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Exploring the Problems and Advantages of Turkish SMEs for Sustainability

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Abstract

Turkish Small and Medium Sized Enterprises (SMEs) are major players in the national economy; they are the biggest employer of the country and tax payers which have crucial contributions to regional economies. Thus their success and stability are critically important and therefore the priority should be given to the clarification of the problems they face and working to solve them. Therefore, SMEs should take into account the sustainability in their strategic plans in order to satisfy the future needs and to enable strategic alliances and global collaboration with Multinational Enterprises (MNEs). The proposed study aimed to explore the difficulties and advantages of Turkish SMEs for sustainability and on the light of the results, it discusses the strategic managerial implications necessary for sustainability.

Keywords: SMEs, Sustainability, Strategic Planning, Problems of SMEs

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1. Introduction

SMEs are crucial players in any economy as they provide jobs, produce goods and services, pay taxes and contribute their regions in many other ways. Turkey -a country with a large population of youngsters entering the market of employment every year, a country with noticeable amounts of national debt and an export-import imbalance, a country of wide spread tax frauds- vitally needs SMEs to foster and activate its economy. Turkish SMEs are major players in the national economy; they are the biggest employer of the country and tax payers which have crucial contributions to regional economies.

Corporate sustainability considered as the development that meets the needs of the present without compromising the ability for future generations to meet their own needs (Sharma & Henriques 2005) . SMEs

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should take into account the sustainability in their strategic plans in order to satisfy the future needs. Thus, strategy can be defined as the process of aligning with business environment and maintain a dynamic balance for sustainable SMEs (Moore & Manring,2009). Additionally, SMEs that embody sustainability in their strategic plans are more innovative and capable of managing local and international growth (Upton et al.,2001) (Gibbons & O'Connor, 2005) .Such an important topic also attracts academic attention: there are a number of academic studies focusing on the subject of sustainability and strategic planning for SMEs (Houben et al. 1999 ; Stonehouse & Pemberton, 2002 ; O'Regan & Ghobadian 2002; Gibbons & O'Connor, 2005; Wang, et al., 2007; Marrewijk,2003). The present study aimed to develop a deeper understanding of the factors for sustainability among Turkish SMEs.

2. Literature Review

2.1. Corporate Sustainability and SMEs

Corporate sustainability has various definitions in the literature. Dyllick and Hockerts (2002, pp.131) defined CS (corporate sustainability) as “meeting the needs of a firm’s direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc), without compromising its ability to meet the needs of future stakeholders as well. Another definition is “... a company’s activities - voluntary by definition - demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders (Marrewijk & Werre, 2002).

As can be understood from the definitions, corporate sustainability is not a single faceted concept, it has three dimensions: economic, social and environmental. *Economic sustainability* means a firm having enough cash-flow to guarantee liquidity besides a satisfying return to shareholders, whereas *environmental sustainability* requires the firm to have a positive ecological impact by protecting natural resources and to trying to preserve the balance of the eco-system. The last dimension *social sustainability (also called socio-efficiency by Figge and Hahn, 2001)* involves contributing the community by a positive social impact: by many means such as adding value to the human capital (Dyllick & Hockerts, 2002). Organizations should adopt a holistic view of sustainability in their strategies, thus success in one of these dimensions is not enough for long run persistence (Gladwin et al. ,1995)

In both academe and among business institutions various concepts have been discussed to create a more humane, ethical, economical and transparent way of doing business for sustainability (Marrewijk, 2003).In order to achieve sustainability, SMEs should determine strategies, which will help them to enhance opportunity for profits and to avoid threats for future success (Kerr, 2006). Corporate sustainability involves the adaptation of the objectives of continuous development for products, creativity, effective human resource management, social equity, economic efficiency and environmental performance, into company's strategic plans and operating activities (Labuschagne et al, 2004). Thus, today, human resource management, environmental issues and green management are no longer secondary concepts, to a certain extent they are the centers of sustainability (Schmidt, 2001).

A sustainable organization can best be operated in a sustainable economy and industry where there is a fair competition and adequate government support for all actors. However, today, the national and global economic crisis made it very difficult for countries to obtain a stable economy that support businesses. The government support for SMEs in Turkey-that is in the form of financial support in most of the cases- aims to help SMEs in reaching their development plans, strategic goals and producing qualified products that suits the European norms

and production standards for global competition. Turkish SMEs have ranked the financial issues as their major problem due to insufficient owner's equity (Çelik et al, 1997; Kutlu and Demirci, 2007). To overcome their financial difficulties they often look for external resources but due to the lack of institutionalization, bureaucratic difficulties and high interest rates it became very difficult for them to lead their operation with external financial support. Therefore the government support for SMEs, especially in developing countries like Turkey become crucial.

On the other hand, an organization's human resource is an important source for sustainable development (Barney, 1991). Strategic human resource (HR) management, which focuses on the assessment of effectiveness of existing human resource practices, aims to create a fit between HR practices and organizational goals (Hayton,2003). SMEs are unlikely to invest in training and development of their work force believing that most of the employees are easily replaceable and lacking value (Bacon and Hoque, 2005). By contrast, SMEs, who focus on growing and sustainability, need to work with qualified labors knowing that they are the most valuable assets of their organizations (Grugulis, 2000; Çolakoğlu, 2002; Bacon and Hoque, 2005).

The literature hold various studies about family owned businesses on the subject of sustainability in SMEs for both academic and business purposes. This is not a surprising result knowing that only in Turkey, 94% of total SMEs are family owned business and they are employing nearly 47% of total workforce in Turkey (Sirkeci, 2008). SMEs that are mostly owned and managed by families have various advantages to promote their sustainability. For example, it is figured out that family owned businesses are more responsive to changes, eager to motivate employees and more dedicated to achieve their goals (Dreux, 1990; Aronoff & Ward, 1994). Moreover, they develop a language which is unique to their family and as a result of this language they can communicate more efficiently and exchange more information through informal decision-making channels (Daily & Dollinger, 1992).

2.2 Aim of the Research

SMEs that emphasize sustainability in their strategic plans will become attractive for multinational companies which seek strategic alliances, improve their competitive advantage and enhance their opportunities for continuous learning (Moore and Manring, 2009). This is the reason why SMEs are accepted as the backbones of national economies and attractive partners for MNEs to enable strategic alliances and global collaboration. Therefore, the proposed study aimed to explore the difficulties and advantages of Turkish SMEs for sustainability and on the light of the results; it discusses the strategic managerial implications necessary for sustainability.

3. Methodology

Among many other studies regarding sustainability of Turkish SMEs, this study differentially aimed to identify the problems about sustainability from the perspective of the owners. The pretest of widely used sustainability measures, such as Dow Jones Sustainability Index, indicated that the majority of the items used in the scale were not suitable for Turkish SMEs. The main reason for lack of correspondence is that the items in scales are more appropriate for the multinational companies, rather than SMEs. Secondly, all these scales are used to report the sustainability criteria for large companies in developed countries and the tracks defined in these scales are fall short of explaining the external and internal environmental factors of developing countries where the majority of

industries are composed of SMEs. Thus with this study we tried to get the inner look and more essential items that SMEs consider in the manner of their sustainability.

The study had composed of two phases. At first phase, owners of 70 SMEs which are registered to chambers of industry and commerce of their region were asked to list the problems they encountered and the advantages which they think they had regarding the sustainability of their enterprises. This method was chosen in order to obtain an inner look to the sustainability issue. In this phase it is aimed to get diverse answers to categorize into main themes thus it could provide items which are more relevant and fluent with the SMEs. Therefore, a survey composed of two open ended questions was developed which asked the respondents to write down the difficulties they experienced and advantages they had for the sustainability of their organizations as SMEs in Turkey.

In the second phase, with the help of the findings of the former phase, a questionnaire was prepared and conducted to randomly selected 300 SMEs from 6 regions (Aegean, Marmara, Mediterranean, Black Sea, Central Anatolia, East Anatolia) of Turkey. Answers that were given to both questions in the survey were evaluated with qualitative research methods and categorized into 10 questions (5 difficulties and advantages of sustainability) that represented 85% of the all answers were chosen for the second phase of the study. The selected answers were then transformed into a 5 point Likert Scale to rate those items according to their importance, where 1 stands for “Least Important” and 5 for “Very Important”. In addition to the 10 items, participants are allowed to add any additional comments about elements that affect their sustainability which would help to enhance the study for providing a better scale. 298 out of 300 surveys were valid and used in findings of this study. The final results offered a bigger picture of the sustainability problem and advantages that SMEs had.

4. Findings

According to the findings of first phase of the study, the major obstacles that Turkish SMEs can encounter while they try to manage the sustainability of their operations were determined as:

- The difficulty in finding “qualified employees”,
- Unfair competition due to lack of government control,
- Problems in institutionalization process,
- Lack of government support,
- Financial difficulties,

The major advantages that Turkish SMEs can encounter while they try to manage the sustainability of their operations were determined as:

- Being a family business,
- The organizational structure that support quick decision making,
- The ability of quick intervene in organizational problems,
- Harmony at work,
- Quick response to industrial changes,

After determining the difficulties and advantages which Turkish SMEs can encounter in order to manage their sustainability, the second phase of the study is conducted. Since regional differences and regional development plans are backbones in sustainability of SMEs (Akgemici, 2001), results of the second phase have been categorized regionally to be able to interpret them in detail and see the differences. The means of the disadvantages were analyzed and the results are presented in Table 1.

Table 1. Means of Disadvantages According to Regions

Region	Qualified Labor	Unfair Competition	Not Institutionalization	Lack of Government Support	Financial Difficulties	N
Aegean	3,95	3,79	4,00	4,00	4,03	66
Mediterranean	4,26	4,16	3,56	3,77	3,73	62
Central Anatolia	4,24	3,48	3,81	3,52	3,70	63
Blacksea	4,24	3,86	3,65	3,24	3,65	37
Marmara	4,17	4,04	3,80	3,80	4,02	46
East Anatolia	4,13	4,29	3,88	3,21	3,88	24
Total	4,16	3,89	3,79	3,66	3,84	289

The problem of hiring qualified labour is observed as a major difficulty in the sustainability of SMEs' operations. As it is seen in Table 1., it is lowest in the Aegean region whereas higher in other regions. Due to lack of government control, unfair competition is experienced by most of the SMEs, ranking of unfair competition differs between 3,48 and 4,29 with highest in East Anatolia. The problem of institutionalization process is highly experienced in the SMEs located in Aegean region according to the results of questionnaire.

The SMEs, located in Aegean Region, agree that "lack of government support" is a difficulty which threatens their sustainability. However, SMEs in Black Sea, are not completely sure that "lack of government support" is a problem for the sustainability of their operations. In terms financial difficulties the results demonstrated regional discrepancies where means for financial difficulties differentiate between 3,65 and 4,03. In Central Anatolia, this difficulty is less encountered (mean: 3,48) when compared with other regions.

Table 2. Means of Advantages According to Regions

Region	Being a family business	Rapid Decision Making	Rapid Intervening	Rapid Adaptation to Environmental Change	Harmonic Working Conditions	N
Aegean	3,64	3,98	3,88	3,56	3,73	66
Mediterranean	3,37	3,97	4,11	3,76	3,81	62
Central Anatolia	3,57	4,08	3,90	3,83	3,75	63
Blacksea	3,24	3,78	3,95	3,49	3,76	37
Marmara	3,67	3,89	3,98	3,78	3,76	46
West Anatolia	3,17	3,79	3,63	3,71	3,79	24
Total	3,49	3,95	3,94	3,69	3,76	298

The figures in Table 2 demonstrate similar results among regions in terms of the advantages of sustainability. There is a consensus among the regions about the advantage of "The ability of rapid intervening in organizational problems" for their sustainability as can be seen in the Table 2.

The preliminary results indicated that the majority of the SMEs in our sample agree on the difficulty of hiring qualified employees who will contribute to their sustainable development. “Being a Family Business” is indicated by the majority of the SMEs as an advantage to provide sustainability of their operations.

5. DISCUSSION

As SMEs succeed in integrating economical, social and environmental issues in their strategic plans, they will probably have more advantage for a sustainable development. However, both phases of the present study showed that, Turkish SMEs address economic development for sustainability rather than social and environmental issues. This is because the recent local and global economic crisis made it very difficult for Turkish SMEs to survive in the uncertain economic environment. Therefore, the primary concern of Turkish SMEs for sustainability is to achieve economic welfare rather than social and environmental contribution.

For the study; it is thought to conduct the research in 6 regions since there are differences among these regions in many areas such as education level, developmental level and the amount of investments taking place. Mostly, the education and development level is higher in Western part (Aegean and Marmara Regions) of Turkey whereas the figures indicating these parameters are lower in Eastern part. Additionally, due to lower figures, many businessmen and corporations do not prefer to make investments in Eastern part as it is done in Western part of Turkey. On the other hand, governmental policies which try to encourage the investments in east and more aggressive competitions due to the high numbers of competitors cause varieties. It is expected that these diversities will cause the type of advantages and obstacles met in sustainability for SME's to be different in each region.

The results of the current study presented that common problem of all regions for sustainable development is lack of qualified labor. Thus, SMEs should consider recruiting qualified labor while implementing their strategies. In order to achieve this; the collaboration between universities, vocational schools and industry should be improved. In addition to this, organizations should develop training programs to overcome the problem of lack of qualified labor.

As also mentioned in the literature review, even though government support has considerable importance for SMEs, current findings indicated that there is lack of government support for SMEs. SMEs may require tax refunds, investment support and low interest rates for credits to conquer with financial difficulties through government support. Due to lack of government support, SMEs face the problem of unfair competition because of being and competing in the same market with multinational companies. Also, regional differences cause unfair competition since there are less investment opportunities in Eastern part of Turkey. However, the findings demonstrated contradicting results because unfair competition is highly perceived in Aegean region rather than East Anatolia. The reason why these results occurred is that the SMEs in Aegean region have to compete with multinational companies besides local markets whereas the SMEs in East Anatolia have to cope with regional companies.

When the advantages for the SMEs are considered, it is pointed out that even though there are not significant differences among SMEs, the flexibility provided by being a small sized firm and the tightness enabled by being a family firm are prominent points mentioned by SMEs. In order to attain sustainability, these points should be taken into consideration in the strategic plans of the SMEs.

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