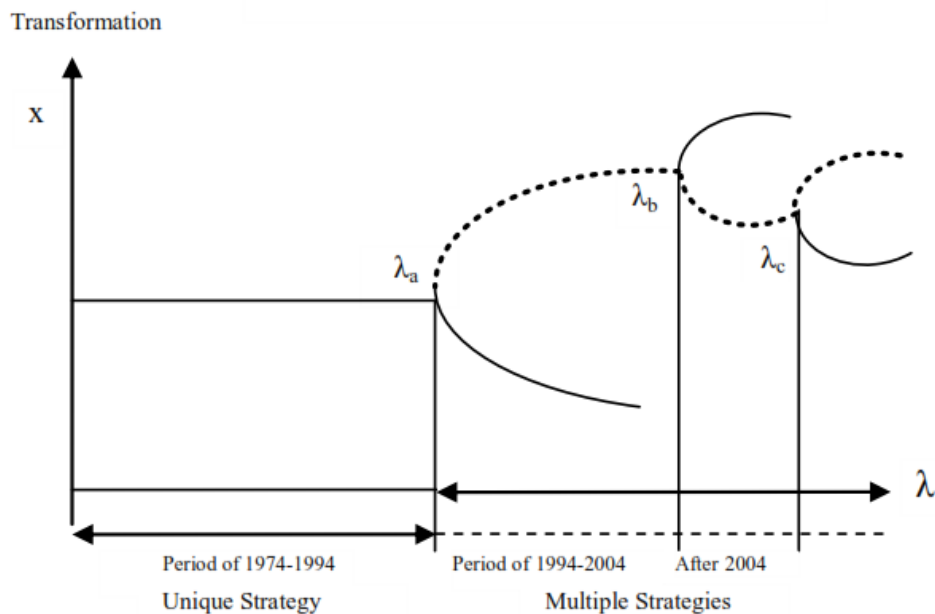


Figure 7.4: Dissipative Management Strategies of SMEs in North Cyprus

As it is shown in Figure 7.4 the owner-managers were focused on adaptation to their new circumstances as explained in section 7.4.1 and followed a linear unique strategy until the formation of the Cyprus Turkish Building Contractors Association in 1994 which is represented by  $\lambda_a$ . When the point  $\lambda_a$  is reached, the owner-managers could no longer follow their previous strategy but had to focus on growth since they transformed into legal entities at point  $\lambda_a$ . From this point on, as it is explained in section 7.4.2, the owner-managers had to face the challenges introduced from the path they chose, which was exacerbated by the disturbances in their environment, and could not develop a linear strategy. Each time the system a

disturbance was introduced, represented by  $\lambda_b$  and  $\lambda_c$ , the owner-managers responded quickly with an alternative strategy causing a very non-linear approach to their management. As it is discussed in section 2.2.4, assessing which strategy would be more resilient in which environment is very difficult.

### 7.5 Conclusion

As stated in the literature of complex systems by Carpenter et al. (2001), the properties of resilience of a system are only visible in the existence of disturbances – i.e. resilience ‘to what’. Therefore, as mentioned in Chapter 2, the resilience of the SMEs in this study can be evaluated according to ‘of what’, ‘to what’ and ‘under what conditions’ they are resilient, as Carpenter et al. (2001) suggest. There are several indications in the analysis of the results that the owner-managers are operating in a complex system where they are undertaking reorganization and manifesting flexibility in their approaches, both of which can create resilience. The operations of the owner-managers in the sector and their attitudes towards management in the presence of disturbances are combined evidence of this resilience. It is also important to note here that this thesis adopted Gallopín’s definition of disturbance as: “the external or internal processes interacting with the system and with the potentiality of inducing a significant transformation in the system, be it slow or sudden” (2006, p. 295).

The initial discussion of the results in section 7.2 answers the first research question; that is, to identify the factors that shape the management strategies of infrastructure construction SMEs in North Cyprus. Additionally, the discussion identified how these factors were perceived by the owner-managers given the system that they operate in. The unstable and unpredictable socio-political environment of North Cyprus has ensured great uncertainties. The combination of the reliance on support from the patron country with the preserved culture and history of the island that lives on in the owner-managers’ memories means that their values and beliefs at present are diluted by memories from the past. As the interviews show, this has eventually

served to alter their perceptions towards their businesses, and has prevented them from formulating management strategies for future growth.

The discussion in section 7.3 addressed the second research question; that is, to identify how these SMEs' management strategies have created and continue to create resilience. The interrelationships of different agents in the complex system of SMEs in the construction sector of North Cyprus was presented in order to highlight that management strategies in North Cyprus are interlinked with different variables, both internal and external to their system, and operate in a state that is far from equilibrium, as well as ever-changing depending on the disturbances that the system presents. It has been argued that the SME system in this context currently demonstrates a dissipative structure. Following the adaptation period, the system started to change, with constant flux, to the extent that the SMEs could not rely on long term-planning and were constantly having to adjust to this shifting environment. Consequently, their management strategies were shaped as a reaction to these changes in the wider system. Therefore, whether these SMEs will grow, downsize or change sectors is not something that can be predicted.

The SMEs in this research show high vulnerability at certain times and higher resilience at other times. Overall, however, it became clear that their owner-managers prefer to work with the resources available to them and choose a strategy that they can adapt to most favourably, which in turn can induce their resilience in the very uncertain and unstable political environment in North Cyprus. Resilience is not something that is fixed; rather, it emerges and changes in transaction with specific circumstances and challenges, and might exist under one condition and not another in time (Sutcliffe and Vogus, 2003). As Holling (1973) states, the length and magnitude of a disturbance are important factors in how resilience is developed. The literature suggests that owner-managers responsible for an SME's resilience tend to have four key behavioural traits: flexibility, perseverance, motivation and optimism (Cooper, Estes, and Allen, 2004; De Vries and Shields, 2005). However, the analysis of the current research results indicates that, even though the motivation and optimism of the owner-managers were almost lost, their flexibility to create different solutions to cope with environmental disturbances and their perseverance to protect their identity arguably could still create resilience in their SMEs. What will happen



in the future is not clear. The paths they choose for their businesses may trigger another growth phase, or there may be other surprises in the wider system, such as a solution to the Cyprus Problem, which might trigger their growth.

## CHAPTER 8 CONCLUSION

### 8.1 Introduction

This concluding chapter revisits the aim and objectives of this study, and provides a summary of the overall findings. It also discusses the implications of the findings and limitations of the study, and delivers recommendations and suggestions for future research in the area of construction sector SMEs and resilience.

### 8.2 Achievement of Research Aim and Objectives

This research aimed to identify how the owner-managers of SMEs operating in a developing country in a turbulent environment seek to create resilience in their organizations. In order to achieve this aim, the study used the infrastructure construction sector SMEs operating in North Cyprus as a case study. The following objectives structured the research:

- i. To investigate the factors leading to SMEs resilience.
- ii. To investigate how the recent political history of North Cyprus has shaped SMEs operating in the infrastructure construction sector.
- iii. To conduct primary research with North Cyprus SMEs in the infrastructure construction sector and identify the factors affecting their management strategies.
- iv. To identify how owner-managers promote resilience in SMEs in the North Cyprus infrastructure construction industry.

The primary original contribution of this is a close consideration of how SMEs in this industry in a *de facto state* survive and grow.

The following sections consider each of the stated objectives in turn and how they have been explored through this research.

**8.2.1 OBJECTIVE 1: TO INVESTIGATE THE FACTORS THAT LEAD TO SMEs RESILIENCE**

In order to achieve this objective, semi-structured interviews were conducted with owner-managers of selected infrastructure construction sector SMEs in North Cyprus. The results and the analysis of the results show that resilience within these SMEs is created within their contextually constructed reality; that is to say, their business management strategies and the resilience emerging from them are dependent on the wider social, political economic and historical factors acting on them in their environment which, since 1974, has been a turbulent one owing to the conflict on the island.

The literature noted that, when considering resilience of a system, time and context must be taken into account, emphasizing that the concept of resilience is meaningful only if one considers the resilience ‘of what, to what, and under what conditions’ (Carpenter et al. 2001, p. 767). Even though there are various definitions of resilience in the existing literature, resilience has generally been found to include the notions of disturbance and adaptation in the context of a system. Resilience is also affiliated with other combinations of factors, such as vulnerability, persistence, change and transformations.

Following this literature review on resilience, the research focused on exploring the meaning of dissipative structures in complex systems theory. In complex dissipative structures, there exists a threshold as to how much disturbance can be absorbed by a system in order for it to stay stable (Holling, 1973). This threshold in dissipative structures is called the ‘bifurcation point’, where the system is at the edge of ‘chaos’ and can take on a new structure by self-organising and experimenting if this point is crossed, and if the system is able to align itself with its most available resources.

These two concepts – dissipative structures and bifurcation point – were then used as lenses through which to view this thesis’ case study of SMEs’ resilience. It was found that, in the turbulent environment such as that currently existing in North Cyprus, construction sector SMEs are indeed at the ‘edge of chaos’, where it is either the case of further evolving in their current form in order to survive, or potentially taking on an entirely new structure e.g. diversifying into tourism sector. SMEs in this

turbulent environment arguably cannot be operated by formulating and implementing strategy in an ordered way.

Using the concepts of resilience noted in the literature and the concept of complex dissipative systems, the working definition of the term ‘resilience’ for the purposes of this thesis is as follows: the adaptation of management strategies of SME owner-managers in the presence of disturbances, by experimenting and by adjusting themselves to the existence of disturbances throughout their history.

Investigating the factors behind SMEs’ resilience in this context also raised the under-researched aspects of how SMEs in developing countries accrue and negotiate resilience. To date, the majority of existing literature on SME resilience (Ates and Bititci, 2011; Burnard and Bhamra, 2011; Gunasekaran, Rai, and Griffin, 2011; Vargo and Seville, 2011) is mostly focused on providing guidelines on how to create resilience by minimizing the effects of disturbances or the characteristics of resilient SMEs, rather than understanding how resilience is created in very dynamic environments, thus making this study a valuable addition to the existing literature on resilience and SMEs, particularly in the context of developing and/or unstable economies.

### **8.2.2 OBJECTIVE 2: TO INVESTIGATE HOW THE RECENT POLITICAL HISTORY OF NORTH CYPRUS HAS SHAPED THE SMEs OPERATING IN THE INFRASTRUCTURE CONSTRUCTION SECTOR**

In exploring the meaning of resilience in SMEs within the context of North Cyprus and the working definition of resilience for this thesis, this study evaluated the political history of North Cyprus and how this has affected the development of the infrastructure construction sector. Chapter 4 noted the characteristics of these SMEs and how these characteristics are interconnected with the characteristics of the external environment. Specifically, SME owner-managers’ memories and ongoing generational transmission of the political conflict in the island were found to have a strong influence on their management strategies.

The unresolved Cyprus Problem and the conflicted history of the island, as indicated by the literature on ‘shared trauma’ (Volkan, 1999) and ‘collective memory’

(Berntsen and Rubin, 2007), have penetrated the minds of the owner-managers of the SMEs under study in North Cyprus. These factors appear to have had a great impact on how owner-managers view the external environment and, specifically, how they perceive their position within infrastructure construction sector in North Cyprus; that is to say, they frequently interpret the reality of the island through their own perceptions and feelings. The analysis of the results in section 7.4 shows that, different events within the external environment of the SMEs, in different time periods, initiate different management strategies by these SMEs in the sector depending on the perceptions of the owner-managers. SMEs resilience in North Cyprus is affected by the owner-managers' memories of the past and the traumatic political events throughout recent history.

### **8.2.3 OBJECTIVE 3: TO CONDUCT PRIMARY RESEARCH WITH THE NORTH CYPRUS SMEs IN THE INFRASTRUCTURE CONSTRUCTION SECTOR TO IDENTIFY THE FACTORS THAT AFFECT THEIR MANAGEMENT STRATEGIES**

This objective is a key one, as it also echoes the first research question. The primary data for this study was collected from nine SME owner-managers. The participants and their SMEs were selected using the list provided by the Building Construction Association of North Cyprus and, specifically, their categorisation as Class-1 infrastructure contractors in North Cyprus, as explained in section 5.3.5.1. A qualitative research approach was adopted, with primary data gathered through face-to-face semi-structured interviews. The collected data was analysed using thematic analysis, following the steps suggested by Braun and Clarke (2006).

Through this process, it was discovered that the number of the infrastructure construction companies in North Cyprus were limited and that they were all small and family owned businesses. The participant owner-managers were very cooperative during the interviews and provided a substantial amount of data for the research. The data collected were used to identify the factors which affect the management strategies adopted by SMEs in this sector. The thematic analysis of the collected data, identified 'the characteristics of the social-political environment', 'the characteristics of the owner-managers', and 'the characteristics of the sector', as the most influential factors guiding the management strategies of SMEs in North

Cyprus. A summary of the findings from the thematic analysis is presented in Table 8.1. **Error! Reference source not found.**

**Table 8.1: The Most Influential Factors Guiding the Management Strategies of SMEs in North Cyprus**

<b>FACTOR</b>	<b>CHARACTERISTICS</b>
<ul style="list-style-type: none"> <li>• <b>The Socio-Political Environment</b></li> </ul>	<ul style="list-style-type: none"> <li>• Small Country</li> <li>• History and Culture</li> <li>• Patron Country</li> <li>• Uncertainty</li> <li>• Non-recognition</li> </ul>
<ul style="list-style-type: none"> <li>• <b>The Owner-Managers</b></li> </ul>	<ul style="list-style-type: none"> <li>• Management Experience and Education</li> <li>• Feeling Socially Marginalized</li> <li>• Helplessness</li> <li>• Hopelessness</li> </ul>
<ul style="list-style-type: none"> <li>• <b>The Sector</b></li> </ul>	<ul style="list-style-type: none"> <li>• Management Skills Needed</li> <li>• Growth of Market</li> <li>• External Agencies</li> <li>• International Requirements</li> </ul>

Of these factors, the characteristics of the socio-political environment represent the participant owner-manager's experiences of the industry over the years, including turbulent political events and how these may have affected the culture of the country and the growth of SMEs, in addition to the country's lack of resources. The characteristics of the owner-managers represent the participants' personal approach to management, including their personal experiences, values and beliefs, how they perceive the environment they have to operate in, and how they try to manage the barriers imposed on their organizations. The final factor, the characteristics of the sector, represent the sector-specific challenges and barriers that participants typically encounter in the management of their businesses and in terms of how they need to strategize growth.

**8.2.4 OBJECTIVE 4: TO IDENTIFY HOW OWNER-MANAGERS PROMOTE RESILIENCE IN SMEs IN THE NORTH CYPRUS INFRASTRUCTURE CONSTRUCTION INDUSTRY**

Chapter 7 addressed this objective by demonstrating that the history of the North Cyprus infrastructure construction SMEs system and the memories of the owner-managers combined to affect the latter's management approaches; most prominently, it was found that these approaches were influenced by disturbances within the system, i.e. North Cyprus' turbulent socio-political environment. This is an important finding to note because different disturbances and changes in the past can spark different strategies to promote resilience in the present, by inducing the owner-manager to attempt to adapt by experimenting with new strategies based on past experience, challenges and successes. The key implication emerging from this is that key external factors both in the past and present have a cumulative effect on the management strategies of SMEs, and on the ways in which owner-managers promote resilience within them and is a significant contribution to knowledge. Overall, it became clear that owner-managers of SMEs prefer to work with the resources available to them and choose a strategy that they can adapt to most favourably, which in turn can induce their resilience in the very uncertain and unstable political environment in North Cyprus. Most importantly, it is discovered that, the behavioural characteristics of the owner-managers responsible for an SME's resilience i.e. flexibility, perseverance, motivation and optimism, as suggested by the literature (Cooper, Estes, and Allen, 2004; De Vries and Shields, 2005), do not match the characteristics of the owner-managers of SMEs in a traumatic society like North Cyprus. The current research results indicates that, even though the motivation and optimism of the owner-managers were almost lost, their flexibility to create different solutions to cope with environmental disturbances and their perseverance to protect their identity arguably could still create resilience in their SMEs.

Chapter 7 also identified that SMEs in North Cyprus try to survive in a complex system that is interrupted by frequent disturbances, meaning that the system is ever-changing and presents constant challenges to management and resilience-building. Moreover, the participant owner-managers' resilience-building strategies were found to exhibit dissipative behaviour, as described in Chapter 2, and also that SMEs

work only with the resources available to them, choosing a strategy that they can adapt in the optimum way so as to induce their resilience and enable them to evolve constantly in the presence of disturbances by experimenting.

The literature review in sections 3.3 and 4.3 noted that SMEs operating in developing countries have varying management strategies, with numerous modes of promoting resilience that vary according to the local culture, socio-political context and, indeed, the individual circumstances, beliefs and values of the owner-managers involved. It should also be noted that owner-managers of SMEs in internationally isolated countries that have endured long lasting conflict, such as North Cyprus, have an additional layer of variance affecting their perceptions of the external environment of their businesses and, therefore, their management strategies (see results in section 6.4 and the findings in section 7.2).

Specifically, the research findings indicate that the system of SMEs in North Cyprus is challenged by the political conflict on the island and how this conflict, which changes periodically, introduces varying disturbances and inconstant factors into the system, thus influencing the management strategies of the owner-managers and making it difficult for them to build and promote their SMEs resilience in a consistent, planned way. Thus their management strategies can be described as reactive to the conflicts within the socio-political environment around them as it is shown in section 7.4.4 in Chapter 7.

Given these research findings, it can be argued that the resilience of the case study SMEs in North Cyprus is not necessarily about adaptation to change but, rather, about ensuring they are robust enough to protect themselves from disturbances by creating new solutions for their survival, i.e. by harnessing owner-managers' flexibility and perseverance. As the results in Chapters 6 and 7 show, these owner-managers have ensured that they can diversify into other sectors. This finding also supports the suggested dissipative structures of SMEs as discussed in the literature; namely, that SMEs in North Cyprus face the possibility of multiple evolutionary paths at the bifurcation point which promote their resilience.



### 8.3 Key Research Findings

This study's evaluation of the history and the development of the construction sector in North Cyprus, as shown in section 7.2 and 7.4, have led to the conclusion that SMEs in North Cyprus operate in a complex system, which behaves in a dissipative manner since the formalization of the construction industry in 1994. As previous research indicates, for a system to be complex and dissipative it is not necessary for it to be composed of many parts. There are many systems that consist of a small number of parts, each of which is relatively simple to describe in isolation, but which together interact in a complex and largely unpredictable manner which can be defined as dissipative (Prigogine, 1997).

In this complex system of SMEs in North Cyprus, the decision making processes of the managers are not based on structured management disciplines but, rather, on abrupt decisions. This abruptness both indicated and highlighted the significance of the owner-manager's personal identity traits and cultural values under circumstances of severe uncertainty or disturbance when needing to make a strategic decision. While every organization must inevitably deal with the management of both its internal and external environments, increased and persistent disturbances are causing these SMEs in North Cyprus to adopt a reactive approach to management each time the disturbances are presented, rather than being proactive about them in advance. This, then, arguably transforms the wider system that the SMEs operate in – i.e. the infrastructure construction sector – into a different structure, since the system can no longer operate near the bifurcation point as suggested by the literature on dissipative systems (Prigogine and Stengers, 1984; Leifer, 1989; MacIntosh and MacLean, 1999), and as shown in the analysis of findings in Chapter 7. This change in structure follows a period of experimentation during which the SME selects a new form of behaviour that aligns itself with its most available resources within their system by growing, downsizing or diversifying into other sectors. Sequentially, the system of SMEs cannot accumulate enough local knowledge and experience and cause the system to seek alternative agents, e.g. foreign investment. Overall, the key findings of this research can be listed as follows;

- uncertainty in the present is affected by the memories of other traumatic events in the past and influences strategies of the owner-managers of SMEs
- vulnerability is not an adequate measure of resilience of SMEs in North Cyprus but is, rather, related to how the owner-managers persist under disturbances.
- flexibility and perseverance are far more important characteristics to possess than optimism and motivation in order to create SME resilience in an unstable environment.
- SME systems in North Cyprus are complex, and their management strategies are dissipative and are operating at the edge of chaos, near the bifurcation where multiple solutions are available thus rendering their resilience.
- the resilience of the SMEs in North Cyprus is not primarily about sustaining the existing business but is about being persistent in protecting the cultural identity both at the level of the SME itself and the wider community and relationships (e.g. familial ties) that these SMEs are vested in.

### 8.3.1 MANAGEMENT STRATEGIES OF SMEs IN NORTH CYPRUS

The major factors influencing the management strategies of the SMEs in this research show that the socio-political environment, the owner-managers and the sector are constantly interacting with each other, and so influencing the management strategies of these SMEs in North Cyprus. The characteristics of these owner-managers and their organizations are found to be similar to those discussed in the literature with regard to SMEs in developing countries (Ofori, 2000; Dainty, Ison and Briscoe, 2005; Kong and Mei, 2011). Nevertheless, there are factors in the socio-political system of SMEs in North Cyprus that make it unique compared to other developing nations. North Cyprus is a *de facto* state where local organizations have to operate under severe embargoes and isolation imposed by the international community. This, in turn, is exaggerated by the region's uncertain and unstable political environment, as discovered in the analysis of the characteristics of the socio-political environment.

Notably, the perceptions and responses of the owner-managers to this isolation and uncertainty in the present were found to be affected by the memories of other

traumatic events in the past where they and other people in North Cyprus felt socially victimized, as discussed in Chapter 7. The never ending Cyprus Problem, the trauma associated with the conflict on the island, the interference of external agencies, i.e. foreign financial aid/project funders, in the construction sector and the politics of the country are combining to make business operations in North Cyprus complex, thus ultimately and affecting how the owner-managers of infrastructure construction SMEs perceive the environment they operate in. Overall, the evidence suggests that these owner-managers, who share the same background and collective memories as well as working in the same disturbance-prone, congested SME environment, share similar perceptions of the industry. This overall perception is reflected in similar management strategies across these SMEs in North Cyprus, which themselves are reactions to the disturbances in the environment and fluctuate over time. As noted in Chapter 3, the owner-managers' decision making regarding the optimum management strategy to adopt is significantly dictated by how they perceive this environment (Blackburn, Hart and Wainwright, 2013).

Another finding from the research, as depicted in Figure 7.3 in section 7.4 in Chapter 7, is that the owner-managers, during the development of the industry after the separation of the island in 1974, went through an adaptation and transformation period, which was followed by a growth phase. This growth phase, however, was not long lived – the SMEs had to change their growth strategy after the failure of the Annan Plan, which overshadowed their hopes for a political solution on the island. Additionally, the interference of external agencies, especially the patron country, was seen to have changed the dynamics of the industry in such a way that owner-managers feel they no longer possess the same client relationships in the system they operate in, thus increasing the vulnerability of their SMEs by reducing their protection from disturbances. As the literature on resilience notes, in section 2.2.2, a system's vulnerability is increased if it cannot maintain the same relationships with its agents, which in turn influence resilience and have an effect on an organization's vulnerability. The increased vulnerability found among the case study SMEs in North Cyprus resulted from the reduced protection in previously strong client relationships owing to disturbances in the macro socio-political environment, as also suggested in the literature of resilience (Truffino, 2010). This may then be what is ultimately triggering the local owner/managers to seek other strategies for their

sustainability, proving that SMEs in North Cyprus possess the necessary flexibility and perseverance that enhance resilience.

Conversely, the results and the analysis of the results show that the participant owners/managers had lost their hope and motivation, which are typical traits of resilient owner-managers along with flexibility and perseverance (De Vries and Shields, 2005; Kong and Mei, 2011), since their efforts to grow their businesses are constantly being impeded by the ever changing political environment. Therefore, one major finding of this thesis is that vulnerability is not an adequate measure of resilience of SMEs in North Cyprus but is, rather, related to how the owner-managers persist under disturbances. Closely linked with this is the finding that flexibility and perseverance are far more important characteristics to possess than optimism and motivation in order to create SME resilience in an unstable environment.

Even though the owner-managers in this study have low levels of motivation for further development and growth within this sector and are largely not optimistic about the future, their persistence to survive in terms of their society as a whole and to take care of family members, along with their flexibility, have motivated these owners/managers to diversify their businesses into other sectors. As discussed in section 3.2.4, high collectivism is a recognized trait of people in developing countries. In organizations in collective societies, the emphasis is on the context rather than the content, i.e. pay more attention to how something is done than what is done, and on caring for others (Triandis, 2006)..

### **8.3.2 MANAGEMENT IN COMPLEX DISSIPATIVE SYSTEMS**

In order to understand a system's resilience, it is important first to understand how the system moves through different phases in the complex adaptive cycle, as stated in section 2.2. A key aspect of these cycles is the recognition that things happen in different ways according to the phase of the cycle that the system happens to be in. There are times when disturbances are more likely, and other times innovation has a greater chance of progressing.

The findings of this research, in sections 7.2 and 7.4 show that the SMEs can grow, adapt and transform depending on the disturbances presented in the socio-political environment they operate in. The SMEs studied here take a reactive approach to management within this complex system depending on the disturbances they face. The management strategies of SMEs in North Cyprus are related to the ever changing relationships between these factors which, in turn, depend on disturbances within the system. This moment of flux in SME management strategies – the bifurcation point in dissipative structures – is arguably the moment when the SME system (such as that represented by the infrastructure construction sector in North Cyprus) can no longer sustain its existing management approaches or, as explained in complex systems, is when the tolerance threshold is reached and the system can no longer absorb any more disturbances. At this point, the SMEs in the system have to change and face the possibility of multiple paths along which they can evolve.

Efforts to improve the physical infrastructure of North Cyprus have given rise to new projects that have typically been financed by the patron country and external agencies. However, operating in a *de facto* small state and with limited resources has presented itself as a serious disturbance to the SMEs system in this sector, thus preventing these SMEs from competing for opportunities offered by the globalization process. Additionally, the dominant influence of the patron country over the sector has changed the dynamics of the relationships between local SMEs and their clients (i.e. local government), which the owner-managers had previously relied on for their sustainability during the period of 1974-1994. As observed in the period between 1994-2004, local construction SMEs in North Cyprus grew rapidly as a reaction to a possible political solution to the Cyprus Problem. Similar reactive behaviour was also observed following 2004, when hopes for a political solution on the island were lost after the failure of the Annan Peace Plan, causing many SMEs to alter and adapt their growth strategies to the continuing (and potentially new) challenges ahead.

How the management of these SMEs will evolve beyond this point depends on the path that the owner-managers will choose. The findings in section 7.4.4 indicate that the latter are less hopeful about the future growth of their organizations and are reluctant to invest in them owing to the constant fluctuations in the political

environment; thus they do not rely on long-term planning to shape their management strategies. Some of these SMEs are in the process of diversifying into other fields of business while others are downsizing, again as a reaction to the changing politics of the country. As evidence from the history of the development of the infrastructure construction industry shows, the SMEs in this study are arguably operating at the edge of chaos, near the bifurcation point. Evidence also points to the possibility that this path might trigger another growth phase in SMEs, depending on the circumstances that the socio-political environment presents.

This study's analysis of how these SME owner-managers have run their businesses and their attitudes towards current and future management strongly indicates that, unless there had existed the events of 1974 on the island or the later hopes for a solution to the Cyprus Problem, these SMEs in North Cyprus would not have existed nor had the opportunity to grow. As the theory on dissipative structure suggests, and is also supported by this research in sections 7.4.3 and 7.4.4, the dissipative change process is one where multiple solutions are available that can create resilience. Therefore, the key to the resilience of infrastructure construction SMEs in North Cyprus can be seen to lie in their flexibility to reorganize by growing, downsizing or by changing sectors; ultimately, the most important determining factor is the possession of perseverance in the face of disturbances. The persistent and flexible characteristics of the participant owner-managers, enduring the long lasting conflict on the island, where the memories of the past are very influential on the present, may be said to have created resilience in these SMEs. It can, therefore, be concluded that the resilience of the SMEs in this sector in North Cyprus is not primarily about sustaining the existing business – which is evidently quite vulnerable to disturbances – but is about being persistent in protect the cultural identity both at the level of the SME itself and the wider community and relationships (e.g. familial ties) that these SMEs are vested in.

## **8.4 Contribution to Knowledge**

### **8.4.1 ACADEMIC IMPLICATIONS**

This thesis provides new knowledge on the reasons why construction SMEs in North Cyprus cannot follow a systematic approach to management, and also on how the perceptions of their owner-managers affect the operationalization of the dissipative change process (see Appendix H for a conference presentation on the topic).

Previous research has emphasized that culture, individual characteristics and a rapid increase in social complexities may affect management strategies (Hostede, 1980; Hofstede, 1993; Ghobadian and Gallear, 1996). However, research on management that might proactively create resilience in SMEs in conflict zones experiencing social trauma is almost non-existent. This study thus provides a new perspective in the area of management research, highlighting that memories of traumatic events that occurred in the past have a great impact on management strategies of SMEs in the present, and also that current disturbances in a system are themselves affected by past events; both of these aspects influence resilience.

The turbulent political environment of North Cyprus and the events following the war in 1974 caused the emergence of a very unpredictable business environment in the region. Hopes of the country becoming an independent, recognised state, which might encourage growth, were challenged by the chronic Cyprus Problem and by the interference of the patron country in the local politics of North Cyprus. This, in turn, led infrastructure construction sector SMEs continuously to seek new ways of management. External interference, the demands of larger contracts aspiring to globalized standards, and disturbances caused by manipulations of the sector and the politics of the country, constantly renders SMEs management strategies ephemeral. These SMEs can, therefore, be seen to be operating 'at the edge of chaos'. In terms of complexity theory, dissipative and self-organizing entities arise from such a phenomenon. The management of SMEs in North Cyprus, therefore, can only be explained with reference to the complex system that they operate in.

The most influential aspect of the environment in North Cyprus on infrastructure construction sector SMEs is arguably the positive feedback, as discussed in section 2.2.4, from the unpredictable socio-political circumstances, and how this feedback affects the behaviour of the owner-managers of SMEs in strategizing. The

management of these SMEs is, to a great extent, controlled and directed by this unpredictable environment, thus amplifying the unpredictability of the management strategies themselves. Specifically, the socio-political environment shapes the industry and, in return, affects the perceptions of the owner-managers, who then shape their management strategies accordingly. Policy changes in the industry instigated by the patron country and external agencies are perceived as a disturbance or a surprise by these owner-managers. The latter are largely reactive to these disturbances; their management style depends on the resources available to them to adapt to new circumstances in order to try to protect themselves from similar events in the future. The literature suggests that resilient SMEs are influenced by the resilient characteristics of their owner-managers, as discussed in Chapter 3; namely, flexibility, perseverance, optimism and motivation. One major finding and contribution of this research is that, although in traumatic societies SME owner-managers typically have low levels of optimism and motivation sustaining their businesses, they possess high levels of flexibility and perseverance, and their motivation is enhanced by their collectivist personalities. Thus the resilience of these SMEs is contained in the adaptation of their management strategies by experimenting and adjusting themselves in the existence of disturbances throughout their history.

#### **8.4.2 POLICY AND INDUSTRY IMPLICATIONS**

This section firstly considers the policy implications of this research, specifically with regard to how the controlling agents (namely, local policy makers and the Patron country) can make the environment more enabling for a local infrastructure construction sector to thrive in North Cyprus. Secondly, this section suggests how SMEs in the construction sector can lower their vulnerability to help to create additional resilience by recommending certain strategies in their management.

While the Government of North Cyprus is trying to improve the infrastructure of the country with foreign investments, they are operating with little consideration of local SMEs' capacities, thus creating a dynamic of exclusion and disturbance within the complex system involving these local businesses. Investing in infrastructure projects in conflict zones and in developing countries is accepted as a worthwhile and



necessary approach (Ofori, 1991; Ofori 2000; Nguyen, 2007). However, if these investments do not consider local capacity, they may present a threat to the existence of local SMEs. Any foreign investment policy, therefore, needs to take this into consideration in order to ensure the sustainability of local businesses and, by extension, the local economy itself. As the findings of this research indicate, project funders who introduce international requirements cannot force structured change to occur in the management strategies of SMEs in North Cyprus. It is recommended that local policy makers in North Cyprus consider the capacity of local SMEs when engaging with project funders in infrastructure construction, and work to involve them in projects so as to develop their capabilities. This would aid local SMEs in accumulating the knowledge and skills they need not only to survive, but also to grow.

In addition, as previous research on complex systems emphasizes, people involved in business management need to understand the interrelations of the factors in a particular system (Holling, 2001; Gunderson & Holling, 2002), in this case both the owner-managers and the control mechanisms of the sector. In this context, temporal and spatial relations are important; specifically, perceptions shaped by events in time and space are important to evaluate when considering the management of local SMEs in terms of their survival. The uncertainties in conflict zones are not easily controlled and may make business management difficult, but managing the effects of these uncertainties can equip SME owner-managers with the essential knowledge and understanding of how to respond and adapt to the uncertainties and demands of global change, as noted in Chapter 2.

The local SMEs, on the other hand, should evaluate their position in the infrastructure construction supply chain and how they can sustain their position within the infrastructure sector. Considering the smallness of the infrastructure construction sector in North Cyprus with small volume of projects, the owner-managers of the local SMEs can re-organize themselves, as they did in the period of 1974-1994, to initiate growth with resilience. The findings of this research show that, the local SMEs possess the flexibility and persistence and the adaptive capacity to quickly re-organize and adapt management strategies like supply chain management. As suggested by the literature in section 3.2.4, supply chain

management can create trust through partnership, in this case partnership of the local SMEs and partnership of the local SMEs with the external agencies, which can further render their resilience by contributing to the knowledge and expertise of the SMEs. Additionally, partnering with the external agencies, using supply chain management as a strategy, can elevate the social responsibility of the external agencies operating in North Cyprus which in return can elevate social sustainability, therefore survival of the local SMEs, as suggested by the literature (Vachon and Mao, 2008).

### **8.5 Limitations of the Study**

For this research, semi-structured interviews were used as the data collection method in order to allow the participants to openly share their experiences and views, to enable the research topic to be explored – constructed – from the perspective of the participants. Consequently, the researcher needed to be aware of several factors that could affect the data, including the influence of the interviewer, the influence of the interviewee, the interaction between the interviewer and the interviewee, and the content of the questions, as discussed in detail in Chapter 5. Sharing a similar cultural and historical background with the participants, however, made it easier for the researcher, to collect the data for this research and to minimise the influence on the participants. The participants of the research were very welcoming and very comfortable answering the interview questions. This led the participants of the research to share information not only about the construction sector in North Cyprus but on their personal beliefs and values, their families, and history of the island as well providing this research with rich data.

The interviews were conducted in the participants' native language (Turkish) which was an enabler for data collection during the interviews. The interviews then translated into English for the analysis.. This process may have caused some loss of authentic meaning of the data collected; however, the researcher aimed to compensate for this by translating the interviews herself to ensure the reliability of the transcriptions, and so minimize errors as stated in section 5.4.1.2. As the literature states, the balance between cultural knowledge and language proficiency

was an important factor to achieve quality in the research (Birbili, 2000; Denzin and Lincoln, 2000).

Additionally, the participants' ability to express themselves and recall experiences may have had an effect on how well they could portray their experiences.

This research only investigated the infrastructure construction companies in North Cyprus. The research, therefore, acknowledges that the findings could be different for the other sectors in the construction industry and for SMEs in other fields. Only nine out of the 12 identified infrastructure construction companies were included in the research; this small sample size could be seen as another limitation. Even though owner-managers from 11 companies were interviewed, two of the participants did not consent to take part in the research so the information collected from these interviews was disregarded, narrowing the total number of interviews to nine. Nevertheless, there were only 12 qualified infrastructure companies to study and the companies included in the research represents 75 % of the total qualified infrastructure companies in North Cyprus. Additionally, as the researcher originally aimed to collect rich, in-depth data from around five or six companies, the research can still be seen to have met its aim regarding the data set, achieving thematic saturation as discussed in Chapter 5 in section 5.3.5.

Another limitation was the lack of reliable data and statistics relating to the construction sector in North Cyprus. Yitmen, Akner and Taneri (2011) in their work 'Reviewing Construction Statistics in North Cyprus', clearly state that research in this sector is very challenging given precisely this lack of reliable statistics. Ofori (1988) also observed the challenges around the availability of data for the construction sector in some unstable economies. Most of the research done on this sector relies on the observation of the researchers and the statistics that researchers directly collect from the industry. In this sense, the barrier of statistical unreliability was no different for this study. Nevertheless, once nine of the owner-managers from the infrastructure construction companies were interviewed, a clearer understanding of the management strategies of SMEs became evident, as did the impact of a number of social and political dimensions shaping management in this sector. Alongside this emerged some key social and political barriers to the process of

management. To achieve these results, an inductive qualitative approach was adopted and thematic analysis used as the method of analysis, as explained in Chapter 5. This, then, greatly aided the understanding of owner-managers' subjective experiences in the infrastructure construction sector within the context of North Cyprus, by generating nuanced meaning from data collected in the field.

Reflexivity was another important aspect that needed to be considered. This required an awareness of the researcher's contribution to the construction of meaning throughout the research process, including the data collection and analysis, as explained in detail in section 5.6. It is acknowledged that the researcher's previous knowledge of management in construction sector in North Cyprus, may have guided coding of the research data to construct the themes of the research. However, this background knowledge, in addition to the researcher's knowledge and experience of the political change on the island, was helpful in constructing and interpreting the information from the research interviews.

### **8.6 Future Research**

There is scope for further research into all aspects related to SME management in countries with frequent uncertainties and traumatic events (e.g. post conflict).

This research has only focused on the infrastructure construction sector in North Cyprus, which is heavily influenced both by local policy makers and international aid. Future research may consider the resilience of SMEs in unstable environments by looking at other sectors in a *de facto* nation such as North Cyprus, e.g. housing and tourism, among others.

In addition, future research could also study the infrastructure construction sector in other states that have experienced the collapse of their physical, financial, economic, technical, organizational, political and social systems. This collapse is usually followed by external international aid to help these countries to move forward. Therefore, a further implication for future research would be the usefulness of undertaking longitudinal research on the management strategies of SMEs in other *de facto* countries or post-conflict countries, with temporal data collected over a longer

period than the current research has done. This would also help to identify how different forms of international aid by different external agencies may influence the resilience of SMEs. By further understanding how different forms of international aid influence the management strategies of organizations and their resilience, policy makers and funders may better understand how to manage their policies in order to protect the sustainability of local SMEs, thus encouraging resilience in post-conflict or traumatic societies.

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## APPENDIX A SMALL STATES AND SMALL ISLANDS

### Introduction

The aim of this chapter is to introduce Small States and Small Island Developing States (SIDS) and the characteristics of these states and how size effects the management of projects and the economic growth of these states. Smallness is the biggest problems facing these states and consequently the business environment and industry carry the characteristics of being small. Small and Medium Size Enterprises (SMEs) make up the bulk of the enterprises, and the management style of these companies vary greatly from the other bigger states.

*“It is in the evolution of social institutions and organizations that facilitate long-term peaceful type of economic growth (the only type that can be long-term) that both the challenge and the promise of economic growth are particularly great for small nations”. Simon Kuznets (1960).*

### Small States

Each state is unique in its own way and when evaluating and discussing the needs of the development of the state each should be addressed within the context of its own particular cultural, historical, political and social characteristics.

During the 1960's and the 1970's the interest in small states has started increasing. One of the first studies that discussed the small size and economic growth of the small states was the proceedings of the conference “Economic Consequences of the Size of Nations”, held by International Economic Association at The Hague in September 1957, which the proceedings were published in 1960 by Robinson<sup>1</sup>. Robinson argues that the economic consequences of the size of states are indeed a “subject that well deserves more attention”. In the same volume Kuznets<sup>2</sup> also states that “in principle, small countries have a handicap for economic growth” because

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<sup>1</sup> Robinson, E. A. G. (Ed.). *Economic Consequences of the Size of Nations: Proceedings of a Conference Held by the International Economic Association*. Pp. xxii, 446. New York : St. Martin's Press, 1960.

<sup>2</sup> Kuznets, Simon, 1960 “*Economic Growth of Small Nations*” In Robinson (1960)

they cannot benefit from: the “advantage of large-scale production and organization”. The discussion on military defence issues of the Small States<sup>3</sup> was also commencing (Bartman, 1998)<sup>4</sup>.

In the aftermath of the publication by Robinson, many international conferences were organized to address the development of the small states starting with the London Conference in 1962<sup>5</sup>, in Barbados in 1972<sup>6</sup> and in 1974<sup>7</sup>, and the Canberra Conference in 1979<sup>8</sup> which were organized by the Commonwealth.

Within the organization of Commonwealth the formal expression of the vulnerability of the small states was given in 1977 at the Commonwealth Finance Ministers Meeting (CFMM) in Barbados. Barbados 1977 addressed the special characteristics of small states, particularly their extreme dependence on exports and imports, high dependence on capital inflows and in some cases their lack of natural resources (Bertram, 2011). In response, the Commonwealth Secretariat prepared a programme designed to assist in overcoming “the disadvantages of small size, isolation and scarce resources which severely limit the capacity of such countries to achieve their development objectives or to pursue their national interests in a wider international context” (Rustomje, 2010). The vulnerability of the small states was reconfirmed by Commonwealth Heads of Government (CHOGM) at their 1979 summit in Lusaka, Zambia, and reaffirmed at their 1981 meeting in Melbourne (Azzopardi, 2011).

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<sup>3</sup> There is no generally agreed definition as to which variable should be used to measure the size of countries and as to what should be the cut-off point between a small country and other countries. Generally speaking, population is used as an indicator of country size.

<sup>4</sup> Vanderbosch (1964) describes small states as “A *small state, we may conclude, is a state which is unable to contend in war with the great powers on anything like equal terms*”

<sup>5</sup> Commonwealth Prime Ministers’ Conference (MCPM), 6 Sep 1962-15 Sep 1962; Source [www.commonwealth.org](http://www.commonwealth.org). *MCPM were biennial meetings of Prime Ministers of the United Kingdom and the Dominion members (territories under the sovereignty of the British Crown) of the British Commonwealth of Nations. There were total of 17 meetings were held between 1944 and 1969 and in 1971 MCPM was renamed as Heads of Government Conference of Commonwealth (CHOGM)*. Source [www.commonwealth.org](http://www.commonwealth.org).

<sup>6</sup> The Seventh Heads of Government Conference of Commonwealth (9-12 October 1972). *Commonwealth Heads of Government Meeting (CHOGM) meet every two years to discuss global and Commonwealth issues, and agree collective policies and initiatives. CHOGMs act as the principal policy and decision-making forum to guide the strategic direction of association. They are organized by the host nation in collaboration with the Commonwealth Secretariat. The term CHOGM was adopted in 1971 in Singapore*. Source [www.commonwealth.org](http://www.commonwealth.org).

<sup>7</sup> The Special Meeting of the Heads of Government of the Caribbean Community-CARICOM (26-27 January 1974)

<sup>8</sup> Commonwealth Regional Consultive Group on Trade: 2nd meeting, Canberra, 12-15 June 1979.

In 1983, Commonwealth leaders, at their New Delhi meeting<sup>9</sup>, felt that the problems of small states “deserved consideration on a wider basis, including that of national security”. They accordingly requested the Secretary-General to undertake a study of the special needs of small states including safety issues and sovereignty. As a result, Commonwealth Consultative Group was commissioned to examine the special needs of small states on a wider basis than that of economic development alone and include specifically issues relating to national security (Bartman, 1998).

In 1985, the Commonwealth Secretariat<sup>10</sup> commissioned a landmark study of the special needs of its smallest members, particularly those relating to security, which was expanded to recognize other concerns of the small states beyond territorial integrity and political autonomy: economic freedom and security and environmental protection (Bartman, 1998). The report was the first to note that small states are “inherently vulnerable to external interference”<sup>11</sup>.

The Commonwealth Secretariat’s focus on the development of the small states has continued emphasizing their unique characteristics. Consequently, from 1998 to 2000, the Small States Task Force<sup>12</sup>, a joint effort of the World Bank and the Commonwealth Secretariat, carried similar work on the characteristics of small states and focused its work on the development of these states and worked toward a strategy to assist those countries with their transitions in the world of rapid globalization. The works of the World Bank and the Commonwealth Secretariat were followed by several conferences on small state issues (Briguglio, Persaud, and Stern 2005).

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<sup>9</sup> Commonwealth Heads of Government Meeting -CHOGM (23-29 November, 1983). Source [www.thecommonwealth.org](http://www.thecommonwealth.org).

<sup>10</sup> *Vulnerability: Small States in the Global Society* (London: Commonwealth Secretariat, 1985).of the size of nations

<sup>11</sup> *Commonwealth Secretariat, Briefing Notes-Small States*; <http://www.thecommonwealth.org/> access 2011 August

<sup>12</sup> Commonwealth Secretariat/World Bank. 2000. *Small states: meeting challenges in the global economy*. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, March. Commonwealth Secretariat: London; World Bank: Washington, DC.

### Definition of Small States

The following section will try to explain how the Small States are defined and how these states are different than the bigger scale of economies. The publication of the Small States Task Force<sup>13</sup> of the Commonwealth and the World Bank will be used as the main source, unless otherwise specified, since it is the first of its kind where Small States were explained in detail and explaining the challenges facing these states.

It is a known fact that there is no unanimously accepted definition of small states. When defining the size of a small state (i.e. country or economy), the population of the state, the land area or its gross domestic product (GDP) could be used as a measuring tool as stated by the Small State Task force since the notion of size is relevant<sup>14</sup>. Some studies use the population as an index of size (e.g. Kuznets, 1960; Streeten 1993; Brugiglio, 1995; Armstrong and Read, 2003), like the Small Task Force, but the Commonwealth Secretariat also includes larger member countries in the list of Small Countries (Jamaica, Lesotho, Namibia and Papua New Guinea) because they share similar characteristics of smallness<sup>15</sup>. A composite index of three variables (population, land area and GDP) is also used by Crowards (2002) to define the meaning of smallness. Even though there is no general acceptance as to what constitutes a small economy, a population of about 1 million or less is usually considered a small one (Briguglio and Galea, 2003), whereas the Commonwealth Secretariat and World Bank<sup>16</sup> uses population of 1.5 million as a threshold. Nevertheless, “population is highly correlated with territory size as well as with GDP (although there are of course exceptions with respect to both territory and GDP);

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<sup>13</sup> Commonwealth Secretariat/World Bank. 2000. *Small states: meeting challenges in the global economy*. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, March. Commonwealth Secretariat: London; World Bank: Washington, DC.

<sup>14</sup> Commonwealth Secretariat/World Bank. 2000. *Small states: meeting challenges in the global economy*. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, March. Commonwealth Secretariat: London; World Bank: Washington, DC.

<sup>15</sup> Small countries are associated with a number of special characteristics, including a relatively large foreign sector, dependence on a very narrow range of exports and a relatively large public sector. These characteristics are well known, and arise from the small size of the domestic market, lack of natural resources and indivisibilities in public administration (Briguglio, 1997)

<sup>16</sup> Commonwealth Secretariat/World Bank. 2000. *Small states: meeting challenges in the global economy*. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, March. Commonwealth Secretariat: London; World Bank: Washington, DC.

therefore, the use of population as an indicator of size helps highlight small states' constraints''<sup>17</sup>.

This study, for the clarity of the definition of the small states, will use the threshold 1.5 million populations to describe the small states. Accordingly, forty-five (45) of the 145 (See Table 2.1 ) developing countries are small , accounting nearly one third of the total number of all the developing countries listed by the World Bank<sup>18</sup> and thirty-two of the Commonwealth's 53 members are classified as small states<sup>19</sup>. There are small states in every geographic region, but most of them fall into three main groups: Africa (14 countries), Caribbean (13 countries), and the Pacific (11 countries). Together, the small states are home to 29 million people, 0.5 percent of the total population of developing countries. The size of the small states varies from 'micro-states' with fewer than 50,000 thousand people to some bigger states over 1 million population.

GNP per capita also varies greatly from \$400 in some African countries (Comoros, The Gambia, Guinea-Bissau, and Sao Tome and Principe) to just \$700-1,300 in countries as Cape Verde, Guyana, Kirivati, Maldives, Solomon Islands, and Tuvalu; to more \$9,000 in The Bahamas, Brunei, Cyprus, Malta and Qatar (Table 2.2)

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<sup>17</sup> 2009 Statistics for small states: a supplement to the World Development Indicators 2009, World Bank Publications.

<sup>18</sup> The World Bank's main criterion for classifying economies is gross national income (GNI) per capita. Based on its GNI per capita, every economy is classified as low income, middle income (subdivided into lower middle and upper middle), or high income. Low-income and middle-income economies are sometimes referred to as developing economies. The use of the term is convenient; it is not intended to imply that all economies in the group are experiencing similar development or that other economies have reached a preferred or final stage of development. Classification by income does not necessarily reflect development status. With the classifications herein specified there are 145 of the 215 economies in the world are developing economies. <http://data.worldbank.org/> (accessed October 2011)

<sup>19</sup> The Commonwealth Foundation and Small Island Developing States 2001-2004;

APPENDIX A SMALL STATES AND SMALL ISLANDS

<i>Country</i>	<i>Population</i>	<i>Population Rank</i>	<i>GNI per capita</i>
<b>East Asia and Pacific</b>			<b>Developing 24</b>
American Samoa	Malaysia	Samoa	
Cambodia	Marshall Islands	Solomon Islands	
China	Micronesia, Fed. Sts	Thailand	
Fiji	Mongolia	Timor-Leste	
Indonesia	Myanmar	Tuvalu	
Kiribati	Palau	Tonga	
Korea, Dem. Rep.	Papua New Guinea	Vanuatu	
Lao PDR	Philippines	Vietnam	
<b>Europe and Central Asia</b>			<b>Developing 23</b>
Albania	Kosovo	Russian Federation	
Armenia	Kyrgyz Republic	Serbia	
Azerbaijan	Latvia	Tajikistan	
Belarus	Lithuania	Turkey	
Bosnia and Herzegovina	Macedonia, FYR	Turkmenistan	
Bulgaria	Moldova	Ukraine	
Georgia	Montenegro	Uzbekistan	
Kazakhstan	Romania		
<b>Latin America and the Caribbean</b>			<b>Developing 30</b>
Antigua and Barbuda	Dominican Republic	Nicaragua	
Argentina	Ecuador	Panama	
Belize	El Salvador	Paraguay	
Bolivia	Grenada	Peru	
Brazil	Guatemala	St. Kitts and Nevis	
Chile	Guyana	St. Lucia	
Colombia	Haiti	St. Vincent and the Grenadines	
Costa Rica	Honduras	Suriname	
Cuba	Jamaica	Uruguay	
Dominica	Mexico	Venezuela, RB	
<b>Middle East and North Africa</b>			<b>Developing 13</b>
Algeria	Jordan	Tunisia	
Djibouti	Lebanon	West Bank and Gaza	
Egypt, Arab Rep.	Libya	Yemen, Rep.	
Iran, Islamic Rep.	Morocco		
Iraq	Syrian Arab Republic		
<b>South Asia</b>			<b>Developing 8</b>
Afghanistan	India	Pakistan	
Bangladesh	Maldives	Sri Lanka	
Bhutan	Nepal		
<b>Sub-Saharan Africa</b>			<b>Developing 47</b>
Angola	Gambia, The	Nigeria	
Benin	Ghana	Rwanda	
Botswana	Guinea	São Tomé and Príncipe	
Burkina Faso	Guinea-Bissau	Senegal	
Burundi	Kenya	Seychelles	
Cameroon	Lesotho	Sierra Leone	
Cape Verde	Liberia	Somalia	
Central African Republic	Madagascar	South Africa	
Chad	Malawi	Sudan	
Comoros	Mali	Swaziland	
Congo, Dem. Rep.	Mauritania	Tanzania	
Congo, Rep	Mauritius	Togo	
Côte d'Ivoire	Mayotte	Uganda	
Eritrea	Mozambique	Zambia	
Ethiopia	Namibia	Zimbabwe	
Gabon	Niger		

**Table 1: List of Developing Economies (World Bank Data, 2010)**

APPENDIX A SMALL STATES AND SMALL ISLANDS

	<i>(thousands)</i>	<i>(1=smallest)</i>	<i>(US\$)</i>
<b>Africa</b>			
Cape Verde	512	28	3160,0
Comoros	675	29	820,0
Djibouti	879	35	1280,0
Equatorial Guinea	693	31	a/
Gabon	1500+	42	7760,0
Gambia, The	1750+	45	440,0
Guinea-Bissau	1647+	44	540,0
Mauritius	1282	39	7740,0
São Tomé & Prin.	165	17	1200,0
Seychelles	89	10	9940,0
Swaziland	1200	38	2600,0
Botswana	1940+		5965,0
Lesotho	2061+		851,0
Namibia	2100+		4261,0
<b>East Asia Pacific</b>			
Brunei	407	24	a/
Cook Islands*	20	5	..
Fiji	854	34	3610,0
Kiribati	99	12	2010,0
Marshall Islands	63	7	2990,0
Micronesia, Fed.Sts.	111	14	2700,0
Nauru*	10	3	..
Niue*	2	1	..
Palau	20	4.	6400,0
Samoa	178	18	2930,0
Solomon Islands	447	27	620,0
Timor-Leste	1124	37..	2220,0
Tonga	104	13	3380,0
Tuvalu*	9	2	1150,0
Vanuatu	239	19	2760,0
<b>Latin America</b>			
Antigua & Barbuda	68	8	9440,0
Bahamas, The	303	22	a/
Barbados	267	21	9250,0
Belize	240	20	3110,0
Dominica	74	9	4960,0
Grenada	98	11	3770,0
Guyana	761	33	860,0
St. Kitts & Nevis	41	6	6750,0
St. Lucia	156	16	4120,0
St. Vincent & Gren.	115	15	2720,0
Suriname	417	25	1890,0
Trinidad & Tobago	1,301	40	4930,0
Jamaica	2,700		4750,0
<b>Other Regions</b>			
Bahrain	691	30	a/
Bhutan	708	32	1820,0
Cyprus	900	36	a/
Estonia	1,369	41	a/
Maldives	313	23	4270,0
Malta	417	26	a/
Qatar	1500+	43	a/

Countries listed are those with a population of 1.5 million or less. Source: World Bank database . Classification according to 2010 GNP per capita (\* indicates 1998 data and non-World Bank member), calculated using the World Bank Atlas method: a/ High income economy (per capita GNP \$12,276 or more ) b/ Upper middle income economy (per capita GNP (\$3,976 to \$12,275) c/ Lower middle income economy (per capita GNP \$1006-\$3,975) d/ Low income economy (per capita GNP \$1,005 or less).

+Numbers has changes since the report of Task Force.

**Table 2: Population and GNI per capita of small states in 2010**  
(World Bank, Projects- Small States)

Characteristics of Small States

The small states are a very diverse group of countries with particular problems associated with each state. Compared to larger and continental countries (larger economies), small states tend to have distinctive geographic, social, demographic and economic features, which may affect sustainable development. These particular challenges of the small states were officially recognized by Small State Task Force<sup>20</sup> which was initialized by the work of both the Commonwealth Secretariat and the World Bank in 2000<sup>21</sup>. These include: vulnerability to external events, including natural disasters which may cause high volatility in national income, uncertain and difficult transitions to a changing world trade regime; and may suffer from limited capacity in the public and private sectors. The Small State Task force<sup>22</sup>, more specifically, list the following characteristics which define the special development challenges and vulnerabilities that many small states face.

- **Remoteness and Isolation.** Of the developing small states, 75 % are islands and in some cases widely dispersed multi-island states, others are landlocked, and some of them located far from major markets. For many small states, like those in the Pacific, high transport costs make it harder for them to turn to world markets to compensate for the drawbacks of the small size of their domestic markets. And small domestic markets combined with large distances from other markets to reduce competition and its spur to efficiency and innovation.
- **Openness.** Small economies are heavily exposed to events in global markets, and developments in the global trade regime, over which they have little if any influence. They also tend to rely more heavily on taxing imports as a source of revenue, leading to difficulties as tariffs are reduced.
- **Institutional Capacity Constraints.** Small States face higher per capita cost than do larger economies in providing public services. Sovereignty necessitates

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<sup>20</sup> 'Small States: Meeting Challenges in the Global Economy'. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, 2000.

<sup>21</sup> Of the 196 independent countries in the world, 53 are members of the Commonwealth (32 are small states) and 187 (45 of them are small states) are members of the World Bank—source: *The Commonwealth Foundation and Small Island Developing States 2001-2004 and World Bank*

<sup>22</sup> Commonwealth Secretariat/World Bank. 2000. *Small states: meeting challenges in the global economy*. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, March. Commonwealth Secretariat: London; World Bank: Washington, DC.



certain fixed costs of providing public services, including policy formulation, regulatory activities, education and social services, justice, security, and foreign affairs. Indivisibilities in the provision of these public goods mean that small states face higher costs per person unless ways can be found to pool such costs.

- ***Susceptibility to natural disasters and environmental change.*** Most small states are in regions susceptible to natural disasters such as hurricanes, cyclones, drought and volcanic eruptions, which typically affect the entire population and economy. Some are threatened by global environmental developments. Since most of such adverse events affect the entire population, risk pooling at the national level is not feasible.
- ***Limited diversification.*** Because of their small domestic markets, many small states are necessarily relatively undiversified in their production and exports. Where one dominant activity has declined, it has tended to be replaced with another. This adds to vulnerability to changes in the external environment. In addition, limited space and small population imposes high levels of risks.
- ***Poverty.*** There is some evidence that poverty levels tend to be higher, and income distribution more uneven, in smaller than in larger states. Where this is so, income volatility can create additional hardship as the poor are less able to weather negative shocks to their incomes.
- ***Limited capacity.*** While weaknesses in both public and private sector capacity are a key problem for most developing countries, smallness of size adds a further dimension to the challenge. This is further compounded in states, like the Pacific islands, where the internal distances are large and the population is scattered. In the public sector, small states face diseconomies of small size in providing public services and in carrying out the business of government, and tend to have relatively larger public sectors than other developing countries. As they face the challenges and opportunities of globalization, small states are also finding they do not have sufficient institutional capacity to participate fully in international finance and trade negotiations—the outcomes of which can profoundly affect

their economies. In the private sector, as already noted, lack of diversification and domestic competition can hold back successful development.

Following the report of the of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, 2000, the World Bank<sup>23</sup> committed itself hosting *Small States Forum* each year at the time of the IMF/World Bank Group Annual Meetings. The Forum provides an opportunity for the six forum co-sponsor institutions (Commonwealth Secretariat, World Bank, IMF, European Union, UNCTAD, and WTO) to report on their progress in pursuing the small states agenda and brings 45 small states representatives a chance to share experiences and exchange ideas on a topic of their choice. Consequently, Small States are sharing the privileges of their size to receive financial aid and technical advice to integrate in the global economy, build their resilience and competitiveness, and help them take advantage of the opportunities and meet the challenges arising from globalisation.

### **Vulnerability of Small States**

The reason why there is big attention devoted to small states by the organizations like the Commonwealth Secretariat, World Bank, United Nations, European Commission and World Trade Organization is because, due to their particular characteristics, small nations are vulnerable and that because of their inherent weaknesses they are more prone to the shocks in the process of globalization.

During the World Trade Organization's<sup>24</sup> work programme on small states several of the most important issues making small states vulnerable were expressed. The following are the characteristics that were stressed to WTO during the programme.

- *Insignificant trade share in the multilateral trading system.*

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<sup>23</sup> *World Bank Support for Small State: Background information for the preparations for an International Meeting for the Review of the Implementation of the Barbados Plan of Action*, NEW YORK, April 14-16, 2004  
[www.wto.org/english/tratop\\_e/devel\\_e/dev\\_wkprog\\_smalleco\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/dev_wkprog_smalleco_e.htm) (accessed August 2011)

<sup>24</sup> *Work Programme on Small Economies. Issues relating to the Trade of Small Economies* WT/COMTD/SE/W/1, 18 April 2002, [http://ctrc.sice.oas.org/TRC/WTO/WTOsmallEcon\\_e.asp](http://ctrc.sice.oas.org/TRC/WTO/WTOsmallEcon_e.asp) (accessed August 2011)

- *Many of them are small island or land-locked countries.*
- *Small populations which place severe constraints on the capacity of these economies to produce quality manpower resources commensurate with their development needs.*
- *Limited availability of economically exploitable land.*
- *A limited resource base leading to high reliance on imports and exports. Export concentration on a very few export products (especially primary commodities) and services compounded by dependence on one or two export markets.*
- *A prevalence of natural disasters whose impact on a small economy is often much more devastating than it is in a large economy.*
- *In many cases, physical isolation, geographical dispersion and remoteness from main markets.*
- *Small and sometimes fragmented markets which lead to market structures characterised by substantial imperfections; small firms, with one or a few firms effectively dominating the small domestic market.*
- *Inability to support many types of production and a heavy reliance on external trade.*

Because of these characteristics, small states are adversely affected in trade and development since their economies become highly open. They dependent on a few exported products (small states highly rely on imports), services and markets causing economic volatility, less resilience to external shocks and highly imperfect small markets which is unattractive for investment (Briguglio, 1995). Furthermore, inefficient allocation of resources causes higher unit costs of both procurement and infrastructure<sup>25</sup>. In addition, firms in small countries are ‘micro’ firms compared to larger economies. They have higher costs, because of remoteness, and have no influence on international community, because of their size causing lack of resilience (ibid). Economies of small states are fragmented<sup>26</sup> where the production relies on imports since the scarcity of resources and remoteness, especially on small island

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<sup>25</sup> Small Economies: a Literature Review. Note by the Secretariat, WT/COMTD/SE/W/4, 23 July 2002

<sup>26</sup> In economics, fragmentation means organization of production in which different stages of production are divided among different suppliers that are located in different countries.

and land-locked countries. Small economies also lack market access opportunities and critical masses ( lack of qualified scientists and associated institutions and lack of certain skills), which makes it difficult to apply new technologies. Finally, distortive policies of some countries and inherent rigidity make the adjustment process and development very difficult and costly<sup>27</sup>.

Brain-Drain is also an issue for the small states. Due to a lack of resources, small countries often have to rely on education abroad for more advanced or specialist training. This runs the risk that trained and skilled personnel will either not come back to their home country or be forced to emigrate from their home country to larger scale of economies for better opportunities for specialization (Bertram, 1998; Briguglio, 1995). Because of limited resources, again, administrators are often required to multifunction and ministers and senior officials are usually responsible for more than one sector whereas in larger economies financial and personnel resources allow separation of different tasks are undertaken by separate units of government groups of officials (Farrugia, 1993).

Guillaumont (1999) defines vulnerability as ‘*Vulnerability means the risk of being harmed, wounded (negatively affected) by unforeseen events, in general and in economics as well*’ and Witter et al. (2002) defines it as ‘*proneness to damage from external forces*’. Several characteristics of the small economies have motivated many economists and groups to measure the vulnerability of these states using characteristics of the small economies to show how vulnerable the small economies are compared to larger economies. The debate on how to measure the vulnerability index is still going on (Guillaumont, 1999; Witter et al., 2002; Briguglio 2003; Crowards, 2002; Commonwealth Secretariat; Fairbairn, 2007).

In 1997, because of the need expressed by the UN General Assembly (Commission on Sustainable Development), the Department of Economic and Social Affairs (UN)

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<sup>27</sup> WT/COMTD/SE/W/1

engaged two consultants<sup>28</sup>, one to develop an economic vulnerability index and the other to develop an ecological (environmental) vulnerability index<sup>29</sup>.

Economic vulnerability, explained by Brigillio(2004), stems from a number of inherent and permanent<sup>30</sup> economic features, including:

- *A high degree of economic openness rendering these states particularly susceptible to economic conditions in the rest of the world;*
- *Dependence on a narrow range of exports, giving rise to risks associated with lack of diversification;*
- *Dependence on strategic imports, in particular energy and industrial supplies, exacerbated by limited import substitution possibilities;*
- *Insularity, peripherality and remoteness, leading to high transport costs and marginalization from the main commercial centres.*

An Environmental Vulnerability Index (the EVI) was constructed, based on a theoretical framework that identified three aspects of vulnerability: risks to the environment (natural and anthropogenic), the innate ability of the environment to cope with the risks (resilience) and ecosystem integrity (the health or condition of the environment as a result of past impacts) (Kaly, 1999).

Subsequently, Working Group III of the Committee for Development Planning met in the aftermath of the at the UN headquarters in December 1997 and a report was delivered<sup>31</sup> concluding that;

*“Judging from the results of a number of studies using a diversity of approaches, in particular, two reports of the Commonwealth Secretariat, the report of UNCTAD and the reports of consultants that were submitted to the*

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<sup>28</sup> The consultants were Professor Lino Briguglio of the University of Malta and Dr Dennis Pantin of the University of the West Indies. The Department also organized an ad hoc expert committee to review the works of the consultant and make recommendation.

<sup>29</sup> According to Guillaumont (1999) *‘resilience depends more on current policy, is more easily reversed, and is less structural. But there may also be a structural element in the resilience component of vulnerability’*.

<sup>30</sup> There are human induced measures (possibly as a result of bad policies or lack of awareness) which exacerbate the inherent vulnerability of SIDS.

<sup>31</sup> A/53/65 - E/1998/5 - <http://www.un.org/documents/ga/docs/53/plenary/a53-65.htm>

*meeting, the group concluded that .... as a group small island developing States are more vulnerable than other groups of developing countries.”*

One major outcome of the meeting was, since the index developed was found useful, the development of the economic vulnerability index by the Committee for Development Policy (of the UN ECOSOC) and using the index as one of the criteria for the identification of Least Developing Countries (LDCs)<sup>32</sup> and for deciding which countries are to be graduated from the list of LDCs (Guillaumont, 1999; Briguglio, 2004).

Briguglio, Crowards, and Commonwealth Secretariat use few (generally limited to three to five) variables to define the vulnerability of a country since several variables are correlated with each other. The major factors used to measure the vulnerability are; *Economic openness*<sup>33</sup>, *export concentration (lack of export diversification)*, *dependence on strategic imports (such as fuel and food) and peripherality*<sup>34</sup> (Briguglio, 2004). The Committee for Development Policy (CDP) uses; *share of manufacturing and modern services in GDP, merchandise export concentration, instability of agricultural production, instability of exports of goods and services, and population size* (Briguglio, 2004). Table 2.3 below lists 111 countries ranked according to the Commonwealth vulnerability index, and shows that 26 out of 28 most vulnerable countries are small states and 21 of the 26 are Small Island Developing States (SIDS).

### **Small Island Developing States**

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<sup>32</sup> The CDP uses three indices to identify which countries are Least Developed. These are (1) the GDP per capita index (for one benchmark year, converted at three year average exchange rate, using the World Bank Atlas Method) (2) the Augmented Physical Quality of Life Index, consisting of Education, Nutrition and Health sub-indices, and (3) the Economic Vulnerability Index

<sup>33</sup> Economic openness captures the degree to which a state is susceptible to economic conditions in the rest of the world. It is often measured by expressing exports or imports, or an average of both, as a percentage of GDP (Briguglio, L., and W. Galea (2003). 'Updating the Economic Vulnerability Index'. Occasional Chapters on Islands and Small States, 2003-04. Malta: Islands and Small States Institute, University of Malta)

<sup>34</sup> Peripherality is associated with insularity and remoteness, leading to high transport costs and marginalization from main commercial centres. This again exacerbates the problem of high dependence on international trade. (Briguglio, L., and W. Galea (2003). 'Updating the Economic Vulnerability Index'. Occasional Chapters on Islands and Small States, 2003-04. Malta: Islands and Small States Institute, University of Malta)

When excluding continents, islands cover some 7% of the Earth’s land surface, and are home to some 10% of the world’s population<sup>35</sup>. They are usually are imagined as paradises, with sandy beaches and exotic fruits. When discussing the attributes and issues related to the small islands and states it is essential that the islands’ economies are also considered. The nature of some islands, in terms of their size and population, instinctively enlist themselves within the group of small economies. However the term small island economy and small economy are not synonymous since the islands herein mentioned do possess very different attributes than small economies that are not islands. For the purpose of this research the term small island developing states (SIDS) is used to define islands.

By definition<sup>36</sup>, Small Island Developing States (SIDS) is ;

*“small island and low-lying coastal countries that share similar sustainable development challenges, including small population, lack of resources, remoteness, susceptibility to natural disasters, excessive dependence on international trade and vulnerability to global developments. In addition, they suffer from lack of economies of scale, high transportation and communication costs, and costly public administration and infrastructure.”*

Small Islands are also small economies and share similar characteristics of the small states. However, when compared to the small states, the economical vulnerability of the small islands are actually more severe than the small states as was recognized during the meeting held in 1997 by United Nations<sup>37</sup>. The special case of SIDS within the context of sustainable development was first formally recognized by the international community at the United Nations Conference on Environment and

<b>High Vulnerability</b>	<b>Higher Vulnerability</b>	<b>Medium</b>	<b>Lower Medium Vulnerability</b>	<b>Low Vulnerability</b>
Antigua & Barbuda*	Angola		Bolivia	Algeria
Bahamas*	Bahrain*		Cameroon	Argentina

<sup>35</sup> Baldacchino, G. (2008) ‘Studying Islands: On whose terms? Some Epistemological and Methodological Challenges to the Pursuit of Island Studies’, Island Studies Journal, Vol. 3, No. 1, pp. 37-56.

<sup>36</sup> Small Island Developing States Network <http://www.sidsnet.org/2.html> accessed 16-08-11.

<sup>37</sup> A/53/65 - E/1998/5 - <http://www.un.org/documents/ga/docs/53/plenary/a53-65.htm>

APPENDIX A SMALL STATES AND SMALL ISLANDS

Belize*	Barbados*	Congo, Dem. Rep.	Bangladesh
Bhutan*	Benin	Costa Rica	Brazil
Cape Verde*	Botswana*	Côte d'Ivoire	Chile
Comoros*	Burkina Faso	Cyprus*	China
Djibouti*	Burundi	Dominican Rep.	Colombia
Dominica*	Central Afr. Rep.	Ecuador	Egypt
Equatorial Guinea*	Chad	El Salvador	Guatemala
Fiji*	Congo	Ethiopia	India
Gambia*	Gabon*	Ghana	Indonesia
Grenada*	Haiti	Guinea	Iran
Guyana*	Honduras	Jordan	Libya
Kiribati*	Jamaica	Kenya	Malaysia
Lesotho	Malawi	Madagascar	Mexico
Maldives*	Mali	Nepal	Morocco
Mauritania	Malta*	Oman	Myanmar
Samoa*	Mauritius*	Panama	Nigeria
Sao Tomé & Príncipe*	Mozambique	Paraguay	Pakistan
Seychelles*	Namibia	Senegal	Peru
Solomon Islands*	Nicaragua	Sri Lanka	Philippines
St. Kitts & Nevis*	Niger	Sudan	Singapore
St. Lucia*	Papua New Guinea	Trinidad & Tobago*	South Africa
St. Vincent & Gren.*	Rwanda	Tunisia	Syria
Suriname*	Sierra Leone	Uganda	Thailand
Swaziland*	Tanzania	Yemen	Turkey
Tonga*	Togo	Zimbabwe	Uruguay
Vanuatu*	Zambia		Venezuela

Note: Within groups, countries are listed in alphabetical order not by their index.

\* = small state, and the highlighted ones are SIDS.

**Table 3: Country Groups According to the Commonwealth Vulnerability Index. (Commonwealth Secretariat and World Bank, 2000)**

Development (UNCED) held in Rio de Janeiro in 1992. Chapter 17, paragraph 124 of Agenda 21 states,

*“Small Island developing States and islands supporting small communities are a special case both for environment and development. They are ecologically fragile and vulnerable. Their small size, limited resources, geographic dispersion and isolation from markets, place them at a disadvantage economically and prevent economies of scale.”*

The first UN Global Conference on Small Island Developing States was held in Barbados, in 1994. The outcome of this conference was the declaration and adaptation of the *Declaration of Barbados and the Programme of Action for the Sustainable Development of Small Island Developing States* (Barbados Program of



action-BPoA)<sup>38</sup>, where special challenges faced by SIDS were identified and prioritized.

Islands are isolated and disconnected locations<sup>39</sup>, and therefore not only on the fringe of goings on, but also ill equipped to be competitive because of defensive self-absorption (Baldacchino, 2005). Market fragmentation, a limited labour supply and dearth of skills, and inadequate access to technology and investment capital<sup>40</sup> are widespread and are real constraining effects. SIDS's inherent handicaps are, particularly, small populations, limited domestic market, openness, and narrow resource bases which prevents the SIDS to compete for the opportunities offered by the globalization process. The result is often a rent-seeking<sup>41</sup> economic structure, which slows economical growth (Svensson, 2000), limited industrialization, a relatively large bloated public sector and a very small private sector, which is also mainly engaged in commercial, import-oriented wholesale and retail trade (Baldacchino and Milne, 2000).

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<sup>38</sup> UN General Assembly, A/CONF.167/9, 1994, "*Reaffirming the principles and commitments to sustainable development embodied in the Rio Declaration on Environment and Development, Agenda 21 the Non-legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development of All Types of Forests, which were adopted by the nations of the world at the United Nations Conference on Environment and Development on 14 June 1992, as well as in the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity, Recognizing that the Global Conference on the Sustainable Development of Small Island Developing States translates Agenda 21 into specific policies, actions and measures to be taken at the national, regional and international levels to enable small island developing States to achieve sustainable development*"

<sup>39</sup> Of the 45 developing small states, 34 are islands and in some cases widely dispersed multi-island states, and some of them located far from major markets.

<sup>40</sup> Access to global capital markets is important for small states, and is one way to compensate for adverse shocks and income volatility. But the evidence is that private markets tend to see small states as more risky than larger states, so that spreads are higher and market access more difficult.

<sup>41</sup> *The expenditure of resources in order to bring about an uncompensated transfer of goods or services from another person or persons to one's self as the result of a "favourable" decision on some public policy. The term seems to have been coined (or at least popularized in contemporary political economy) by the economist Gordon Tullock. Examples of rent-seeking behaviour would include all of the various ways by which individuals or groups lobby government for taxing, spending and regulatory policies that confer financial benefits or other special advantages upon them at the expense of the taxpayers or of consumers or of other groups or individuals with which the beneficiaries may be in economic competition.*

Source: [http://www.auburn.edu/~johnspm/gloss/rent-seeking\\_behavior](http://www.auburn.edu/~johnspm/gloss/rent-seeking_behavior) (retrieved November, 2011)

Even though all the characteristics of the small states and the SIDS are making these groups of countries very vulnerable, some might argue that, because the average income per capita tends to be higher in SIDS than some larger developing countries, special treatment of the SIDS are not necessary (Easteryl and Kraay, 2000; Aiyar, 2008). However, in the contrary, BPoA states that;

*“Because the per capita income of many small island developing States tends to be higher than that of developing countries as a group, they tend to have limited access to concessionary resources. However, analysis of the economic performance of Small Island developing States suggests that current incomes are often facilitated by migrant remittances, preferential market access for some major exports and assistance from the international community, sources which are neither endogenous nor secure.”*

The following Table 2.4 prepared by World Bank staff also clearly supports the statements accepted during BPoA in 1994.

<i>Country group</i>	<i>Fiscal burden (government consumption and expenditure as % of GDP)</i>	<i>Trade share (sum of exports and imports of goods and services as % of GDP)</i>	<i>Remittances (workers’ remittances and compensation as % of GDP)</i>
Small states (median)	198	114.4	30
Large states (median)	153	64.6	10

**Table 4:** Selected Indicators: Small States and Large States, 1986–2005 -World Bank (2008).

Political arrangements and international political alliances of SIDS (both currently and in the past) also have a great impact on their economical growth (Tisdell, 2009). For example, Australia and New Zealand provide financial aid to several islands in the Pacific (related to proximity and also history) and North Cyprus relies mostly on the financial aid from Turkey (political ties). The economic borders of SIDS, then are very strictly tied to their politics with bigger nations. These kind of political and historical relationships with the other nations, as Tisdell (2009) stresses, affect the

SIDS' foreign financial aid, pattern of international trade, direction of their capital movements and the migration patterns and possibilities of their citizens.

Imperfect competition is a chronic problem affecting small island economies as the direct result of the small domestic market. At one end the small economies seek foreign aid to enhance their economies on the other hand introducing too many large scale investors might harm the local small business which cannot compete with large scale competitors. Small enterprises<sup>42</sup>, which constitutes the industry in small states, are to a large extent, inefficient because of their size; and small inefficient firm as they exist in most small economies cannot compete effectively in a global market (Mazzarol, 2004; Wang, Walker and Redmond, 2007; Tisdell, 2009).

### **Summary**

The small states and particularly Small Island Developing States have different characteristics than larger states related to their size and geographical conditions. One of the main factors which affect the economy and the business environment is weaknesses in competition within the global sense, short of know-how, capacity of the organizations.

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<sup>42</sup> Because of small size and small domestic market, small island states are mainly saturated with small enterprises.

## APPENDIX B ETHICS FORM

### 1. Application Form

#### UNIVERSITY OF MANCHESTER

#### COMMITTEE ON THE ETHICS OF RESEARCH ON HUMAN BEINGS

#### Application form for approval of a research project

This form should be completed by the Chief Investigator(s), after reading the guidance notes.

#### 1. Title of the research

Full title: The Management Style and Culture in Construction Industry: The Case of North Cyprus

#### 2. Chief Investigator

Title: Dr  
Forename/Initials: Belkis  
Surname: Yapicioglu  
Post: PhD Student  
Qualifications: PhD  
School/Unit: MACE  
E-mail: belkiz.oztemir@postgrad.manchester.ac.uk Telephone: +90 533 863 3406

#### 3. Details of Project

##### 3.1 Proposed study dates and duration

Start date: September 2012  
End date: November 2012

##### 3.2 Is this a student project?

Yes

##### 3.3. What is the principal research question/objective?

Construction Industry in North Cyprus, and small states alike, are made of SME's (Small and medium sized enterprises) which are driving source of their economies. One of the main characteristics of the SME's is that they have high degree of resistance to change (Ghobadian & Gallear, 1996). In addition being a small economy, North Cyprus also experiences a large group trauma which is the result of history of conflicts and war on the island and this trauma is exacerbated by the political embargoes implemented in the country increasing the resistance to change (Vamik, 1999). Local construction companies in North Cyprus have developed ways of operating which convey resilience to the external

environment challenging this industry. So far, there has been very little research done on how family owned construction companies withstand the pressure of globalization and their resistance to change. With the attempt to examine the different challenges the construction industry faces in North Cyprus in the context of project management this research aims;

1. To identify why the construction companies are resisting change, and
2. To identify how the construction companies are resisting change,
3. To discover the management practices that construction companies have developed which make them resilient to their external environment.

The objectives of the research (interviews) are as follows:

1. To identify the management practices used by the local construction companies in North Cyprus
2. to identify if the management practices are shaped with the existing social-political environment of the island
3. To evaluate the results to identify whether the management tools of these companies are unique to manage the change.

**3.4. What is the scientific justification for the research? What is the background? Why is this an area of importance / has any similar research been done? (Must be in language comprehensible to a lay person.)**

The research started with a thorough literature review (different bodies of literature are synthesized; namely those relating to characteristics of small states, small island developing states, construction in developing countries, organizational culture, social trauma and de facto states ) exploring the impact of the socio-political environment of North Cyprus on its construction industry which led to the question “why the construction companies in North Cyprus do not choose to apply modern management tools?” This inquiry led toward understanding the influences of organizational and individual values on the performance, relationships, and effectiveness of management tools.

Managing projects is not an easy task even if the projects' location is in a stable environment economically, politically and geographically where the state has the advantages of the resources, the technology, the skills and the scale of the economy. When circumstances of the economics, the politics and the environment become unstable, the process of management becomes even more challenging and at certain incidents the tools of the management, in global sense, might not be applicable and the businesses develop indigenous way of managing the projects. In addition, certain experiences in the society, like war, cause a large group trauma where the society develops resistance to change and possibly mistrust to outsiders is induced.

**3.5. How has the scientific quality of the research been assessed?***(Tick as appropriate)*

- Independent external review
- Review within a company
- Review within a multi-centre research group
- Internal review (e.g. involving colleagues, academic supervisor)
- None external to the investigator
- Other, e.g. methodological guidelines *(give details below)*

The researcher is based in North Cyprus and was involved in the construction industry which allowed the researcher to gain insight regarding the tools of management in this field.

**3.6. Give a full summary of the purpose, design and methodology of the planned research, including a brief explanation of the theoretical framework that informs it. It should be clear exactly what will happen to the research participant, how many times and in what order. Describe any involvement of research participants, patient groups or communities in the design of the research. (This section must be completed in language comprehensible to the lay person.)**

The context and the aim of the research and after understanding various research methods gave direction to the researcher to use case studies as a tool to answer the research question which will enable the researcher to build a theory surrounding the psychological phenomena of “resilience” where resilience within the context of this thesis is the pressure or collusion the organizations exerting at the management level in order to maintain an existence within the construction sector. Their strategy at the organizational level or strategy as practice is to protect this phenomenon in a society that has experienced a trauma since there is a resistance to change due to inherited mistrust from historical events.

The single case may focus on/employ a single unit of analysis or multiple units of analysis (Yin, 2003). This contrasts with multiple (comparative) case studies, which Yin describes as analogous to multiple experiments; they follow “replication logic.”

The “logic” underlying the use of multiple-case studies is: each case must be selected so that it either

- 1) predicts similar results (a literal replication) or;
- 2) produces contrasting results but for predictable reasons (a theoretical replication) (Yin, 2003).

During the first phase of the research a thorough literature review is conducted and in the second phase a “multiple case study method” is designed where Class-1<sup>43</sup> infrastructure construction companies are the unit of analysis for the research. As Yin (2003, p. 47) suggests multiple cases strengthen the results by replicating the pattern-matching, thus increasing confidence in the robustness of the theory.

There are 12 companies identified as Class-1 construction companies (infrastructure) in North Cyprus, each company will be approached and invited to participate in the research. The data from the case studies will be collected via one to one semi-structured

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See definition of Class-1 contractor at the end of the document (source: [www.ktimb.org](http://www.ktimb.org)).

interviews. The interviews will take place in North Cyprus and the interviewees for the research are the owner/managers of the pre-selected construction companies. The interviews will be designed to last for two hours.

The information collected during the interviews will be transcribed. The audio recordings, transcripts and any notes made will be stored. Copies of the audio recording will be stored in a secure location agreed by the University of Manchester. Only the researcher and supervisors will have access to these recordings. The transcripts will be anonymized by removing the participants' names.

**3.6.1. Has the protocol submitted with this application been the subject of review by a statistician independent of the research team? (Select one of the following)**

- Yes – copy of review enclosed  
 Yes details of review available from the following individual or organisation (give contact details below)  
 No – justify below

This research uses qualitative methods.

**3.6.2. If relevant, specify the specific statistical experimental design, and why it was chosen?**

Not applicable.

**3.6.3. How many participants will be recruited?**

There are 12 Class One contractors in North Cyprus, all of these companies will be invited to participate in the research. The number of participants taking part, is likely to be between 6 and 10 companies.

**3.6.4. How was the number of participants decided upon?**

In the multiple-case studies design, there are no hard-and-fast rules about how many cases are required to satisfy the requirements of the replication strategy—Yin (2003) suggests that six to ten cases, if the results turn out as predicted, are sufficient to "provide compelling support for the initial set of propositions" (2003, p. 46). Yin goes on to say that, since the multiple-case studies approach does not rely on the type of representative sampling logic used in survey research, "the typical criteria regarding sample size are irrelevant" (p. 50). Instead, sample size is determined by the number of cases required to reach saturation (until no significant new findings are revealed). The sample participants should be selected explicitly to encompass instances in which the phenomena under study are likely to be found

**3.6.5. Describe the methods of analysis (statistical or other appropriate methods, e.g for qualitative research) by which the data will be evaluated to meet the study objectives.**

Data from each of the recorded interviews will be transcribed. The cases will be kept anonymous and will be coded. The transcriptions will then be coded by the researcher using software Nvivo.

### **3.7. Where will the research take place?**

The research will take place in North Cyprus and the researcher will conduct the interviews at the premises of the company.

### **3.8. Names of other staff involved.**

Other than the researcher, Dr Therese Lawlor-Wright and Dr. Peter Fenn from University of Manchester will have input to the research. In addition the local supervisor, Prof. Karuppanan Balasubramanian from European University of Lefke, North Cyprus will contribute to the research.

### **3.9. What do you consider to be the main ethical issues which may arise with the proposed study and what steps will be taken to address these?**

There are a number of ethical issues that need to be taken into consideration when conducting interviews

1. Issues surrounding confidentiality and anonymity – The transcripts will be anonymized by removing the companies' and the participants' names. All information will be stored in a secure place only accessible to the researcher.
2. Consent – The participants will be presented with a participant information sheet and consent form at least one week before the interviews take place. They will be encouraged to ask questions and to request more information if required. The participants will be contacted a week later and will be invited to schedule an interview for the following week.
3. Issues surrounding the sensitivity of some questions – The participants will be asked questions regarding the history of the company and its management practices. This might precipitate responses where the conflict in Cyprus and the war trauma they might have experienced is discussed. If the participant becomes distressed during the interview, the interviewer will follow an agreed distress protocol. This involves firstly, stopping the interview and apologising to the participant, stating that it was not the intention to cause distress. Secondly, the experience will be 'normalised' by reassuring the participant that it is common for people who have experienced such events to be distressed when recalling them. Access to counselling services at the European University of Lefke will be provided for those who request it or appear to need it after an interview. The researcher will inform her supervisors immediately after the interview should the interviewee have become distressed in the interview. A follow up phone call one week after the interview will seek feedback from the interviewee on the research process. A referral to the counselling service may also be made at this stage if the interviewee reports having been distressed after the interview.



4. Data security - The audio recordings, transcripts and any notes made will be stored and backed on encrypted and password-protected computers. Copies of the audio recordings will be stored in a secure location only accessible to the researcher.

**3.9.1. Will any intervention or procedure, which would normally be considered a part of routine care, be withheld from the research participants?**

Yes  No

**4. Details of Subjects.**

**4.1. Total Number**

There will be a maximum of 12 interviews (companies).

**4.2 Sex and Age Range**

Age and the sex of the participants are unknown, however all the owner/managers are assumed to be over 18.

**4.3 Type**

Owner/manager of the construction companies in North Cyprus

**4.4. What are the principal inclusion criteria? (Please justify)**

- All owner/managers (interviewees) should own the business
- All owner/managers (interviewees) should be Class-1 Infrastructure Construction Companies (See definition at the end of the document).

**4.5. What are the principal exclusion criteria? (Please justify)**

- Residential (building) Construction Companies –Companies that are not involved in infrastructure construction
- Construction Companies that are not run by the owner/manager.
- Construction Companies that are not registered with the Contractor's Association-every contractor, in North Cyprus, has to be registered with the Contractor's Association in order to legally operate with the standards set.
- Construction Companies that are not classified as Class1

**4.6. Will the participants be from any of the following groups? No.**

- Children under 16
- Adults with learning difficulties
- Adults who are unconscious or very severely ill
- Adults who have a terminal illness
- Adults in emergency situations
- Adults with mental illness (particularly if detained under mental health legislation)
- Adults with dementia
- Prisoners
- Young offenders
- Adults in Scotland who are unable to consent for themselves
- Healthy volunteers
- Those who could be considered to have a particularly dependent relationship with the investigator, e.g. those in care homes, medical students.
- Other vulnerable groups

*Justify their inclusion*

**4.7. Will any research participants be recruited who are involved in existing research or have recently been involved in any research prior to recruitment?**

- Yes  No  Not known

*If Yes, give details and justify their inclusion. If Not Known, what steps will you take to find out?*

**4.8 How will potential participants in the study be (i) identified, (ii) approached and (iii) recruited?**

- (i) The researcher will select the companies from the list of the contractor's Association site where the Class-1 infrastructure companies are listed. The researcher then will check the companies that are still active in business and have public projects that are under construction.
- (ii) The companies that are selected will be approached by the researcher via phone directly to give information about the research. The interview questions and the PIS will be sent along with the consent form.
- (iii) The owner/manager will be contacted again at least a week after he/she has received the information and invited to participate in the research. If they agree, a date and time will be scheduled for the interview, allowing at least one week 'cooling off' period before the interview takes place.

**4.9 Will individual research participants receive *reimbursement of expenses* or any other *incentives* or *benefits* for taking part in this research?**

- Yes  No

**5 Details of risks**

**5.1 Drugs and other substances to be administered: NONE**

*Indicate status, eg full product licence, CTC, CTX. Attach: evidence of status of any unlicensed product; and Martindales Pharmacopoeia details for licensed products*

DRUG	STATUS	DOSAGE/FREQUENCY/ROUTE
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### 5.2 Procedures to be undertaken

*Details of any invasive procedures, and any samples or measurements to be taken. Include any questionnaires, psychological tests etc. What is the experience of those administering the procedures?*

Not Applicable

### 5.3 Or Activities to be undertaken

Please list the activities to be undertaken by participants and the likely duration of each

Interviews with the owner/managers of the construction companies. The approximate duration of the interview is 2 hours.

### 5.4 What are the potential adverse effects, risks or hazards for research participants, including potential for pain, discomfort, distress, inconvenience or changes to lifestyle for research participants?

There are almost no adverse effects relating to this research. The interviews will take place at the owner/managers (interviewee) office and the interviews will be scheduled according to the time schedule of the interviewee. In the event of the participant experiencing distress, the European University of Lefke Psychological Counselling services will be available for support for the interviewees for support during or after the interviews. The contact information for this service is;

Mrs. Anil Gorke, European University of Lefke  
 Gemikonagi- North Cyprus  
 Psychological Advising Office  
 Tel: +90-392-660-2000 Ext. 2281

### 5.5 Will individual or group interviews/questionnaires discuss any topics or issues that might be sensitive, embarrassing or upsetting, or is it possible that criminal or other disclosures requiring action could take place during the study (e.g. during interviews/group discussions, or use of screening tests for drugs)?

Yes  No

*If yes, give details of procedures in place to deal with these issues:*

**5.6 What is the expected total duration of participation in the study for each participant?**

The expected duration of participation (just the interview time) in the study is two hours.

**5.7 What is the potential benefit to research participants?**

They will have the opportunity to have their opinions heard.

**5.8 What is the potential for adverse effects, risks or hazards, pain, discomfort, distress, or inconvenience to the researchers themselves? (If any)**

It is not expected that the researcher will suffer from any adverse effects. However, if psychological distress is experienced by the researcher, she will make use of the counselling facilities at the European University of Lefke or the University of Manchester.

**6. Safeguards****6.1 What precautions have been taken to minimise or mitigate the risks identified above?**

There are almost no risks identified conducting this research. However, the participants will be assured that the data collected will be protected and that the participants identity

**6.2 Will informed consent be obtained from the research participants?**

Yes  No

Participants will be given a form of consent since the interviews will only be conducted if the owner/ managers choose to be interviewed. However, the participants will be assured that the data collected will be protected and that the participant's identity (including the company name) will be kept anonymous.

**6.3 Will a signed record of consent be obtained?**

Yes  No

*If not, please explain why not.*

**6.4 How long will the participant have to decide whether to take part in the research?**

The potential participants will be contacted via phone by the researcher then sent the information about the research. A follow up telephone call one week later will invite the participant to schedule an interview the following week. Consequently, they will have at least two weeks between the initial contact and receipt of information to the interview itself. If a participant decides to participate in the research and an appointment is made, the participant will have the opportunity to cancel the interview any time before the appointment.

**6.5 What arrangements have been made for participants who might not adequately understand verbal explanations or written information given in English, or who have special communication needs? (e.g. translation, use of interpreters etc.)**

The interviews will be conducted in Turkish and all the forms presented to the participants will be translated to Turkish as well. The committee will be provided with all the documents in English. The participants will also receive the original English forms submitted to the committee. No interpreters will be used for this research, since the researcher is native Turkish speaker and all interviews will be transcribed and then translated by the researcher to English after the transcriptions are completed.

**6.6 What arrangements are in place to ensure participants receive any information that becomes available during the course of the research that may be relevant to their continued participation?**

Participants are only interviewed, but will be offered access to published research findings.

**6.7 Will the research participants' General Practitioner be informed that they are taking part in the study?**

Yes  No

*If No, explain why not*

The health status of participants is irrelevant to this study.

**6.8 Will permission be sought from the research participants to inform their GP before this is done?**

Yes  No

*If No, explain why not*

The health status of participants is irrelevant to this study.

**6.9 What arrangements have been made to provide indemnity and/or compensation in the event of a claim by, or on behalf of, participants for (a) *negligent* harm and (b) *non-negligent* harm?**

n/a

## **7. Data Protection and Confidentiality**

**7.1 Will the research involve any of the following activities at any stage (including identification of potential research participants)? (Tick as appropriate)**

- Examination of medical records by those outside the NHS, or within the NHS by those who would not normally have access
- Electronic transfer by magnetic or optical media, e-mail or computer networks
- Sharing of data with other organisations
- Export of data outside the European Union
- Use of personal addresses, postcodes, faxes, e-mails or telephone numbers
- Publication of direct quotations from respondents
- Publication of data that might allow identification of individuals
- Use of audio/visual recording devices
- Storage of personal data on any of the following:
  - Manual files including X-rays
  - NHS computers
  - Home or other personal computers
  - University computers
  - Private company computers
  - Laptop computers

*Further details:*

All case studies will be recorded in order to allow for transcription and analysis of the data. Any information will be stored and backed up on encrypted and password-protected computers. The digital recordings of the case studies will be stored in a secure location.

**7.2 What measures have been put in place to ensure confidentiality of personal data? Give details of whether any encryption or other anonymisation procedures have been used and at what stage?**

The information collected during the case studies will be transcribed and coded. The audio recordings, transcripts and any notes made will be stored and backed on encrypted and password-protected computers. Copies of the audio recording will be stored in a secure location. Only the researcher and supervisors will have access to these recordings. The transcripts will be anonymized by removing the participants' names and any pseudonyms. In accordance with University of Manchester policy,

no personal or confidential information will be stored on unencrypted personal laptops, computers, memory sticks or other portable devices.

**7.3**

**Where will the analysis of the data from the study take place and by whom will it be undertaken?**

It will be undertaken in North Cyprus by, the researcher on this project.

**7.4 Who will have control of and act as the custodian for the data generated by the study?**

Dr. Therese Lawlor-Wright and Dr. Peter Fenn of University of Manchester.

**7.5 Who will have access to the data generated by the study?**

Belkis Yapicioglu and supervisors will have access to the raw data generated as part of the case studies.

**7.6 For how long will data from the study be stored?**

5 Years 0 Months

Paper copies of the data will be stored according to University Guidelines for a period of 5 years in a locked filing cabinet on University premises. Digital and electronic data will be stored for the same period and stored on encrypted, password protected computers.

**8. Reporting Arrangements****8.1 Please confirm that any adverse event will be reported to the Committee**

Any adverse events will be reported to the University Ethics Committee during the course of the study.

**8.2. How is it intended the results of the study will be reported and disseminated?**

*(Tick as appropriate)*

- Peer reviewed scientific journals
- Internal report
- Conference presentation

- Thesis/dissertation
- Written feedback to research participants
- Presentation to participants or relevant community groups
- Other/none e.g. Cochrane Review, University Library

**8.3 How will the results of research be made available to research participants and communities from which they are drawn?**

Participants will be asked at the time of interview whether or not they would like a copy of the published papers resulting from the research.

**8.4 Has this or a similar application been previously considered by a Research Ethics Committee in the UK, the European Union or the European Economic Area?**

- Yes
- No

*If Yes give details of each application considered, including:*

Name of Research Ethics Committee or regulatory authority:

Decision and date taken:

Research ethics committee reference number:

**8.5 What arrangements are in place for monitoring and auditing the conduct of the research?**

The conduct of this research will be monitored by Dr Therese Lawlor-Wright (Supervisor of the Thesis).

**Will a data monitoring committee be convened?**

- Yes
- No

**What are the criteria for electively stopping the trial or other research prematurely?**

n/a

**9. Funding and Sponsorship**

**9.1 Has external funding for the research been secured?**

- Yes
- No



This research is part of a PhD thesis with University of Manchester.

**If Yes, give details of funding organisation(s) and amount secured and duration:**

Organisation:

UK contact:

**9.2 Has the external funder of the research agreed to act as sponsor as set out in the Research Governance Framework?**

Yes  No  Not Applicable

**9.3 Has the employer of the Chief Investigator agreed to act as sponsor of the research?**

Yes  No

**9.4 Sponsor** (*must be completed in all cases where the sponsor is not the University*)

n/a

## 10. Conflict of interest

**10.1 Will individual *researchers* receive any personal payment over and above normal salary and reimbursement of expenses for undertaking this research?**

Yes  No

*If Yes, indicate how much and on what basis this has been decided:*

**10.2 Will the host organisation or the researcher's department(s) or institution(s) receive any payment of benefits in excess of the costs of undertaking the research?**

Yes  No

*If Yes, give details:*

**10.3 Does the Chief Investigator or any other investigator/collaborator have any direct personal involvement (e.g. financial, share-holding, personal relationship etc.) in the organisation sponsoring or funding the research that may give rise to a possible conflict of interest?**

Yes  No

*If Yes, give details:*

**11. Signatures of applicant(s)**

Belkis Yapicioglu

10/04/2012

.....  
Signed

.....  
Date

.....  
Signed

.....  
Date

**12 Signature by or on behalf of the Head of School**

The Committee expects each School to have a pre-screening process for all applications for an ethical opinion on research projects. The purpose of this pre-screening is to ensure that projects are scientifically sound, have been assessed to see if they need ethics approval and, if so, go to the relevant ethics committee. It is **not** to undertake ethical review itself, which must be undertaken by a formal research ethics committee.

The form must therefore be counter-signed by or on behalf of the Head of School to signify that this pre-screening process has been undertaken

I approve the submission of this application

.....  
Signed by or on behalf of the Head of School

.....  
Date

**Definition of Class-1 Contractor by North Cyprus Builder's Association**

In order to receive a Class-1 classification annually;

1. The contractor should have completed total of 600 billion Turkish Lira (214 thousand pounds) annually with each project value should not be less than 110 billion Turkish Lira (39 thousand pounds)
2. The contractor should own 50% of the machinery for the construction works which should not worth less than 28 billion Turkish Lira (10 thousand British pounds), and should own one-tenth (1/10) of the equipment for technical works which should not worth less than 110 billion Turkish Lira (39 thousand British pounds); and
3. Should have the following technical permanent staff;
  - a. A graduate of an institute-2 years of undergraduate degree of a related profession- who has at least 8 years of experience with a minimum of seven years in the construction industry and; at least one Civil Engineer or an Architect with minimum of 5 years' experience in construction.
  - b. A civil engineer technician with 12 years of experience with a minimum of 9 years in the construction industry and; at least one Civil Engineer or an Architect with minimum of 5 years' experience in construction.
  - c. A graduate of a vocational high school with 18 years of experience with a minimum of 12 years in the construction industry and; at least two Civil Engineers or Architects with minimum of 5 years' experience in construction and; two qualified foreman.

**References:**

- Ghobadian, A. and D. Gallear (1996) 'TQM and Organisation size', *International Journal of Operations & Production Management* 17(2) pp.121-163.
- Yin, R. K. (2003). *Case study research: Design and methods* (3rd ed.). Thousand Oaks, CA: Sage.
- Volkan, D. Vamik (1999) 'Psychoanalysis and Diplomacy: Part I. Individual and Large Group Identity'. *Journal of Applied Psychoanalytic Studies*, Vol 1, No. 1, 1999

## 2. Participant Information Sheet-English (Submitted to the Ethics Committee)

### **The Management Style and Culture in Construction Industry: The Case of North Cyprus (Working Title) Participant Information Sheet**

You are being invited to take part in a research study for a PhD project. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Please ask if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part. Thank you for reading this.

#### **Who will conduct the research?**

*Belkis Yapicioglu will conduct the research from, School of Mechanical, Aerospace and Civil Engineering, The University of Manchester, Oxford Road, Manchester M13 9PL, UK*

#### **Title of the Research**

*The Management Style and Culture in Construction Industry: The Case of North Cyprus*

#### **What is the aim of the research?**

*The effect of the socio-political environment of de facto states on management of SMEs in the construction industry is an area where almost no research is done. The aim of this project is to provide a perspective on the unique management practices in this field and how these practices lead to resistance to change.*

#### **Why have I been chosen?**

*You are invited to participate in this study since your company is listed as one of the Class-1 construction firms in North Cyprus.*

#### **What would I be asked to do if I took part?**

*There will be several questions asked regarding the management practices of your company. The questionnaire will be provided for initial review.*

*You are expected to discuss your way of managing your business at daily basis and the practices used to manage your company. You are free to discontinue the interview at any time you choose.*

#### **What happens to the data collected?**

*The interviews will be recorded and the data collected will be transcribed to understand if there is a unique way of managing the construction firms in North Cyprus which is influenced by the history and the social-political environment on the island. The findings of the research will be used as part of a PhD thesis and the results from the data might also be used for a journal publication.*

#### **How is confidentiality maintained?**

*Your name and the name of your company will be kept anonymous and will not be published in the thesis nor in any written document available for public access. The data collected will be kept at the researchers' offices in a locked cabinet or on password protected and encrypted computers. At the end of the 5<sup>th</sup> year all the recorded data will be deleted and any written data will be shredded.*

#### **What happens if I do not want to take part or if I change my mind?**

*It is up to you to decide whether or not to take part. If you do decide to take part you will be given this information sheet to keep and be asked to sign a consent form. If you decide to take part you are still free to withdraw at any time without giving a reason.*

#### **Will I be paid for participating in the research?**

*Not applicable*

**What is the duration of the research?**

*The interviews are intended to last 2 hours.*

**Where will the research be conducted?**

*The research will be conducted at your office at a pre-arranged date and time.*

**Will the outcomes of the research be published?**

*The findings of the research will be published as part of a PhD thesis and possibly in an academic journal.*

**Criminal Records Check (if applicable)**

*Not Applicable*

**Who has reviewed the Research?**

*Research Ethics Committee, University of Manchester*

**Contact for further information**

*The researcher can be reached via e-mail*

*[belkiz.oztemir@postgrad.manchester.ac.uk](mailto:belkiz.oztemir@postgrad.manchester.ac.uk) and*

*The supervisor-Therese Lawlor Wright- for the thesis can be reached at*

*[Therese.Lawlor-wright@manchester.ac.uk](mailto:Therese.Lawlor-wright@manchester.ac.uk)*

*The local supervisor - K.Balasubramanian- can be reached at*

*[kbala@eul.edu.tr](mailto:kbala@eul.edu.tr)*

**What if something goes wrong?**

If you want help or advice, you can contact the local supervisor Dr Balasubrmanian at +90 392 660 2000 ext. 3051.

If there are any issues regarding this research that you would prefer not to discuss with members of the research team, please contact the Research Practice and Governance Co-ordinator by either writing to 'The Research Practice and Governance Co-ordinator, Research Office, Christie Building, The University of Manchester, Oxford Road, Manchester M13 9PL', by emailing: [Research-Governance@manchester.ac.uk](mailto:Research-Governance@manchester.ac.uk), or by telephoning 0161 275 7583 or 275 8093

### 3. Participant Information Sheet-English/Turkish (Presented to the participants)

#### **The Management Style and Culture in Construction Industry: The Case of North Cyprus (Working Title)**

**Proje Başlığı: İnşaat Endüstrisindeki Yönetim Stili ve Kültürü: Kuzey Kıbrıs Örneği**

#### **Participant Information Sheet Katılımcı Bilgilendirme Sayfası**

You are being invited to take part in a research study for a PhD project. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Please ask if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part. Thank you for reading this.

Bir doktora araştırma projesine katılmaya davet ediliyorsunuz. Karar vermeden önce bu projenin niye yapıldığını ve neler içerdiğini anlamanız önemlidir. Lütfen aşağıdaki bilgileri okumak için zaman ayırınız ve isterseniz başkalarıyla da bu bilgiyi paylaşınız. Lütfen anlamadığınız bir şey olursa ve daha fazla bilgiye ihtiyacınız varsa çekinmeden sorunuz. Okuduğunuz için teşekkür ederim.

#### **Who will conduct the research?**

#### **Araştırmayı kim uygulayacak?**

*Belkis Yapicioglu will conduct the research from, School of Mechanical, Aerospace and Civil Engineering, The University of Manchester, Oxford Road, Manchester M13 9PL, UK*

*Araştırmayı Manchester Üniversitesi, The University of Manchester, Oxford Road, Manchester M13 9PL, UK ,Makine, Havacılık&Uzay ve İnşaat Mühendisliği Fakültesi'nden Belkis Yapıcıoğlu uygulayacaktır*

#### **Title of the Research**

#### **Araştırma Başlığı**

*The Management Style and Culture in Construction Industry: The Case of North Cyprus*

*İnşaat Endüstrisindeki Yönetim Stili ve Kültürü: Kuzey Kıbrıs Örneği*

#### **What is the aim of the research?**

#### **Araştırmanın amacı nedir?**

*The effect of the socio-political environment of de facto states on management of SMEs in the construction industry is an area where almost no research is done. The aim of this project is to provide a perspective on the unique management practices in this field and how these practices lead to resistance to change.*

*De facto olan ülkelerdeki sosyo-politik çevrenin İnşaat sektöründeki küçük işletmeler üzerindeki etkisi hemen hemen hiç araştırılmamıştır. Bu projenin amacı bu sektördeki özel yönetim uygulamalarına bir bakış açısı getirmek ve bu uygulamaların değişikliklere karşı nasıl bir tepki verdiğini anlamaktır.*

#### **Why have I been chosen?**

**Siz niye bu arařtırmaya katılmak için seçildiniz?**

*You are invited to participate in this study since your company is listed as one of the Class-1 construction firms in North Cyprus.*

*Bu projeye, Mütahitler Birliğinde 1.Sınıf teknik şirket olarak kayıtlı olduğunuzdan seçildiniz.*

**What would I be asked to do if I took part?**

*Eğer bu çalışmaya katılırsam bana neler sorulacak?*

*There will be several questions asked regarding the management practices of your company. The questionnaire will be provided for initial review.*

*You are expected to discuss your way of managing your business at daily basis and the practices used to manage your company. You are free to discontinue the interview at any time you choose.*

*Size şirketinizin yönetim uygulamaları ile ilgili bazı sorular sorulacaktır. Sorular incelemeniz için size verilecektir.*

*Sizden şirketinizi gün içerisinde nasıl yönettiğiniz ve şirketinizde hangi yönetim uygulamalarını kullanarak yönettiğiniz hakkında bilgi vermeniz istenecektir. İstedığınız an röportajı bırakabilirsiniz.*

**What happens to the data collected?****Toplanan bilgiye ne olacaktır?**

*The interviews will be recorded and the data collected will be transcribed to understand if there is a unique way of managing the construction firms in North Cyprus which is influenced by the history and the social-political environment on the island. The findings of the research will be used as part of a PhD thesis and the results from the data might also be used for a journal publication.*

*Kuzey Kıbrıs'taki inşaat şirketlerinin Kıbrısın tarihi ve bulunduğu sosyo-politik çevreden dolayı farklı bir yönetim uygulaması geliştirip geliştirmedini anlamak için röportajlar kaydedilip yazıya dökülecektir. Araştırma sonuçları PhD tezi için kullanılacak ve sonuçlar ayrıca akademik yayın olarak basılacaktır.*

**How is confidentiality maintained?****Araştırmanın gizliliği nasıl korunacaktır?**

*Your name and the name of your company will be kept anonymous and will not be published in the thesis nor in any written document available for public access. The data collected will be kept at the researchers' offices in a locked cabinet or on password protected and encrypted computers. At the end of the 5<sup>th</sup> year all the recorded data will be deleted and any written data will be shredded.*

*İsminiz ve şirketinizin ismi anonim kalacaktır ve ne tez içerisinde ne de kamuya açık herhangi bir yazılı belgede kullanılacaktır. Toplanan bilgi arařtırmacının ofisinde kilitli bir dolapta ya da özel şifreli bir bilgisayarda muhafaza edilecektir. Arařtırmadan 5 yıl sonra bütün arařtırmayla ilgili kayıt altına alınan belgeler silinecek ve yazılı bütün belgeler yok edilecektir.*

**What happens if I do not want to take part or if I change my mind?****Katılmak istemez ya da katılmakla ilgili fikrimi deęitirirsem ne olur?**

*It is up to you to decide whether or not to take part. If you do decide to take part you will be given this information sheet to keep and be asked to sign a consent form. If you decide to take part you are still free to withdraw at any time without giving a reason .*

*Katılıp katılmamak size kalmıř birşeydir. Eğer katılmaya karar vererseniz size bu bilgilendirme belgesi verilecek ve katılım rıza formu imzalamanız istenecektir. Eğer*

*katılmaya karar versenizde fikriniz istediğiniz zaman değiştirebilir ve araştırmadan çekilebilirsiniz.*

**Will I be paid for participating in the research?**

**Bu araştırmaya katılmak için ücret alacak mıyım?**

*Not applicable*

*Uygulanmayacak*

**What is the duration of the research?**

**Araştırma ne kadar sürecektir?**

*The interviews are intended to last 2 hours.*

*Röportajlar yaklaşık iki saat sürecektir.*

**Where will the research be conducted?**

**Araştırma nerede yapılacaktır?**

*The research will be conducted at your office at a pre-arranged date and time.*

*Araştırma kendi ofisinizde daha önceden belirlenmiş bir tarih ve saatte yapılacaktır.*

**Will the outcomes of the research be published?**

**Araştırmanın sonuçları yayınlanacak mı?**

*The findings of the research will be published as part of a PhD thesis and possibly in an academic journal.*

*Araştırmanın sonuçları PhD tezinin bir parçası olarak ve olasılıkla da bir akademik dergide yayınlanacaktır.*

**Criminal Records Check (if applicable)**

*Not Applicable*

**Who has reviewed the Research?**

**Araştırmayı kim inceledi?**

*Research Ethics Committee, University of Manchester*

*Manchester Üniversitesi Araştırma Etik Komitesi*

**Contact for further information**

*The researcher can be reached via e-mail*

*[belkiz.oztemir@postgrad.manchester.ac.uk](mailto:belkiz.oztemir@postgrad.manchester.ac.uk) and*

*The supervisor-Therese Lawlor Wright- for the thesis can be reached at*

*[Therese.Lawlor-wright@manchester.ac.uk](mailto:Therese.Lawlor-wright@manchester.ac.uk)*

*The local supervisor - K.Balasubramanian- can be reached at*

*[kbala@eul.edu.tr](mailto:kbala@eul.edu.tr)*

**What if something goes wrong?**

If you want help or advice, you can contact the local supervisor Dr Balasubramanian at +90 392 660 2000 ext. 3051.

If there are any issues regarding this research that you would prefer not to discuss with members of the research team, please contact the Research Practice and Governance Co-ordinator by either writing to 'The Research Practice and Governance Co-ordinator, Research Office, Christie Building, The University of Manchester, Oxford Road, Manchester M13 9PL', by emailing: [Research-Governance@manchester.ac.uk](mailto:Research-Governance@manchester.ac.uk), or by telephoning 0161 275 7583 or 275 8093



## 4. Consent Form-English (submitted to the Ethics Committee)

**Consent Form**

**Title of project: The Management Style and Culture in Construction  
Industry: The Case of North Cyprus**

**Please initial the box to confirm**

1. I confirm that I have read and understood the information sheet dated 1st June 2012 for the above study and have had the opportunity to ask any questions and have had these answered satisfactorily.	
2. I understand that participation in this research is voluntary and I am free to withdraw at any time, without giving reason.	
3. I understand that any information that I give will be used anonymously.	
4. I understand this interview is being audio recorded.	
5. I agree to take part in this study.	

---

Name of Participant                      Signature                      Date

---

Name of Researcher                      Signature                      Date

## 5. Ethics Form-English/Turkish ( Presented to the participants)

## Consent form

### *Rıza Formu*

**Title of project: The Management Style and Culture in Construction Industry: The Case of North Cyprus**

***Proje Başlığı: İnşaat Endüstrisindeki Yönetim Stili ve Kültürü: Kuzey Kıbrıs Örneği***

**Please initial the box to confirm**  
***Lütfen kutuya İsminizin ilk harfini yazarak onaylayın***

<p><b>1.</b> I confirm that I have read and understood the information sheet dated 1st June 2012 for the above study and have had the opportunity to ask any questions and have had these answered satisfactorily.</p> <p><i>1 Haziran 2012 tarihinde yazılmış olan ve yukarıdaki projenin amaçlarını açıklayan bilgilendirmeyi okuduğumu ve proje hakkında soru sorma fırsatımın olduğunu ve bu sorulara tamin edici cevap aldığımı onaylarım.</i></p>	
<p><b>2.</b> I understand that participation in this research is voluntary and I am free to withdraw at any time, without giving reason.</p> <p><i>Bu çalışmaya katılmanın gönüllü olduğunu ve hiçbir sebep sunmadan bu çalışmadan çekilebileceğimi biliyorum.</i></p>	
<p><b>3.</b> I understand that any information that I give will be used anonymously.</p> <p><i>Bu çalışmada verdiğim bilgilerin anonim olarak kullanılacağını biliyorum.</i></p>	
<p><b>4.</b> I understand this interview is being audio recorded.</p> <p><i>Röportajların kayıt altına alınacağını biliyorum</i></p>	
<p><b>5.</b> I agree to take part in this study.</p> <p><i>Çalışmaya katılmayı Kabul ediyorum.</i></p>	

Name of Participant

Signature

Date

Name of Researcher

Signature

Date

**6. Interview Questions-English (Submitted to the Ethics Committee)**

**INTERVIEW QUESTIONS**

**INTERVIEWER:**

Forename/Initials: Belkis  
Surname: Yapicioglu  
Post: PhD Student  
School/Unit: MACE  
E-mail: belkiz.oztemir@postgrad.manchester.ac.uk  
Telephone: +90 533 863 3406

**Research Area:** Resilience in Small Construction Companies

**The objectives of the research (interviews) are as follows:**

1. To understand the management practices of the construction companies in North Cyprus.

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Name of Participant  
Date

Signature

---

Name of Researcher  
Date

Signature

1	<b>NAME OF ORGANISATION</b>				
2	<b>NAME OF INTERVIEWEE</b>				
3	<b>DESIGNATION</b>				
5	<b>YEARS IN BUSINESS</b>				
6	<b>NUMBER OF FULL TIME EMPLOYEES</b>	LESS THAN 9 <input type="checkbox"/>	LESS THAN 20 <input type="checkbox"/>	LESS THAN 50 <input type="checkbox"/>	MORE THAN 50 <input type="checkbox"/>
7	<b>NUMBER OF TECHNICAL STAFF</b>				
8	<b>SIZE OF THE PROJECTS</b>	Less than £100,000	Between £100,000-500,000	Between £500,000-1,000,000	More than £1,000,000

Interview Questions		Aim of the Interview Questions
1.	Will you talk me through when your company was established and what were the reasons?	<ul style="list-style-type: none"> <li>To explore whether the company was established before or after the country became a <i>de facto</i> state.</li> <li>To explore the interviewees position within the company and to understand the family connection as a stakeholder</li> <li>To understand the type of clients the company deals with</li> </ul>
2.	Explain your role and position in the company	
3.	In your view who are the companies stakeholders	
4.	What type of projects your company handle?	
<p><b>Questions 5-15 will enable the researcher to achieve the objectives of the thesis:</b></p> <ol style="list-style-type: none"> <li>To identify the management practices used by the local construction companies in North Cyprus</li> <li>To identify if the management practices are shaped with the existing social-political environment of the island</li> <li>To evaluate the results and to identify whether the management practices of these companies are unique to manage the change.</li> </ol>		
5.	Please explain to me a memorable project you and your company were involved with. (challenges/opportunities/barriers)?	
6.	How did you control the project? Did you use any management practices to help you?	1
7.	What challenges do you face when you try to adopt new management practices in the projects?	2
8.	Are you aware of other project control practices used in the industry to manage projects	1, 2
9.	Over the years, have you noticed any differences in how you managed the projects?	1
10.	Running a business in a de facto state, does it bring a different set of challenges to company?	1, 2
11.	In what way do you manage the client – company relationships?	2
12.	Have you observed any changes in the management style of the clients over the years? If so, can you explain?	
13.	How has your company changed over the years?	
14.	Where do you see the company in 5-10 years' time?	2,3
15.	How will you bring the changes in the company?	

**7. Interview Questions-English/Turkish (Presented to the Participants)**

Interviewer:

Forename/Initials: Belkis  
Surname: Yapicioglu  
Post: PhD Student  
School/Unit: MACE  
E-mail: belkiz.oztemir@postgrad.manchester.ac.uk  
Telephone: +90 533 863 3406

**Research Area:** Resilience in Small Construction Companies**Araştırma Konusu:** Küçük İnşaat Şirketlerindeki Direnç**The objectives of the research (interviews) are as follows:****Araştırmanın hedefleri (röportajlar) aşağıda belirtilmiştir:**

2. To understand the management practices of the construction companies in North Cyprus.
1. Kuzey Kıbrıstaki inşaat şirketlerinin yönetim şekillerini anlamak.

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Name of Participant  
Date

Signature

---

Name of Researcher  
Date

Signature

1	Name of Organisation Şirketin İsmi				
2	Name of Interviewee Katılımcının İsmi				
3	Designation Şirketteki Görevi				
5	Years in Business Şirketin Yaşı				
6	Number of Full Time Employees Şirkette Çalışan Personel Sayısı	<u>Less than 9</u> <input type="checkbox"/> <u>9'dan az</u>	<u>Less Than 20</u> <input type="checkbox"/> <u>20'den az</u>	<u>Less Than 50</u> <input type="checkbox"/> <u>50'den az</u>	<u>More Than 50</u> <input type="checkbox"/> <u>50'den fazla</u>
7	Number of Technical Staff Teknik Eleman Sayısı				
8	Size of the projects Projelerin Büyüklükleri	<u>Less than £100,000</u> <u>£100,000'den az</u>	<u>Between £100,000-500,000</u> <u>£100,000-500,000 arası</u>	<u>Between £500,000-1,000,000</u> <u>£500,000-1,000,000 arası</u>	<u>More than £1,000,000</u> <u>£1,000,000'den fazla</u>

<b>Interview Questions</b> <b>Röportaj Soruları</b>		<b>Aim of the Interview Questions</b> <b>Röportaj Sorularının Hedefi</b>
1.	Will you talk me through when your company was established and what were the reasons? Şirketinizin kuruluşunu, neden ve nasıl kurulduğunu anlatabilir misiniz?	<ul style="list-style-type: none"> <li>To explore whether the company was established before or after the country became a <i>de facto</i> state. <i>Şirketin Kıbrıs de facto olduktan ya da olmadan önce kurulduğunu araştırmak</i></li> <li>To explore the interviewees position within the company and to understand the family connection as a stakeholder <i>Katılımcının şirketteki pozisyonunun ve aile ilişkilerinin şirket paydaşları olup olmadığını anlamak.</i></li> <li>To understand the type of clients the company deals with <i>Şirket müşterilerinin kimlerin olduğunu anlamak</i></li> </ul>
2.	Explain your role and position in the company Şirketteki pozisyonunuzu ve görevinizi anlatır mısınız?	
3.	In your view who are the companies stakeholders Sizin açınızdan şirketinizin sorumlu olduğu kişiler kimlerdir?	
4.	What type of projects your company handle? Şirketiniz ne türlü projeleri üstlenmektedir?	
<p><b>Questions 5-15 will enable the researcher to achieve the objectives of the thesis:</b> <b>5-15 arası sorular araştırmacının tezindeki hedeflere ulaşmasına destek olacaktır:</b></p> <p>4. To identify the management practices used by the local construction companies in North Cyprus Kuzey Kıbrıs'taki yerel inşaat firmalarının nasıl bir yönetim uyguladıklarını belirlemek</p> <p>5. To identify if the management practices are shaped with the existing social-political environment of the island Yönetim uygulamalarının mevcut sosyo-politik çevre tarafından şekillenip şekillenmediğini belirlemek</p> <p>6. To evaluate the results and to identify whether the management practices of these companies are unique to manage the change. Sonuçlar doğrultusunda bu yönetim şekillerinin şirketlerin değişimi yönetmek için özel bir yönetim şekli olup olmadığını anlamak</p>		
5.	Please explain to me a memorable project you and your company were involved with. (challenges/opportunities/barriers)? Lütfen, siz ve şirketinizin üstlenmiş olduğu ve unutamadığınız bir projeyi bana anlatabilir misiniz? (zorlukla/fırsatlar/engeller)	1
6.	How did you control the project? Did you use any management practices to help you? Bu projeyi nasıl kontrol ettiniz? Herhangi bir yönetim uygulamasını size yardımcı olsun diye kullandınız mı?	



7.	What challenges do you face when you try to adopt new management practices in the projects? Projelerde yeni yönetim uygulamaları kullanmaya karar verdiğinizde ne tür sorunlarla karşılaşyorsunuz?	2
8.	Are you aware of other project control practices used in the industry to manage projects? Bu sektörde diğer şirketlerin kullandıkları farklı yönetim şekillerinde haberdar mısınız?	1, 2
9.	Over the years, have you noticed any differences in how you managed the projects? Yıllar içerisinde, yönetim uygulamalarınızın farklılaştığını farkettiler mi?	1
10.	Running a business in a de facto state, does it bring a different set of challenges to company? De Facto bir ülkede bir şirketi yönetmek şirketiniz için farklı zorlukları da yanında getiriyor mu?	1, 2
11.	In what way do you manage the client – company relationships? Müşterilerinizi ve şirket ilişkilerini nasıl yönetiyorsunuz	2
12.	Have you observed any changes in the management style of the clients over the years? If so, can you explain? Yıllar içerisinde müşterilerinizin yönetim şekillerinde farklılıklar gözlemlediniz mi? Eğer öyle ise açıklayabilir misiniz?	
13.	How has your company changed over the years? Şirketiniz yıllar içerisinde nasıl değişti?	
14.	Where do you see the company in 5-10 years' time? Şirketinizi önümüzdeki 10-15 yıl içerisinde nerede görüyorsunuz?	
15.	How will you bring the changes in the company? Değişiklikleri şirketinize nasıl getirmeyi düşünüyorsunuz?	2,3

**8. Ethics Approval Letter**

**Secretary to Research Ethics Committee 5  
Faculty Office - Devonshire House**

Tel: 0161 275 0288  
Email: [jared.ruff@manchester.ac.uk](mailto:jared.ruff@manchester.ac.uk)

Dr Belkis Yapicioglu  
MACE

28<sup>th</sup> September 2012

Dear Belkis

**Research Ethics Committee 5 (Flagged Humanities) - Project Ref 12144**

The management style and culture in construction industry: the case of North Cyprus (ref 12144)

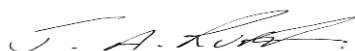
I am writing to inform you that the above project was reviewed by University Ethics Committee 5 (Flagged Humanities) on 23<sup>rd</sup> July 2012 and that the requested amendments were also approved by way of chair's action following the meeting. This letter formally confirms approval for the above project and that no further changes are required to the documentation submitted to the committee.

This approval is effective for a period of five years and if the project continues beyond that period it must be submitted for review. It is the Committee's practice to warn investigators that they should not depart from the agreed protocol without seeking the approval of the Committee, as any significant deviation could invalidate the insurance arrangements and constitute research misconduct. We also ask that any information sheet should carry a University logo or other indication of where it came from, and that, in accordance with University policy, any data carrying personal identifiers must be encrypted when not held on a university computer or kept as a hard copy in a location which is accessible only to those involved with the research.

Finally, I would be grateful if you could complete and return the attached form at the end of the project.

I hope the research goes well.

Yours sincerely



Jared Ruff

Senior Research Manager  
Faculty of Humanities and Secretary to UREC 5 (Flagged Humanities)  
0161 275 0288

UNIVERSITY OF MANCHESTER

COMMITTEE ON THE ETHICS OF RESEARCH ON HUMAN BEINGS

**Progress or Completion Report Form on an Approved Project**

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The Committee's procedures require those responsible for projects which have been approved by the Committee to report on any of the following:

- \* Any incident, accident or untoward event associated with the project (*Please note that if the incident constitutes an accident or dangerous occurrence, the usual Health and Safety reporting mechanism must still be used*)
- \* Any variation in the methods or procedures in the approved protocol
- \* A termination or abandonment of the project (with reasons)
- \* A report on completion of the project or a progress report 12 months after approval has been given.

The report should be sent to the Secretary to the Committee, Dr T P C Stibbs, Room 2.004 John Owens Building, University of Manchester, Oxford Road, Manchester M13 9PL (*tel: 0161-275-2046/2206*).

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**Project:**

## APPENDIX C QUESTIONS ASKED FROM THE LIST

Table C1: Interview Questions Directed to the Owner-managers from the questionnaire

Questions	Case 1 OWNER E	Case 2 OWNER C	Case 3 OWNER F	Case 4 OWNER K	Case 5 OWNER A	Case 6 OWNER D	Case 7 OWNER B	Case 8 OWNER H	Case 9 OWNER G
Will you talk me through when your company was established and what were the reasons?	X	X	X	X	X	X	X	X	X
Explain your role and position in the company	X	X	X	X	X	X	X	X	X
In your view who are the companies stakeholders		X	X	X	X		X	X	X
What type of projects your company handle?	X	X	X	X	X	X	X	X	X
Please explain to me a memorable project you and your company were involved with. (challenges/opportunities/barriers)?			X		X	X	X	X	X
How did you control the project? Did you use any management practices to help you?	X		X	X	X	X	X	X	
What challenges do you face when you try to adopt new management practices in the projects?	X	X		X			X	X	X
Are you aware of other project control practices used in the industry to manage projects	X			X	X			X	X
Over the years, have you noticed any differences in how you managed the projects?	X	X		X	X		X	X	X
Running a business in a de facto state, does it bring a different set of challenges to company?		X	X	X	X	X	X	X	X
In what way do you manage the client – company relationships?	X	X		X	X	X	X	X	X
Have you observed any changes in the management style of the clients over the years? If so, can you explain?	X				X		X	X	X
Where do you see the company in 5-10 years' time?	X	X	X	X	X	X	X	X	X
How will you bring the changes in the company?	X			X	X	X	X		X

## **APPENDIX D PROBE QUESTIONS DIRECTED TO PARTICIPANTS**

### **Owner E**

Do these things happen in Cyprus?  
Is there a target to reach to the level of an advanced company of the other countries?  
Do you think that the Cypriot contractors are doing a poor quality of work?  
What is the reason of the attitude against to construction sector?  
Do you reject the companies to come here (Cyprus)?  
Do you use modern technology?  
How do you keep existing with these problems?  
Do you plan to maintain this company?  
What were the reasons of not caring?  
How do you manage to maintain (your company) despite all these problems?  
Why would you give different answers 2 years ago?  
Do you see the construction sector different from the other sectors?  
What about the relationship with the contractors that comes from other countries?  
How will this affect your company?  
If this approach changes will there be a hope?

### **Owner C**

What do you mean with 'individually'?  
Was there any potential for the projects?  
How many companies were there for example?  
Has one of those employers got a position in the management?  
Did you set up departments like procurement department, planning department, estimating department in the company?  
How did this change your management?  
Who was the finance source of this project?  
Why didn't Turkey let Cyprus to do these kinds of projects?  
Why weren't there any qualified personnel for these kinds of projects in that period?  
What was the reason of the increase in construction?  
Do you see the effect of this in the tenders?  
In your opinion, what is the long term effect of this?  
Why don't you know?  
Aren't you still given the opportunity?  
Is it like this only in road projects or is it the same in the other projects?  
Is the financial source of all these projects Turkey?  
Do you experience more difficulties in the projects that are financed by Turkey?  
Does local government have any right in European Union projects?  
How do the local companies maintain themselves?  
Does contractors association have any influence on these contracts?  
Haven't you lacked hope before?  
How do those projects work out? Is it the same?

### **Owner F**

Why was it different?  
Who was doing it?  
Why do you think they don't do it?

Can you use this control system in your own company?  
How do you work on smaller projects?  
Do you lack these kinds of staff in Cyprus?  
What do you mean with the 'Father Government'?  
Do you know anybody in Cyprus who works with these conditions?  
What do these up and downs depend on? Or ... Why does this unstable situation happen frequently?  
Are there any contractors who can do these projects in Cyprus?  
What happened in European Union's tenders?  
Do you think that period affected today's conditions?  
Where did the money come from for this project?

**Owner K**

Wasn't it difficult to work with them?  
What is the source of this project?  
When you mention about the unstable situation, erm, why did you say it is unstable, can you please expand on this?  
What if there is an unstable situation, will it affect you?  
Why did Turkey do this?  
How many of the infrastructure based companies are not active?  
Why did they assign Turkey for the project?  
Why the tender did not take place in Cyprus?  
What are these internal factors?  
In your opinion, are there any companies that can bid for European Union tenders -- ?  
How important is it (politics) in the construction sector?  
What is the biggest problem of the construction sector in Cyprus?

**Owner A**

What is the biggest problem of the construction sector in Cyprus?  
How was the situation of the company in 1962?  
What do you mean by resources?.  
Can we work abroad?  
Can our companies compete with the companies outside Cyprus? What is your opinion?  
What is our disadvantage?  
Where did the expansion happen?  
Is there attempt to change those rules?.  
Do you have any intention to make an attempt about regulating the rules?  
How was it before Annan plan?  
Does the economic crisis continue in construction business?  
Are there some attempts to protect construction companies in Cyprus?  
Can you bid in those tenders in Turkey?

**Owner D**

Who did the financing?  
What can be the reasons for this? What do you think?  
Why do not we join that?  
If it is like this, will there be people who would consider your existence in the world?

Can we also mention about the Project management before the Annan Plan?  
How was it before Asil Nadir?  
Which period was that?  
What kind of changes?  
Is he from your family?  
Do you prepare yourself for this economic global crisis?  
If you want to make innovations in your firm, how would you do that?  
What kind of advantage will it bring you?

**Owner B**

Which period did you mean by the period of construction boom?  
Could you explain the development? How did you grow?  
What do you mean by infrastructure?  
How did you overcome (this problem)?  
Well, do you try to train your personnel?  
How do you perform inspection works?  
What may be the reason for the government to sign such protocol in your opinion?  
Do you plan to bring any changes to the company?  
Well, could you explain what may be the reason for not being able to see the future?  
What kind of exemptions?  
How was the construction market before '80's?  
Did the number of those, who remained in the market, decreased?  
are there any plans of the government to support infrastructure companies?  
Well, as a group, as infrastructure operators do you make any attempts in this regard  
... in order to rectify this?  
What is the profit margin of this business?

**Owner H**

Was it a Turkish company?  
Do any family members work in that company?  
What do you mean by those times?  
What did they (projects mentioned) contribute to your company?  
Is it also the same for infrastructure projects? Are they opened for a tender in Turkey? Can you bid to tenders in Ankara?  
Is it TRNC (Turkish Republic of North Cyprus) which manages the infrastructure sector now?  
Which country did finance those tenders?  
Do you think a new investment will be made to TRNC?  
What's the position of the contractors from TRNC in infrastructure?

**Owner G**

You already told us about some of your projects but can you please explain us more. Especially the projects you finished for government.  
Where did the original ones come from?  
Did you make contact with The United Nations for this?  
Can't you still get your money?  
Why did the office of UNDP take no account of our (Cypriot) Union?  
Which engineers?  
Why didn't we participate?

Does this situation cause problems in the tenders you join or with the projects you built?

If there is an increase in business potential would you like to make some changes in your company?

You want to try that. Why?

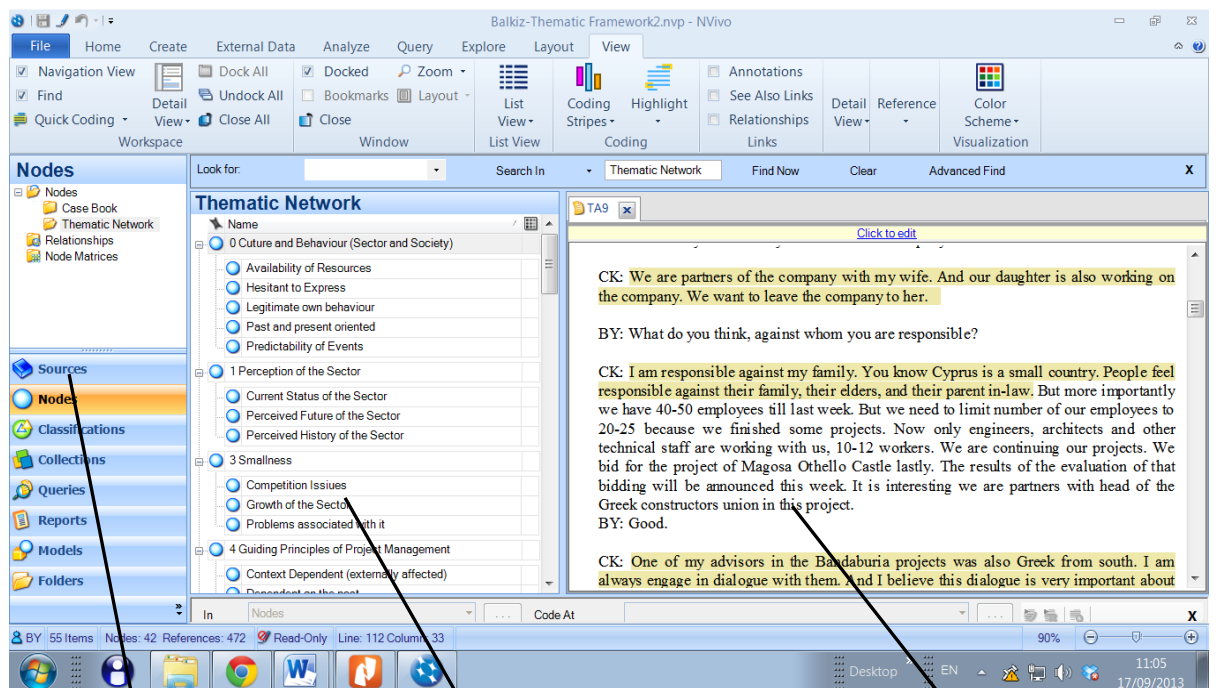
What is the reason of that behaviour? --- Why didn't our contractors see that coming?

I also want to ask you whether it is too easy to become a contractor?



## APPENDIX E DETAILS OF NVIVO10

NVivo 10 is a software programme that supports qualitative methods research. It allows the researchers to manage, organise and analyse data to explore and find patterns in the data. Nvivo 10 allows the researcher to import the transcribed interviews as *sources*. The software then allows the researcher to *code* the sources by topic, theme or a case in *Nodes*.



All the transcripts from the interviews are stored in the sources file allowing access to each file separately for coding

Codes are created with titles in nodes where the context of the source is referenced.

Full transcript is displayed allowing the researcher to view full context of each transcript.

## APPENDIX F PROCESS OF THEMATIC ANALYSIS

The steps provided by Braun and Clarke (2008) are used as a guideline as mentioned in Chapter 4, Section 4.7.1.

<i>Stage 1: Familiarizing yourself with your data:</i>	<p>The researcher transcribed the data listening the tapes over and over. The original audio tapes were in Turkish which was then translated into English paying extra caution to the accuracy of the meaning and the content of the data. Each transcription then read and re-read comparing the translated transcripts against the audio tapes. The initial codes were actually started emerging during the process of transcription and then notes were taken for further developing the codes to enter to Nvivo (see Figure F1).</p>
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**What if there is an unstable situation (in Turkey), will it affect us?**

Because we use TL currency we are affected by the Turkish economy's stability ... after 2000 ... from 2000 to 2003 the economy was seriously affected, especially the construction sector ... the reason of this is the political factors ... they tried (Turkey) to weaken the economy here and there existed the politics which was forcing us to say 'yes' to the Annan Plan ... the departure of the **Ulusal Birlik Partisi** (the governing political party at the time) from the government in 2000 ... (with Turkey reacting with decreasing its economical help and not opening tenders in construction)...creating a chaos here--

**Why did Turkey do this?**

They wanted to people say 'yes' to the Annan Plan --.

**So, did this make the economy more difficult?**

Yes ... **Tayyip Erdoğan** (prime minister of Turkey) also mentioned this in later years... he has a declaration in **Milliyet Newspaper** ... in 2003 they decided to present the ... Annan Plan for referendum ... after this ... this plan provided a reliable trustworthy conditions for the foreign investors in the construction sector ... especially in 'build and sell' and hotel investments targeting the foreign customers, showed an increase ...our construction sector created a turnover as big as the budget of **TRNC** ... if the (**TRNC**) budget was 1,5-2 billion TL, the construction sector also contributed as this much to the economy in taxes... at that period the governing party was **Cumhuriyetçi Türk Party (CTP)** and they gave us these numbers... I think I have the records of these numbers in this phone, given by **Ferdi Sabit Soyler** (prime minister of the period) ...until 2007 the construction sector grew without any control.

**What do you mean with 'without control'?**

**Comment [BY22]:** Others and Patron Country

**Comment [BY23]:** Politics in construction

**Comment [BY24]:** Patron Country Control of the construction sector

**Comment [BY25]:** Persistent Unstable Environment-

**Comment [BY26]:** Patron Country and others.

**Comment [BY27]:** Politics in construction

**Comment [BY28]:** No proper regulations. INTERNAL PROBLEMS

Figure F1: Sample of a SSI transcript in word with initial ideas for coding.

<i>Stage 2: Generating initial codes:</i>	<p>After all the transcripts were written, the transcripts were transferred into Nvivo 10 software programme. The files of the transcripts were decrypted to respect the anonymity of the interviewee during the transfer process and all references to the transcripts are done by using the decrypted document names. The initial codes were summarized after familiarizing myself with the data and a table of initial codes (see Table F1) were created for Nvivo 10. The sources (transcripts) were read line by line and each relevant word, sentence or paragraph referenced to the codes initially created. The process of referencing the codes is a cyclical process. This process lasted about two weeks where each transcript had to be re-read as new code emerged in one transcript for relevant text relating the new code. One challenge of the coding process was to always remember the research question and to code the text that had the most significant contribution to the research question. The researcher made sure that the codes were checked against the research question and the coded texts were read for relevancy several times. During the process of coding several sub-codes were created under the main code to manage the data (see Figure F2 and Figure F3). Some of the codes actually were identified as emerging themes. As mentioned in Braun and Clarke (2006), TA is an iterative process and revisiting the steps during the analysis is a helpful process to improve the analysis. The codes are pre-fixed in order to keep the list the same throughout the coding process since NVivo lists the codes alphabetically by default.</p>
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APPENDIX F: PROCESS OF THEMATIC ANALYSIS

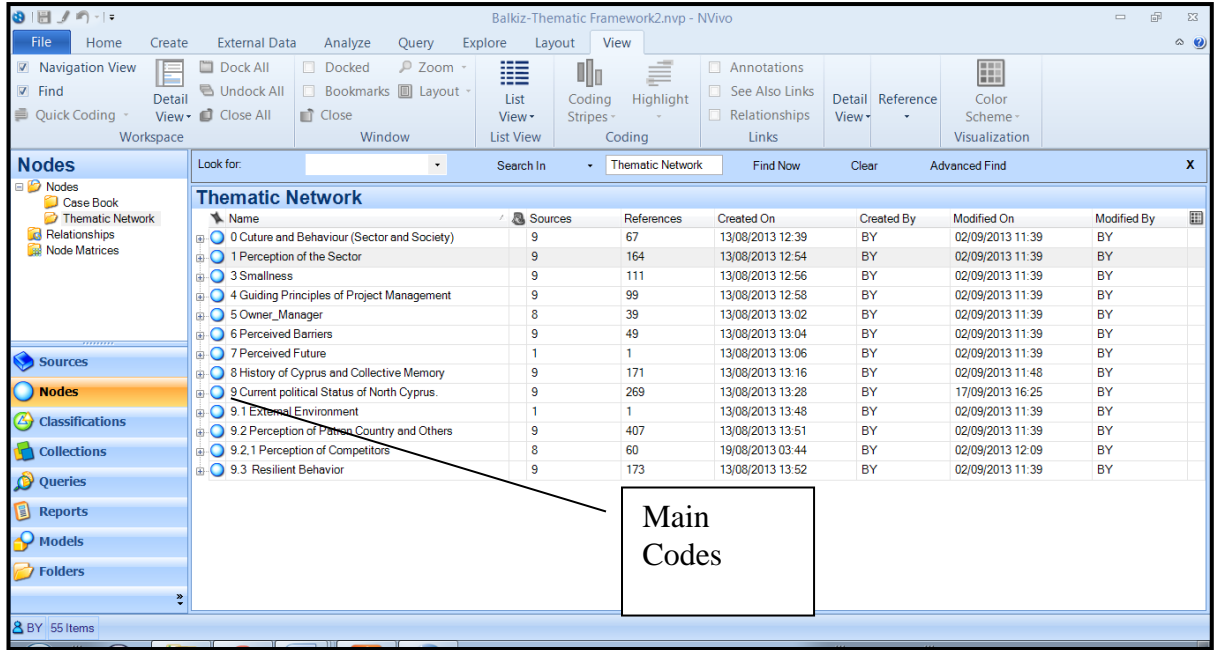


Figure F2: Main Codes

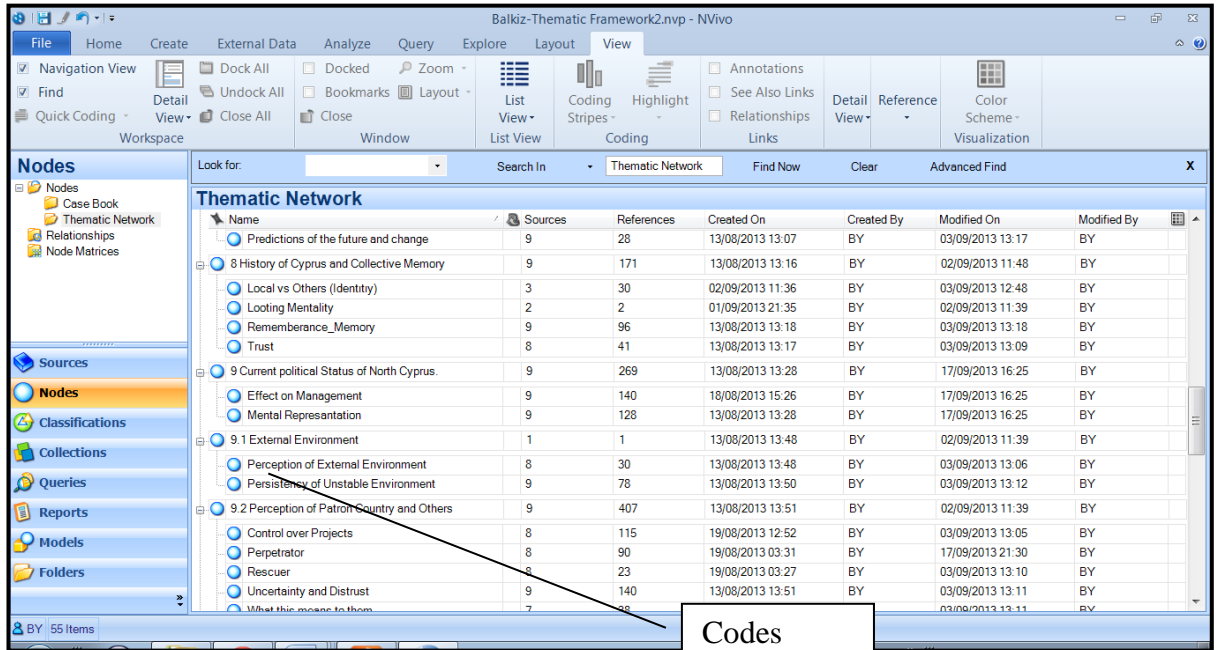


Figure F3: Sub-codes

**Table F1**

<b>Initial Codes emerged salient to data from transcripts</b>
Perception of “Culture and behaviour”
Perception of ”Construction industry in developing countries”
Smallness
Perception of Owner-Manager
Perception of business by Owner-Managers
Perceived barriers
Perceived Politics
Background
Entry into Construction
Perception of Project Management
Current political status of North Cyprus.
External environment
Perception of Patron country and local government.
Resilient behaviour
Adaptive changes in the company
The amount of disturbance to the industry
Unstable environment in the industry
Reaction to the unstable environment

<i>Stage3 &amp; 4: Searching for Themes &amp; Reviewing of the themes</i>	<p>After the coding is completed, the researcher started to look for emerging themes salient to the data. The thematic analysis of Braun &amp; Clarke (2006) and Boyatzis (1998) were used to provide the researcher with a means of presenting a systematic guide to the analytical process. At this stage the researcher tried to identify the main and the sub-themes by collating codes into potential themes, gathering all data relevant to each potential theme. The themes were checked whether they worked in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic ‘map’ of the analysis. The themes were discussed with my supervisor. She read some of the transcripts and the extracts which had helped to revise the themes for coherency and internal consistency of the research. Some of the themes were renamed and some were discarded. At this stage I had to revisit the codes again. The final codes and group of codes organized (Table F2).</p>
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**Table F2:** Finalized Hierarchical List of the Codes (Exported from NVivo10)

Code Name	Sources (Participants)	References	Code Name	Sources (Participants)	References
<b>Culture and Behaviour (Sector and Society)</b>	<b>9</b>	<b>67</b>	<b>Perceived Future</b>	<b>9</b>	<b>29</b>
Availability of Resources	7	20	Predictions of the future and change	9	28
Hesitant to Express	1	2	<b>History of Cyprus and Collective Memory</b>	<b>9</b>	<b>171</b>
Locus of Control -External	7	15	Local vs Others (Identity)	3	30
Past and present oriented	8	24	Looting Mentality	2	2
Predictability of Events	4	5	Remembrance_Memory	9	96
<b>Perception of the Sector</b>	<b>9</b>	<b>164</b>	Trust	8	41
Current Status of the Sector	9	87	<b>Current political Status of North Cyprus.</b>	<b>9</b>	<b>269</b>
Perceived Future of the Sector	8	27	Effect on Management	9	140
Perceived History of the Sector	8	49	Mental Representation	9	128
<b>Smallness</b>	<b>9</b>	<b>111</b>	<b>External Environment</b>	<b>9</b>	<b>109</b>
Competition Issues	9	40	Perception of External Environment	8	30
Growth of the Sector	8	30	Persistency of Unstable Environment	9	78
Problems associated with it	9	40	<b>Perception of Patron Country and Others</b>	<b>9</b>	<b>407</b>
<b>Guiding Principles of Project Management</b>	<b>9</b>	<b>99</b>	Control over Projects	8	115
Context Dependent (externally affected)	8	32	Perpetrator	8	90
Dependent on the past	8	26	Rescuer	8	23
Equipment and Machinery	5	10	Uncertainty and Distrust	9	140
Knowledge_Skills_Technology (performance) Dependence	4	6	What this means to them	7	38
Managing Relationships	6	24	<b>Perception of Competitors</b>	<b>8</b>	<b>60</b>
<b>Owner_Manager</b>	<b>8</b>	<b>39</b>	Local	7	21
Family Oriented	7	16	Other	7	37
Know How Based on Experience	4	9	<b>Resilient Behavior</b>	<b>9</b>	<b>173</b>
Politically Oriented	3	11	Acceptance	7	19
Task Oriented	2	2	Capacity to handle Interruptions	9	108
<b>6 Perceived Barriers</b>	<b>9</b>	<b>49</b>	Interruptions	4	12
External	8	22	Response to Interruptions	7	33
Internal	9	26			



<p><b>Stage 5: Defining and Naming the Themes</b></p>	<p>At this stage of the analysis I had to check the emergent themes with the overall research approach and the research question to justify that the themes fit. The definitions of themes and subthemes, and the possible thematic maps were also considered. Inconsistencies were reviewed and amendments made. Eventually thematic maps produced with descriptions. This was the stage where the research findings were emerging with overall coherency in mind (see Figure F4). The thematic maps also helped to organize the discussion of the results providing a sequence considering how each theme fit with the overall ‘story’ of the data (Braun and Clarke, 2006).</p>
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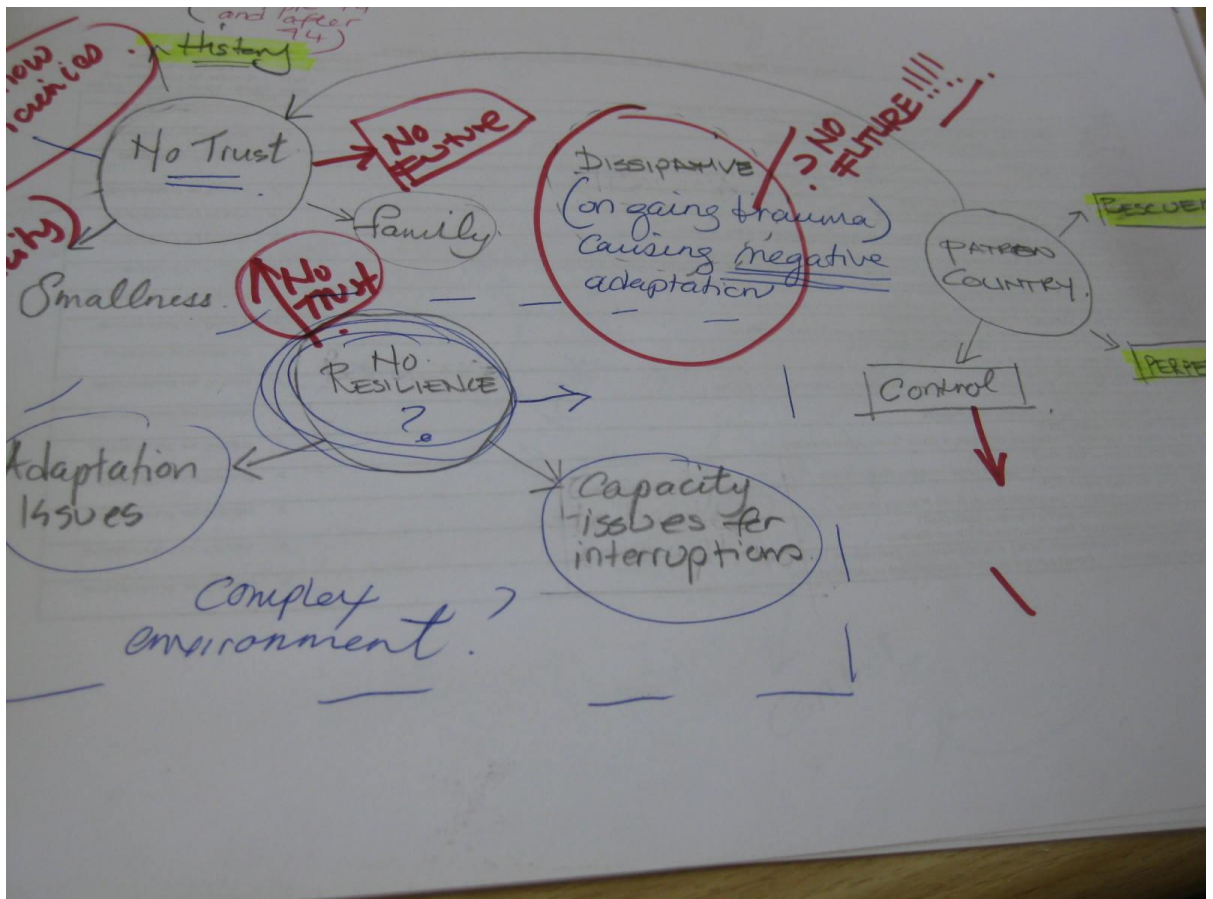


Figure F4: Thematic Map

<i>Stage 6: Defining and Naming the Themes</i>	<p>The final stage of thematic analysis involves the final analysis and write-up of the findings after all the themes are identified. Upon completing the thematic maps, the write up of the results and the discussion had started. As Braun and Clarke (2006) recommends I tried to provide sufficient evidence of the themes within the data (extracts to demonstrate the prevalence of the theme) by providing vivid extracts to capture the essence of the research.</p>
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## APPENDIX G CONFERENCE PAPER

27<sup>th</sup> IPMA World Congress

### Small but Complex: The Construction Industry in North Cyprus

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#### Abstract

Organizational functioning depends on the behaviour and attitude of people within a given society; organizational behaviour is extremely influenced by the socio-cultural environment within which the organization operates. The construction industry in North Cyprus is a very young industry and application of advanced project management methods and adaptation to the changing environment is a challenging process for this sector. The trauma caused by the political conflict on the island is presented as a serious challenge for this industry. The future of North Cyprus's construction industry is embedded in its past, this has given it certain social, political and historical characteristics. The on-going political unrest in North Cyprus escalates and diminishes at certain intervals. These fluctuations can sometimes be absorbed by the industry, however the frequency is such that the industry struggles to adapt and sometimes even to absorb the shocks.

This paper analyses the socio-political environment of North Cyprus's construction industry. Although the organization of SMEs in the construction sector in North Cyprus are very simple, the inter-relationships between the companies, the fragmentation of the industry and the participation of families in the businesses make this a socially complex system. In this environment, the decision making processes of the managers are not based on structured management disciplines but on abrupt decisions that emphasize the family interest of the owner manager under severe uncertainties. Therefore, the unpredictable environment within this sector creates a complex environment to manage regardless of the industry's size.

*Keywords:* Organizational behavior; trauma and memory; complex; project management

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#### 1. Introduction

At the level of organizations, companies have temporal orientations. These orientations vary with respect to the past, the present, the near future and the distant future, and cultural assumptions shaped by these orientations influence the management process (Schein, 2004, p:152). The strength of a culture is also related to time and the intensity of experiences shared by that society or a group. Schein (2004) further explain this by explaining that "if a stable group has had a long, varied intense history it will have a strong and highly differentiated culture". Furthermore, behavior within an organization results from managerial and employee values, attitudes and beliefs regarding work and organizations, which influences Organizational functioning. As Kanungo and Jaeger (1990) states "every organization must deal with the management of its internal (socio-technical) and external environments, i.e. the management of the people and technology within the organizations as well as the management of relations with the environment external to or outside the organization".

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Although the organizations of SMEs in the construction sector in North Cyprus are very simple, the aim of this paper is to show that the unpredictable environment in an economy, where the history (the past) shapes the behavior of a culture, highly influences business within the construction sector which creates a complex environment for managing projects regardless of the industry's size. The trauma caused by the political conflict on the island is presented as a serious challenge for this industry. The future of North Cyprus's construction industry is embedded in its past, this has given it certain social, political and historical characteristics.

The paper, firstly, analyses the complex theory and systems where characteristics of the complex systems are discussed. Furthermore, dissipative structure within the complex systems is emphasized to introduce why adaptation of the construction industry to the changing environment of the industry is difficult. The difference between adaptability and transformation is also introduced here to define whether the construction industry in North Cyprus adaptive or dissipative. Secondly, the history and the socio-political environment of North Cyprus are analyzed. Here, the recent history of Cyprus is presented as a major factor which shapes the behavior of companies, where the past is a dominant factor in the assumptions of the managers. Thirdly, the impact of trauma (conflict) experienced on the island is presented to emphasize the importance of memories of the past and how trauma shapes assumptions of groups (society, organizations) in management. Trauma is introduced as the main factor adding great uncertainties in a system. The paper finally presents the existing attributes of the construction industry in North Cyprus and discusses that these attributes are shaped by the recent history and the trauma on the island which makes this sector a complex environment to manage, where the system chooses transformation rather than adaptation.

This study is part of an ongoing research and represents a literature survey prior to empirical research within the construction industry.

## **2. Complex Systems and Dissipative Structures**

### *2.1. Complex Systems*

Complexity and systems theories are a valuable perspective that can equip organizational leaders with the essential knowledge and understanding of how to respond and adapt to the uncertainties and demands of global change (Amagoh, 2008). Complex systems are unpredictable with many variables operating at the same time. Systems become complex when several parts of the system interact with each other and depend on each other. Complex systems are open systems and are dissipative structures which do not respond to external pressures in a linear manner and are subject to instability (Prigogine, 1997). Roe (1998) suggests that we have to embrace this complexity and resulting uncertainty and analyse different subsets of interactions. Complex systems are usually considered to be evolving or self-organizing into something new (Ferlie, 2007). Holling and Gunderson (2001) state that these systems are self-organized—"Self-organization is a term that characterizes the development of complex adaptive systems, in which multiple outcomes typically are possible depending on accidents of history". When an additional agent is introduced to the system the effect of it could be more than the amount introduced since the other agents in the system are not evenly distributed. This is the result of the interconnections of the system and effects of each introduced agent are multiplied from these network interactions.

### *2.2. Dissipative Structures and Transformation*

There are several factors that influence how a system can manage and survive change, especially with intensified competition and globalization. To understand

how a system (in this case the construction industry in North Cyprus) can adapt itself and to identify the factors influencing the adaptation can be a difficult task. According to Roe (1998) complexity is anything we do not understand because of the large number of relationships between agents or stakeholders and other factor that may be beyond the control of the system. Jantsch (1980) suggests three types of system change models; (1) deterministic, (2) equilibrium and (3) dissipative. The deterministic change assumes 'controlled behaviour' within an ordered environment. The equilibrium model describes open systems with the ability to adapt, but operating within certain parameters. The dissipative model describes transformation when internal and external elements in the system are turbulent enough to create new order or a disorder.

Adaptability has been defined as "the capacity of actors in a system to influence resilience". By contrast, transformability has been defined as "the capacity to create a fundamentally new system when ecological, economic, or social structures make the existing system untenable" (Walker, Holling, Carpenter & Kinzig, 2004). According to Gemmil & Smith (1985) the change in the dissipative process from one state to another is a coherent, simultaneous leap. Eventually, a variety of possible forms can emerge from such a process; estimating which forms are resilient in which environment is very difficult.

### **3. North Cyprus –History and Politics**

#### *3.1. History*

Cyprus is an island and shares similar attributes to businesses as other developing countries and small states in particular. These include ; vulnerability to external events, uncertain and difficult transitions to a changing world trade regime, and limited capacity in the public and private sectors. Market fragmentation, a limited labour supply and dearth of skills, and inadequate access to technology and investment capital are widespread and have real constraining effects on the North Cyprus Economy (World Bank, 2000). The impact of globalisation is evident in this part of the world where players like US, Russia, Turkey, Greece, European Union, Turkish Cypriots and Greek Cypriots have interests in this strategic region (Ghosh & Aker, 2006). Additionally, Cyprus is a single island with two state entities and a history of violence between the two communities, the Greek and Turkish. In this environment, political problems of North Cyprus take priority over economic concerns and are a serious challenge in daily business.

Cyprus became an independent republic from the British Colonization in 1960. The first republic of Cyprus failed after only three years because of the ethnic conflict between the Turkish and the Greek communities on the island. After the conflict the Turkish society was forced to live in enclaves for eleven years where the representation of the Turkish society in the formal government was denied. This conflict between the two societies eventually initiated a war on the island in 1974 with the intervention of armed forces from Turkey to support the Turkish Cypriots after the war, the two communities were completely isolated from each other, and the island was divided into two separate parts bordered by a United Nations (UN) Buffer Zone which is known as a Green Line controlled by United Nations. North Cyprus has eventually become a *de facto* state, and declared its independence in 1983 as Turkish Republic of Northern Cyprus (TRNC).

TRNC, commonly called North Cyprus, is a *de facto* independent republic located in the north part of Cyprus. It has received diplomatic recognition only from Turkey, on which it has become dependent for economic, political and military support. The rest of the international community, including the UN and European Union, recognizes the sovereignty of the Republic of Cyprus over the territory of North Cyprus. Its diplomatic isolation prevents it from receiving nearly all non-Turkish external development assistance.

### 3.2. Politics

In *de facto* states instead of economic imperatives, politics is the utmost factor that runs the state; therefore Lynch describes *de facto* states as “political animals” (Lynch, 2004:63). In the case of North Cyprus, not only the state has to deal with the inherent problems of being a small economy but also has to deal with the problems of being a *de facto* state. Consequently, economics and business on the island is closely related to the politics of the island. Furthermore, the recent history of North Cyprus, as shown in Fig. 1, the unfruitful actions taken to resolve the on-going conflict, and the interference of external agencies has created a sense of ‘uncertainty’ both in politics and economically.

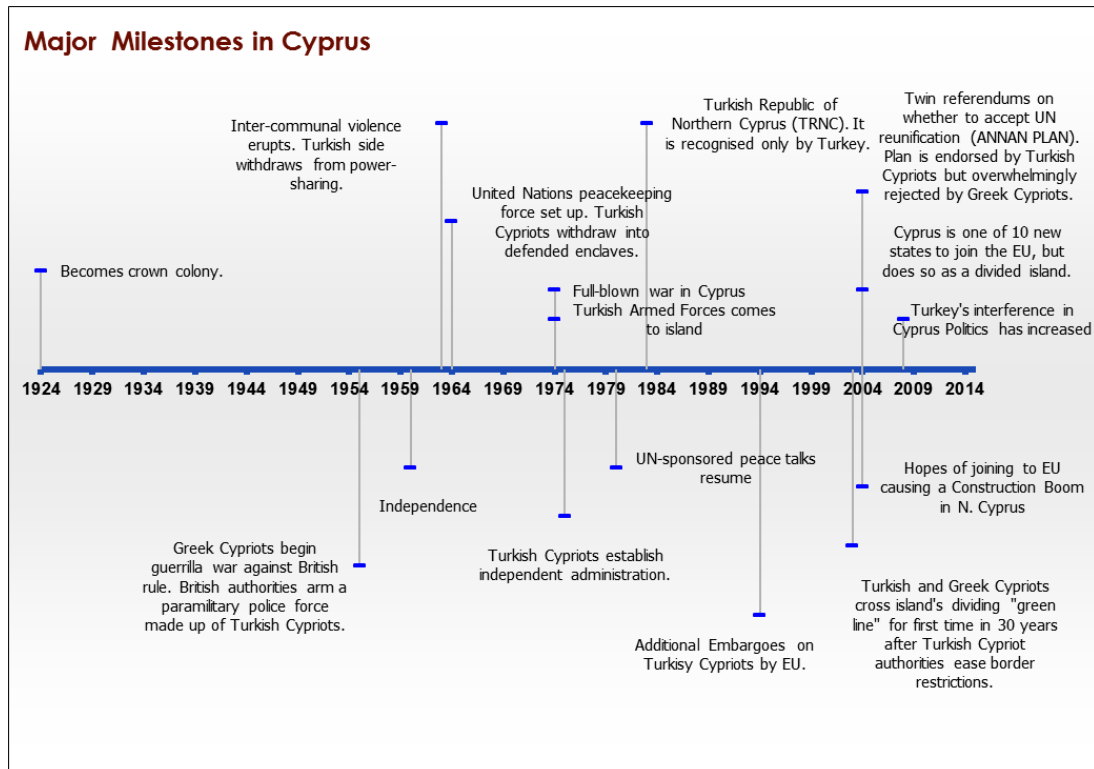


Fig. 1. Major Milestones in North Cyprus' History (by Author)

Even though an overall settlement in the politics of Cyprus would alleviate many of the economic problems of the Turkish Cypriots, political considerations have always been considered of greater importance. Like most islands, North Cyprus relies on foreign aid for its sustainability. However, being a *de facto* state usually blocks this sort of aid, it therefore has to find another source of financial aid, or seek a strong patron-in North Cyprus case Turkey is acting as a patron.

## 4. Trauma & Memory, and Trust

### 4.1. Trauma and Memory

A traumatic event is one that causes horror, terror, or helplessness at the time it occurs, and include community violence, acts of terrorism, war experiences, natural and human-made disasters (American Psychological Association [APA], 2008). Cultural trauma, on the other hand refers to a “dramatic loss of identity and meaning, a tear in the social fabric, affecting a group of people that has achieved some degree of cohesion” (Eyerman, 2001), which is caused by a traumatic event, where the memories of “a shared past are retained by the members of a group large or small, that experienced it” (Schuman & Scott, 1989). Collective memories are most likely

to be formed and maintained about events that represent significant long-term changes to people's lives (Pennebaker, Rim, Paez, & Rime, 1997, pp.17).

The research on trauma has references to remembering the past and mental representation of important events in the history at the present. Therefore, memories of the past are very important since they persist into the future. Some memories are highly accessible due to the frequency of their occurrences. However, rare, surprising and intense traumas or other stressful experiences are also highly accessible memories. Because of the extraordinary accessibility of the traumatic memory, a person (or collective) with a trauma is likely to overestimate the general frequency of such disturbing events as well as the likelihood of such events happening again in the future making a traumatic memory 'a lasting reminder of the way things are' (Berntsen & Rubin, 2007). It is then essential to understand memory at a social level to understand how certain professional organizations are affected by the memories of the traumatic events of the past and what might be their course of action for the future.

The actual facts of the history of certain important events are shaped over time as the memories are passed on from generation to generation. Additionally, the communities of diverse religious or national communities produce significant variations to the content of collective memories (Brockmeier, 2002). "As social groups are mobile, so are the borders of their memory and collective identity-formation" (Eyerman, 2001). Once a terrible event in a group's history becomes a chosen trauma, the truth about it does not really matter. From that time on, reality is interpreted through inner perceptions and feelings. Especially, when a new conflict situation appears (or a stress in the society appears) and tension arises, the current enemy's mental image becomes contaminated with the image of the enemy in the chosen trauma, even if the new enemy is not related to the original one. "When memory does not create shared historical understanding, power dynamics and politics play a greater role in defining truth" (Cohen, 2010).

#### *4.2. Trust*

The recent history of North Cyprus, as shown in Fig. 1, has created a sense of 'uncertainty'. Rohner, Thoenig, & Zilibotti (2012) suggest that conflict induces distrust mainly towards people "outside" the ordinary social network. Thus, to explain the distrust to the "others", the collective memory should be considered neither natural nor cultural. However, it is shaped by the history for particular moments and how the power-holders actively and strategically sought to change the memory (Rothstein, 2000).

Virtually all events, experiences, and perceptions are shaped by individuals' interactions with others. These "others," however, are not just any set of unity and people, rather they are groups who conceive their unity and peculiarity through a common image of their past. When people's lives are interrupted as a result of a tragedy or a disaster, their world becomes unmanageable and challenging and often experiences a crisis. As a result, "people attempt to manage discontinuities and disruptions primarily through memories that have cultural salience" (Becker, p. 182 in Cohen, 2010).

As Shapiro (1987) states "trust is a social relationship in which principals-for whatever reason or state of mind-invest resources, authority, or responsibility in another to act on their behalf for some uncertain future return." She further stresses that it is necessary to evaluate the sources of the agencies in the complex societies and principals' responses to uncertainty.

### **5. Construction Industry in North Cyprus**

#### *5.1. Smallness of the industry*

The capacity and the capability of the construction industry in many developing countries, as in any infant industry, are still substantially deficient. These weaknesses

are well known and have been widely reported (World Bank, 1984; Debrah & Ofori, 2001; Ngowi, 2002). The construction industry in North Cyprus experienced a construction boom in the aftermath of the UN Peace Plan known as the Annan Plan for settling the chronic 'Cyprus Problem'. This means that the industry is quite new and underdeveloped facing severe problems as in other developing countries (Mehmet & Yorucu, 2008). Nevertheless, project management practice is still at infancy stage in North Cyprus. Additionally, the common perception of the construction industry is that of an industry which delivers products and services that are often of inappropriate quality, and that fail to meet client demands for price certainty and guaranteed delivery (Lu & Sexton, 2006). This general perception also prevails for the construction industry in North Cyprus and it has been worse since the Annan Peace Plan, which prompted the construction boom. During the period of 2004 to 2010, several new small construction companies emerged to share the profits of the boom and delivered poor quality projects since no proper regulations are in place to regulate the construction activities (Hoşkara, Çavuşoğlu & Öngül, 2009; Yitmen, 2007; Yitmen, 2005). As a result, construction work in North Cyprus is characterized by delays, high costs, and poor quality of work, low productivity and inefficiency Yitmen (2007).

According to Tanova (2003) more than 95 per cent of all private sector organizations in North Cyprus are small and medium sized. In addition, 88 percent of the employees in the private sector are employed in small and medium sized businesses and 89 percent of these are family owned concerned. These statistics indicate that most construction professionals in North Cyprus work for construction companies that are family owned. This statement is also supported by Egemen (2006) and SPO (2008) who state that there are no large size nor international construction firms operating in North Cyprus. Considering that almost all of the local contractors in North Cyprus are small, and are family owned, it is only expected that the recent past history of North Cyprus has a great influence on management style of the projects.

## *5.2. Foreign Aid*

Urgent demand in development and rehabilitation of the infrastructure of the country, followed by the boom in the housing construction has initiated several infrastructure projects in North Cyprus. Recently, more funding is being generated from international sources such as Turkish Republic, EU and UNDP to tackle this problem. Therefore, there are more opportunities in the infrastructure construction industry with larger and more complex projects. Unfortunately, available contractors that are qualified to participate in these projects are limited and there is a risk that these opportunities might be lost to international firms, a situation has resulted in protests by the local industry (Yeni Düzen, 2011). Just recently, the Association of the General Contractors (AGC) protested against a waterline construction project funded and tendered by EU (the tender was open to all EU countries) claiming that the tender conditions put the local contractors at a disadvantageous position. It advised the government that, to protect local industry, public tenders should not be open to foreign companies (Havadis Newspaper, 2011). However, these protests have been unsuccessful. In September 2012 one of the most prestigious and most expensive infrastructure projects (350 million Euros) for North Cyprus, the upgrading of the country's only airport, has been awarded to a Turkish company ("Ercan Havalimani", 2012). Within the same time frame, two other major projects, a water transmission line from Turkey to North Cyprus (including the pipe line, the dam and the pumping stations) and the building of five major highways-total of 53km tendered as one lot- has of been awarded to a single Turkish construction company. The Turkish Cypriots were not able to participate in the tendering process of these projects since the tenders were opened in Turkey and the Turkish Cypriot contractors were not qualified to participate in the tendering process. According to the Turkish Cypriot AGC, the volume of these tenders would be enough to sustain the

local contractors for the next two years and would have provided an environment of growth and hope if awarded to local companies.

### 5.3. *Culture, Globalization and Locality*

Kotey & Merdith (1997) identified that the personalities of the owner/manager are a key aspect of how they run their businesses and that their personal values and goals are indistinguishable from the goals of their businesses. It is also suggested that owner/managers' personal values influence the strategies they adopt in operating their businesses and, ultimately, the performance of their businesses (Vos & Roulston, 2008). Owing to their cultural background and the setting of their operations, owner/managers of contracting firms in the developing countries, like their counterparts in other sectors of the economy, have a paternalistic and highly personal management style (Damachi, 1978; cited in Ofori, 1991). This personal management style is also shaped by the memories of the owner/manager. Early experiences (memories) shape later experiences in such a way that an organization's response to new challenges depend on "attitudes, expectations, feelings, and response possibilities" derived from history. The emphasis is not on reaching or maintaining a certain end point or terminal condition, but on staying "in the game" (Pickett et al, 2003).

Vertical integration of construction projects and increased foreign participation in domestic construction characterize globalization in the country. As more trade barriers are lifted and as more countries participate in the globalization process, North Cyprus, regardless of all the economic obstacles presented from the division of the island, is entering an era of increasing competition. This move towards globalization in construction poses both opportunities and concerns for less competitive local construction companies. Increased competition from foreign contractors could edge out local ones and suppress domestic construction industries. The trend towards foreign financed and designed contractual arrangements means that projects are more and more technologically intensive which requires more knowledge. Domestic contractors in North Cyprus find the competition difficult, with their historic competitive advantage being principally access to local authorities and managing the relationships according the current circumstances.

## 6. Discussion

When circumstances of economics, politics and the environment become unstable and uncertain, the process of management becomes even more challenging. Even in well-functioning organizations, where a traditional top-down, command and control view of leadership the number and diversity of interactions can overwhelm the ability of individuals to cope with them (Jaafari, 2003). In addition, war can cause a large group trauma where the society develops resistance to change and mistrust of outsiders.

The project management in construction industry in North Cyprus then takes a different approach to manage the complexity of the system. The amount of the interactions amongst the agents of the system makes it very difficult to predict how this management will shape.

The analysis of the socio-political environment of North Cyprus's construction industry clearly indicates that this is a very complex sector and helped to identify the management's behavior as depicted in Fig. 1.2. Fig. 1.2 (a) demonstrates how the project management X moves and meets with a resistance and adapts itself and continuous to evolve. Fig. 1.2 (a) represents a company where change is achieved by adaptation trying to strategize and keeping an evolving management style. We expect to see management behaviour in more stable environments where uncertainties can be predicted or managed by the organization. However, Fig.1.2 (b) represents the complex environment of North Cyprus Construction industry where

the project management, at certain intervals, interact with a new agent (uncertainty), and without any resistance (leaps) transforms into a completely different phase

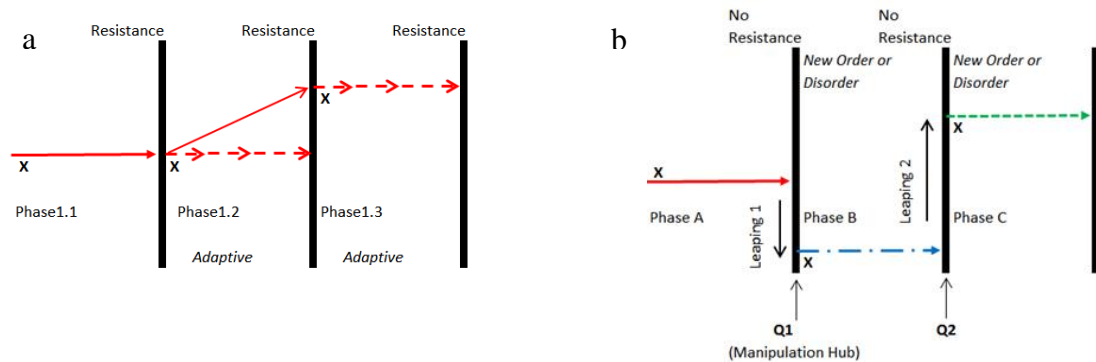


Fig.1.2 Dissipative Structure of Project Management in North Cyprus (Author)

which can be identified with the description of transformability of Walker, Holling, Carpenter & Kinzig, (2004).

This transformation is the result of the uncertainties beyond the control of the company and the incapacity of the smallness to resist uncertainties. At this instant the cultural assumptions of the manager, where he/she has to rely on his/her past and memories of trauma, plays a great role in project management. Consequently, rather than adapting and evolving, the management of the project starts with a different management style where the previous memories creates a new order or disorder in the management style of projects to deal with the new agent introduced in the system and transformation starts. At this point, the management is no longer resilient. After a little while local manipulation hubs (agents) start to evolve with a new system, either being on the ragged edge of handling possible consequences of what they started which might require higher effort at the subsequent phases. These efforts gradually lower their energy and eventually stub it out not to face with such results at the previous phase. Therefore, the most advancing period of a 'work' occurs at the beginning of that 'work'. Thereafter, started work skids into a static period gradually, and halts.

## 7. Conclusion

The turbulent political environment of Cyprus and the events following the war in 1974 has caused a very unpredictable business environment in North Cyprus. Hopes of being independent which might encourage growth and innovation in Construction Industry is challenged by Cyprus Problem and by the interference of Patron country in the local politics of North Cyprus. This has led the companies to be continuously seeking new ways of managing of their projects. External interference, institutionalizations of global capitalism along with turbulences caused by local manipulation hubs isolates components of social structure -classes, cultures - constantly and renders them ephemeral due to not allowing anything to accumulate temporal or social mold layer to arise. In terms of complexity theory, dissipative and self-organizing entities arise from such phenomenon. When we look at the project management in North Cyprus in construction, therefore, we see similar attitudes of dissipative and self-organizing environment which can only be explained with reference to the complex system that this sector operates within. Regardless of the changes in the system which are beyond the control of the sector, trauma and the memories shared in the society will always persist to remind the system of its



complexity. Dissipative structures are discontinuous and disruptive. Prone to be adaptive but transformative, discontinuous and disruptive organizations appear in an unpredictable part of a complex plane during the stochastic process (or random process), or even randomly created by the complex plane itself to resist to the order they are shaped within.

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