TOP MANAGEMENT’S CONCERNS ABOUT THE NEW MILLENNIUM: ISSUES FACED BY THE TURKISH SMES.

REMZİ ALTUNİŞİK
Assist. Prof. Dr.
Sakarya University, İIBF, Dept. of Business Administration
Adapazarı, 54050, Turkey
Tel.: 0(264) 3460333 ext. 135
Fax: 0(264) 3460332
e-mail: altunisik@usa.net
.altunr@esentepe.sau.edu.tr

RECAİ COŞKUN
Assist. Prof. Dr.
Sakarya University, İİBF, Dept. of Business Administration
Adapazarı, 54050, Turkey
Tel.: 0(264) 3460333 ext. 137
Fax: 0(264) 3460332
e-mail: coskunr@usa.net

Key Words:
SMEs, management problems, small business, Turkish economy.

Abstract:

Forces of globalisation fuelled by advances in new technology have changed the pace of doing business in today’s business environment. In this new environment, it is impossible for the firms to avoid the exposure to the results of this new wave. The key to survival and success in this new milieu is to foresee the emerging changes taking place in the business environment, and be prepared to pre-empt competition and to capitalise on opportunities associated with the new dynamic business environment.

Having noted the importance of SMEs in Turkey this study describes the top management’s future perspectives on such issues as the membership of European Union (EU), internet and telecommunication technologies, protectionism, globalisation, foreign capital, and increasing consumer awareness that we think will play a crucial role in the SMEs’ future. Findings of the study indicated that there is a positive attitude towards the EU membership, Internet, foreign capital, and increasing consumer awareness even though the respondents are lacking a comprehensive, yet, clear understanding of pros and cons associated with these issues. In conclusion, it would be reasonable to say, at least in light of findings of this study, that there is a long way to go for the Turkish SMEs if they were to capitalise on the opportunities emerging in the new business environment.
TOP MANAGEMENT’S CONCERNS ABOUT THE NEW MILLENNIUM: ISSUES FACED BY THE TURKISH SMEs.

‘If you do not know where you are going, every road takes you there.’

Forces of globalisation fuelled by advances in new technology have changed the pace of doing business in today’s global business environment. In this new environment, it is impossible for the firms to avoid the exposure to the results of this new wave. The key to survival and success in this new milieu is to foresee the emerging changes taking place in the business environment, and be prepared to pre-empt competition and to capitalise on opportunities associated with the new dynamic business environment.

A brief review of the literature would yield that there are several studies concerning the top manager’s of large corporations about the future expectations, visions, projections, potential opportunities and threats associated with the new business environment (i.e. Webster, 1981; HBR, 1997). However, there is a dearth of studies dealing with the SME managers’ perspectives on above-mentioned strategic issues (Brooksbank, 1999). As a modest attempt to fill this gap, it is our desire to explore the SME managers’ perceptions of the emerging business issues including EU membership, internet, protectionism, globalisation, foreign capital, increasing consumer awareness, as well as current political climate in Turkey.

Studies carried out in Turkey display a parallel line with those conducted in other countries around the globe. Main areas of interest in these studies, in general, were concerned with the characteristics of SMEs and their managers (Hankinson et al. 1997; Dinçer, 1996) and the management style in the SMEs (Özgen and Doğan, 1997), SME performance and its determinants (Storey, 1997; Appiah-Adu and Singh, 1998), problems faced by SMEs (Budak, 1993; Power 1998; ITO, 1993), the Internet usage in the SMEs (Poon and Swatman, 1997), and the competencies of SMEs (Eyre and Smallman, 1998). Studies reported in the literature examining various aspects of SMEs in Turkey reveal that these firms severely suffer from managerial, financial, legal and marketing problems. It is suggested that SMEs’ future success depends on their ability to overcome these obstacles. Most commonly cited obstacles can be summarised as follows:

1. Production and Technology Problems: Adoption of technological advances is one of the most commonly cited disadvantages of the SMEs (Özgen and Doğan, 1997). Due to lack of technical knowledge in the selection of appropriate technology and factory site (Balak, 1994) the SMEs face several problems including lower quality (Kavrakoğlu, 1993) and higher production costs (Özdamar, 1993). Moreover, lack of national institutions and laboratories providing guidance in obtaining CE and ISO 9000 quality assurance documents further weakens their position in competing in international markets (Asomedya, 1996).

2. Financial Problems: Financial difficulties are endemic for most SMEs (Kılıç, 1993). Since most of the SMEs owner-managers have technical/engineering background their knowledge on finance and accounting is rather limited (Budak, 1993). The most plausible solution to this problem is to employ professional managers. However, researches reveal that SMEs managers are unwilling and in some cases unable to delegate their managerial responsibilities to professional managers (Dinçer, 1996).

3. Marketing Problems: It is impossible to consider production and marketing problems of SMEs as separate. Production and cost problems weaken firm’s market position both at national and international levels (Budak, 1993). Other commonly faced problems are insufficient foreign language skill (Findikli, 1983), lack of understanding and foreseeing the changes taking place in consumer preferences as well as market environment (Tokol,
Difficulties associated with reaching international marketing networks and supplying internationally acceptable products (i.e. products with CE sign) also weaken SMEs’ position in the international arena (Özgen and Doğan, 1997).

4. Legal Problems: Time consuming nature of laws governing the SMEs prevents these firms from timely reaction to market forces, making new investment or capacity expansion decisions and establish effective relations with the public institutions. The high burden of Turkish labour law is another disadvantage facing the SMEs (ITO, 1994). Also, red tapes make operation of SMEs painful and discourage new entrepreneurs (Bağrıçak, 1991).

5. Managerial Problems: Lack of management skills and qualified personnel, insufficient training and development facilities (Erdoğan, 1993), shortage of specialisation, information and consulting bodies severely limits SMEs’ operations (Karatas, 1991). Findings reveal that in the Turkish SMEs, entrepreneurship, management and ownership are all combined within the hands of the owner, and thus the result is little delegation and professionalism. The monographic (i.e. the owner/manager is the only policy and decision-maker) nature of SMEs’ management pose certain threats and eventually endanger the future of the firm (Dinçer, 1996).

PURPOSE OF THE RESEARCH

There are several studies concerning the views of large organisations on the issues such as the new economy (i.e. the Internet, IT and microchip technology), the EU, increasing pressure of globalisation, rapidly changing consumer behaviour and expectations, environmental awareness, and the quality. However, as our review of the extant literature indicates there is a dearth of studies examining the perceptions of SME managers on these newly emerging issues which have already been reforming the existing business environment and practices. This study attempts to examine these issues in an onward-looking perspective. This is particularly important since in today’s turbulent environment having a clear direction is of vital importance to the SMEs for future success and to gain competitive edge. Two steps are of critical importance in establishing and maintaining direction in any organisation:

a articulating a vision of the organisation and translating that vision into a mission that defines the organisation’s ‘overarching’ purpose, and

b compatible with vision and mission to develop more specific and relatively short term direction, i.e. organisational objectives where an organisational objective is a target towards which an organisation directs its efforts (Certo and Peter 1995).

The research reported here was designed to determine how a sample of executives, owners or operating managers in the upper echelon of a variety of small and medium size Turkish enterprises viewed various emerging issues such as recent developments in the EU membership efforts, advances in new information and communication technologies, taking place in today’s turbulent business environment. It was intended that the interviews should reveal the major issues, concerns and how the challenges of these changes were perceived by the top SME managers. For the sake of survival and competitive advantages, it is assumed that the managers should have been able to perceive the importance of these issues, and develop a mission statement and long and short-term objectives regarding these issues.

The purpose was not to gather data concerning the whole Turkish SMEs with the aim of developing strategies that will help Turkish SMEs in overcoming the difficulties associated with the changes taking place in the environment. Rather, the purpose was to see how sensitive the Turkish SME management to the changes in the business environment is, since
These issues are so pervasive that no business is immune to the effects of these changes. However, the findings of this study are by no means an end themselves, they will provide the foundation for a study to be taken place in the near future involving a more comprehensive survey of the Turkish SME top managers concerning a number of concurrent issues faced, in addition to their perception of the existing changes in business world. The findings of this study may thus shed some light concerning the preparedness of the Turkish SME managers to the emerging challenges, and point out the areas which need to be concentrated with the aim of capitalising on new opportunities and gaining competitive advantage or at least for survival.

DEFINITION OF SMES

There is no a commonly accepted definition of SMES. Different quantitative (such as the number of employees, capital, profit, energy consumed, sales, value-added and market share) and qualitative (such as managed by owner-managers, lower level of hierarchy and specialisation, insufficient financial resources and absence of modern managerial techniques) criterion have been used (Dinçer, 1996). However, the most common criteria used in the classification of SMES is the number of employees since it is easily measurable and readily available in most cases. Hence, we have used the same criteria in selecting the sample used.

IMPORTANCE OF SMES IN THE TURKISH ECONOMY

The 21st century has been labelled as the ‘decade of the SMES’ in Turkey (Destici, 1998, p.138). They play a leading role in textile and metallic goods industries but their existence becoming more evident in every industry ranging from electronic to automotive (Power, Ocak 1998). It has been estimated that 99.2 per cent of the firms operating in Turkey are SMES. They create 79.7 per cent of the employment and 38 per cent of the total value-added. A survey carried out by the Small and Medium Enterprises Development and Support Office reveals that in the manufacturing sector alone, 99.5 per cent of the firms are SMES. They create 61.1 per cent of the employment and 27.3 per cent of the value-added (Power, Ocak, 1998: p.150). However, SMES’ role is not limited to their economic and employment contribution, they help in:

- improving the adaptability of the economy to changing market forces and conditions,
- supplying necessary raw and semi-manufactured materials for large firms,
- creating a competitive environment by producing similar products with the large firms,
- providing flexibility in the adoption of new technology and production systems,
- creating new economic centres (i.e. Gaziantep, Çorum, Denizli, Kayseri and Kahramanmaras) they reduce the economic gap between regions and prevent migration, and
- diffusing capital to the lower stratum of the society and preventing an oligopolist economic development (Budak, 1993; Özgen ve Doğan, 1997).

Recognising the importance of SMES in the stability of the economy, the Turkish government has set up programs like KOSGEB-Technology Development Centres. The aim of the centre is to encourage co-operation between SMES and universities. With the support of the universities, the centre aims to provide necessary help to the SMES in the areas of new product development, production and R&D. Other services provided by the centre are...
consultation services for marketing, provision of online access to university libraries and internet facilities, arrangement of conferences, exhibitions and fairs, and co-ordination of co-operation programs between SMEs and the EU. Also, KOSGEB has been working on creating a ‘financial investment partnership’ project with the aim of providing financial support to SMEs. The partnership is intended to operate as a private firm managed by SMEs’ representatives or participating firms. On the other hand, Eximbank (the export and credit bank of Turkey) has taken necessary steps to provide cheaper loans for the SMEs to encourage their exporting (Power, Ocak 1998) due to the fact that SMEs share in total credits provided for the firms is as low as 3 per cent (Müftüoğlu, 1994).

However, regardless of such supports, the success of small firms in the global market depends on their ability to manage their human and technical assets, to realise how environmental factors affect the firm, to clarify the direction of the firm and to create a clear vision and short and long term objectives with an international perspective.

SAMPLE AND INTERVIEWS

The methodology adopted in this study involves carrying out a semi-structured in-depth interviews with a total of 31 top managers of the Turkish SMEs located in Sakarya and Gebze region. Interviews were conducted by the authors with the owners or chief operating officers or a member of upper management. The details of these respondents are provided in Table 2. Interviews were carried out in the managers’ own offices or other settings in the form of informal and friendly conversation, and lasted in between 55 minutes to 2.5 hours. In order to avoid any misinterpretation of the questions by respondents, the researchers have requested some clarification from the respondent in the form of rephrasing the question or asking some clarification (what do you mean by that ?), if necessary. In doing so, researchers were careful about not asking any leading questions. The respondents were cordial and open in all instances, seemed truly interested in the research and the research questions. Some of the main research questions raised in these interviews are presented in Table 1.

The sample used in this study is clearly a convenience one taking the preliminary nature of the study into account. In the selection of the sample we have tried to cover as diverse sectors as possible with the aim of covering a broad range of industries. The sectoral distribution of these firms are summarised in Table 3. However, it is by no means representative of the whole Turkish SMEs in a statistical sense. Likewise, the interpretation of the research results is highly subjective and it is not possible to generalise the findings to whole SME managers either.

<table>
<thead>
<tr>
<th>TABLE 1. A SAMPLE OF QUESTIONS RAISED IN THE INTERVIEWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General questions concerning the information about the respondent and the firm</td>
</tr>
<tr>
<td>2. General questions about the products produced and marketing practices applied.</td>
</tr>
<tr>
<td>3. How do you evaluate/perceive the Customs Union with the EU and EU membership?</td>
</tr>
<tr>
<td>4. Do you use Internet currently? Do you think the Internet will affect your business? If yes, please elaborate how the effect will be felt?</td>
</tr>
<tr>
<td>5. Do you think that environmentalist pressures will have an effect on your business? How?</td>
</tr>
<tr>
<td>6. What do you think of “globalisation” and is it a good thing or not?</td>
</tr>
<tr>
<td>7. What do you think of inflow of foreign capital in? Is it beneficial or not?</td>
</tr>
</tbody>
</table>
8. Do you think today’s consumers are more sophisticated and more knowledgeable? Is that good or bad?
9. Do you think there should be some protectionism? Why? Or Why not?
10. Is Turkey is becoming a consumer society? How? Is it good?
11. How do you evaluate the current political climate in Turkey for the business?
12. In your sector what is the term “quality” mean to you?
13. How do you evaluate the performance of Chambers of Commerce and Industry in your region in terms of helping business community? Why or why not?
14. How do you picture the Turkish SMEs’ position in 5 years time?
15. What are the critical problems your industry are facing now?
16. As a manager, what determines the success and failure in your business sector during the next five years?

ANALYSIS OF FINDINGS

In the analysis of data three referees were used. Two of which were the researchers and the third one was another colleague who is familiar with the management topics. Data has been examined under nine categories (issues). In order to simplify the analysis, we have evaluated the responses of all respondents to a particular question (category) in terms of whether the emergence of the issue is perceived as an opportunity or a threat (as in the SWOT analysis) for the business. If the respondent was hesitant to reply or do not have any cue about the issue, it is considered as indecisive. The frequencies of respondents in each category are presented in Table 4. Before getting into the analysis of the data, a brief summary of the characteristics of the managers interviewed and the firms will provide us with some help in the interpretation of findings.

Profiles of the Respondents

All of the respondents, except one, were male, and approximately 70 per cent of them had the title of owner/partner-manager and the remaining 30 per cent were salaried managers responsible for the operations. Nearly half of the respondents had a university degree while a small minority (13 per cent) had only a primary school degree and the remaining had a high school degree. The age of the respondents were ranging between 25 to 55 years; the majority of them were in their mid-30s and early-40s. About a third of the respondents were with the current company for 10 years or less and another one third had been working in the company for more than 15 years. Approximately the remaining 30 per cent were with the firm for 11-15 years.

Of the respondents, only 16 per cent indicated that they were familiar with the Internet environment and making use of this new medium. Although nearly half of the respondents have pointed out that they were knowledgeable about computers and information technology, only 20 per cent of them were able work in the MS Office environment. Most of the computer works were taken care by the employees. Almost all of the managers included in the sample indicated that they were reading some daily newspapers but only half of them were interested in the economics and management related magazines and journals. Respondents who were reading/following work-related magazines or journals were composing about 10 per cent of
the sample. Only 2 out of 31 managers have shown interest in attending courses or seminars in the area of management. However, a third of the respondents have pointed out that they were attending fairs and exhibitions, and this was representing the main source of new product ideas.

TABLE 2: PROFILES OF THE RESPONDENTS*

| Age | Ranging between 25 to 55 years | Majority of them were in 30s and 40s. |
| Education level | Primary school (4) 13%, High school (12) 39%, University (15) 48% |
| Title/Position in the firm | Owner-manager 71%, Operating manager or factory manager 29% |
| Duration of employment in the firm | 0-5 years 19%, 6-10 years 16%, 11-15 years 32%, 16 years -over 25 33% |
| Any publication read | Daily newspapers 95%, Dünya Gazetesi/Ekonomin Forum Gazetesi 45%, Ekonomist 25%, Work-related magazines & journals 10% |
| Attending any management program | Yes 6%, Attending fairs & exhibitions 32% |
| Knowledgeable about computers | Knows MS Office Environment 20%, Uses special program for firm 51% |
| Familiarity with Internet | Yes 16% |

* Percentages given in the table are rough percentages.

Profiles of the Firms

As pointed out earlier there were 31 firms in our sample. Sectoral distribution of these firms are shown in Table 3. These firms represent 11 different sectors of SME business (Poultry, Food, Diary, Metal, Machinery, Furniture, Electronics, Glass & Window, Plastics, Karavan & Trailer, and Textile) and are expected to provide some indications of problems facing a particular business sector and reflect the general nature of the business in the sector. In terms of organisation, only 12 (% 39) of them had some sort of functional departments.

A small proportion (12 per cent) was in business for less than 5 years while nearly half of the firms in the sample were in business for 6 to 15 years. Approximately 40 per cent of the firms were serving the particular sector for more than 15 years.

With respect to capacity utilisation in the SMEs, typical rates varied across industries and across firms within a particular industry, and the typical rate was ranging from 15 per cent (metal foundry industry) to 95 per cent (food sector). As the main reason for the low capacity utilisation rates, poor economic conditions are blamed. Also, there was a great dependency on large customers. The majority of the SMEs in the sample dealt with a small number of
customers that produced 50 percent of turnover. Some of them have their own distribution channels since it was considered critical in the success of the business. This finding is in line with the existing findings (Ozgen ve Doğan, 1997; Hankinson et al. 1997).

In terms of Internet use, of the firms included in the study 40 per cent had their own web pages, and online presence and information seeking motives were among the main reasons for Internet involvement. However, Internet usage was generally limited to surfing and e-mail communication.

TABLE 3: PROFILES OF FIRMS EXAMINED IN THE STUDY

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>&lt;20</th>
<th>20-50</th>
<th>51-100</th>
<th>101-150</th>
<th>151+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>Up to 50 billion TL</td>
<td>7</td>
<td>Over 50 billion TL</td>
<td>5</td>
<td>Not available</td>
</tr>
</tbody>
</table>
| Factory floor area (Closed/Open) | Majority of the is ranging between 500 to 4000 sqms
| Sector              | Poultry | 3 (firms) | Food | 4 | Diary | 3 |
|                     | Metal | 3 | Machinery | 3 | Furniture | 3 |
|                     | Electronic | 2 | Glass & window | 3 | Plastics | 2 |
|                     | Caravan & trailer | 3 | Textile | 2 |
| Age of the firm (year) | 0-5 | 5 (firms) | 6-10 | 9 | 11-15 | 7 |
|                     | 16+ | 10 |
| Capacity utilisation | Ranging between 15% to 95% depending on the industry |
| Number of continuous customers | Majority of the firms operate through distributorship or supply a few buyers |
| Target markets (domestic/foreign) | Almost all firms sell in the domestic markets with an exception of two firms, more than 60% of whose output are exported. |
| Internet usage | 40% of the firms have their own web sites, and mainly used for internet presence, few firms use internet for seeking suppliers |
| Functional departmentalisation | Only 12 of the firms have some sort of functional departmentalisation |
PERSPECTIVES of SME MANAGERS on EMERGING ISSUES

Although a single individual’s major concerns were usually expressed in ways specific to his business, there was a surprising degree of consensus in the interviews as to the major issues facing SMEs in Turkey. A good deal of these managers had trouble in understanding some of the concepts of interest. The managers do not spend a great deal of time thinking about the emerging issues concerning the change taking place around them. This was also a sign of a lack of interest in the issues which are likely to re-shape their business as well as methods of doing business in the new environment.

TABLE 4: PERCEPTIONS OF MANAGERS CONCERNING VARIOUS ISSUES

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>OPPORTUNITY</th>
<th>THREAT</th>
<th>INDECISIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU MEMBERSHIP</td>
<td>19</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>GLOBALISATION</td>
<td>20</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>COMPETITION</td>
<td>16</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>ENVIRONMENTALIST PRESSURES</td>
<td>18</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>INFLOW OF FOREIGN CAPITAL</td>
<td>18</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>NEW COMMUNICATION TECHNOLOGY &amp; INTERNET</td>
<td>26</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>PROTECTIONISM</td>
<td>2</td>
<td>20</td>
<td>9</td>
</tr>
<tr>
<td>SOPHISTICATION OF CONSUMERS</td>
<td>23</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>CURRENT POLITICAL CLIMATE</td>
<td>16</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

Globalisation

In the academic literature, the term “globalisation” has been used within various context such as globalisation of markets (Levitt, 1983), globalisation of competition (Sheth, 1986), globalisation of sourcing (Barker & Aydin, 1991), globalisation of consumer preferences (Whitelock, 1987) and in short, globalisation of business (Dunning, 1993). In this study, term “globalisation” was the most puzzling term for the majority of the respondents, and most of them gave irrelevant answer to the question. In such cases, as an aid particular question is rephrased or clarified with further explanations. In the clarification, utmost attention has been paid to prevent any lead which might influence the respondent’s answer.

Despite a lack of clear understanding of the term, most commonly cited context or the meaning attributed to the term globalisation was,

- wide spread use of TV and Internet type communication technology
- globalisation of markets
- disappearance of distance between countries
- American style eating and living
- Western (more specifically American) imperialism
- increase in foreign competition in Turkey
- joint venture formation
The majority of the managers have considered globalisation as an opportunity for the reasons that it,

- forces us to operate more effectively and efficiently
- helps us to broaden our vision
- forces our governments and business community to adopt a global approach
- helps the enrichment of our culture, life-styles, and perceptions towards events and world, and
- improves the consumers’ awareness of better qualities and thus emergence of more sophisticated consumer segments

Some of the respondents have believed that the forces of globalisation is not good for the SMEs in Turkey and the Turkish economy in general. Some of the reasoning behind this belief are,

- it will kill local business (SMEs in general) since they are very small and weak
- economy is negatively influenced due to increasing imports, and
- local tastes, cultural values and our heritage have started to disappear or becoming less important

**Competition**

With regard to the emergence of new competition, more than half of the respondents indicated that competition was good for business in general because it eliminates those ineffective and inefficient firms from the market and forces the firms to shape up. Those of managers who perceives the emergence of competition as an opportunity have a tendency to believe that they are in a good position in their sectors. Some other reasons for a positive attitude towards the competition are,

- it helps us to reshape ourselves
- improve the dynamic structure markets, hence eliminates poor and ineffective players in the market
- it is the foundation of fair competition in the market

On the other hand, those managers against the competition believe that they are in a weak position to compete with resource-rich big players in even domestic markets let alone the foreign competition. Thus, some sort of protection from the government or other bodies is essential for their very existence.

**Foreign Capital**

Majority of the managers of the SMEs in our sample reported that inflow of foreign capital is an opportunity for the SMEs in Turkey. Few of them have indicated their concern for the likely negative effects of the foreign investment in Turkey. Those of the managers who perceived foreign capital as an opportunity for the SMEs indicated that,
we needed the capital. It does not matter where it comes from since money has no nationality,

foreign technology also will be coming in Turkey along with the foreign capital,

we, as SMEs, need foreign expertise in management and product,

foreign capital, thus foreign partners, will help us in entering global markets, and

foreign investment will lower the risk SMEs face in today’s turbulent market environment.

A review of these reasons for a positive attitude towards the inflow of foreign capital to Turkey indicates that it is considered some sort of life-saver for the SMEs. In the words of a manager “it is the only thing that will help us recover from this slump”. Most of the managers expect that inflow of foreign capital will be in the form of joint venture or some other partnership without losing their business, and thus revenues. Also, there is an over expectation among the managers that such partnerships will solve the problems that a particular SME faces, and open the way to foreign market and improve the competitive position of the firm in Turkey and abroad.

**Protectionism**

It was our expectation that SME managers would evaluate protectionist applications in the form of government subsidies or some other forms of help as beneficial or as an opportunity for their businesses. The main objective of protectionism is to help survival of small and strategic businesses in an economy. But the majority of the respondents did not favour protectionist actions of governments or other regulatory bodies, and indicated that such actions were threat to SMEs in general. This negative attitude towards protectionism was not purely for the sake of fair competition or free market economy, but rather it was the belief that such protectionism will not benefit their own organisations due to fact that such actions usually tended to be designed for some privileged firms. These respondents believe that protectionist measures are less likely to equally applied to all firms (SMEs) in a given sector. Hence, the logic is simple; “it is not good, if it will benefit someone else rather than me”.

However, a large proportion of the managers indicated that they do not expect any special treatment or any privileges from the government or any other regulatory bodies apart from eliminating or at least not creating new obstacles in the way to the market. On the other hand, this is a wish of SME managers of nationally operating firms. Furthermore, the managers of those firms operating at international level are complaining inequality of conditions between themselves and foreign firms. In short, it will be reasonable to conclude that SME managers are in favour of free market competition.

**Environmentalist Pressures**

In terms of environmentalist movements and increasing public awareness, it our perception that managers do not have the necessary sensitivity in understanding the importance and implications of environmental issues for the business. They do not see any problem with their operations unless a regulatory body warns them or suspend their operations due to violation of environmental codes.
Apart from a handful of firms (i.e., dairy firms), almost all the managers responded that they do not have any problems with the increasing environmental pressures or regulations. Those affected by such movements argue that this problem cannot be solved by SMEs individually. They expect that the government should take the initiative and guide them in dealing with current and potential pollution problems.

Firms complied with the environmental regulations through implementing discharge cleaning system into their businesses consider increasing environmental pressures as an opportunity since such measures will eliminate some firms from competition; restoring fair competition in the market.

The European Union Membership

Most of the managers have a tendency to perceive the EU membership as an opportunity for the Turkish economy in general and the Turkish firms regardless of the size in particular. This attitude might be linked to the consensus of political parties, trade unions, civil initiatives and intensive propaganda led by the mass media concerning the EU membership. The logic behind for this positive attitude is generally attributed to such factors as;

- reaching cheaper supply,
- ease of market entry,
- access to new markets,
- positive contribution of the EU membership to the Turkish economy,
- increasing living standards, and
- forcing us to shape up

Those who consider the EU membership as a threat for the Turkish SMEs argue that Turkish firms are not ready for the market conditions which the EU membership will impose. Also, the membership will benefit more to the European firms due to increased imports from the EU. The membership may be beneficial for the large Turkish firms, not for the SMEs due to above-mentioned endemic weaknesses.

New Communication Technologies and Internet

Almost all the firms perceive new communication means and the Internet as an indispensable opportunity for their businesses even though the majority of managers could not specify possible outcomes and implications of these new means for their business. Only a few of the respondents stated that they installed the new technology, but with limited usage (mostly internet surfing and e-mail). Nearly one-third of the firms had their own web sites on the Internet, but this does not meant to produce fruitful results apart from an on-line presence. E-mail use for business purpose is at negligible level due to the fact that very few customers or suppliers own or use e-mail addresses. However, without exception all managers had mobile phones.
Increasing Consumer Awareness

Some two-thirds of the respondents pointed out that increasing consumer awareness will produce positive outcomes for the firms managed with a market oriented mentality. The main reason for this attitude is the belief that sophistication of consumer will separate poor quality products from good quality. Hence, quality oriented firms will be awarded by the customers.

Current Political Climate in Turkey

Despite the hesitation on the long-term effects, the majority of the managers replied that current political climate in Turkey and the government’s attitude towards business will help the Turkish business to flourish. In particular, the harmony between the members of the coalition and their decisiveness in implementing anti-inflationist programs are appreciated by the business community.

CONCLUSION AND SUMMARY OF FINDINGS

In light of above analysis, we may conclude that even though many managers argue that they are ready to face the competition from the Europe, our findings indicate that the managers of SMEs are lacking in grasping the strategic implications of the issues associated with new business milieu. As a result, we can draw the following conclusions:

1. **There is a lack of market orientation among the SME managers.** A clear indication of this point can be observed in the statement of problems they face. Most of these problems were concerned with internal environment of the firm (i.e. the production or finance related problems).

2. **Professionalism is absent.** Majority of these firms are family-owned, hence managed by the family members who usually lack any professional managerial skills.

3. **Lack of a long-term perspective in dealing with business affairs.** Most of the managers do not have long-term vision and objectives, and most of them struggle with daily operations which is a sort of myopia. Such behaviour jeopardises the future of the firm.

4. **Lack of understanding of the importance of emerging issues.** An obvious indication of this finding is that the vast majority of the managers do not have a clear understanding of concepts such as globalisation, foreign direct investment which might offer opportunities as well as pose threats to the SMEs.

5. **They are fateist.** There is a lack of aspiration in the management of these firms in regard to facing challenges, taking risks and exploiting opportunities emerging in the new business environment for the sake of growth and long term survival.

6. **Technological obsolescence.** Most of these firms are slow to adapt their mode of operation in light of technological changes taking place around them. One of the reasons for the slow responsiveness is the lack of financial resources since new technologies are expensive and may not be appropriate for small scale production.

7. **Fear of losing control of management.** Related to the question of non-existent professionalism lack of delegation and employing professional is a common drawback associated with these firms.
8. **Financial weaknesses.** Financial weakness is an endemic problem for all SMEs. In particular due to high interest rates, the cost of capital is extremely expensive for the SMEs in Turkey.

9. **Inefficient or ineffective governmental or non-governmental bodies (i.e. Chamber of Commerce, KOSGEB) providing help.** Nearly half of the managers indicated that current practices of such organisations are far from satisfactory. Lack of trained personal, populist agendas, lack of interest in the members’ problems and the structure of these organisations are some of the factors pointed out as the reasons for ineffectiveness of these organisations.

10. **Heavy reliance on government subsidy and help in solving problems.** This point was very clearly pronounced by many managers in respect to solution to problems (i.e. environmental pollution) which were beyond the capability of these firms.

**REFERENCES**


