



INVESTMENT COMPACT FOR
SOUTH EAST EUROPE



WITH THE FINANCIAL
SUPPORT OF THE
EUROPEAN UNION

Survey Results on the SME perception of effectiveness of government policy - Turkey -

Antonio Fanelli

Private Sector Development Division – OECD

Introduction

As part of the SME Policy Index assessment, the OECD Investment Compact conducted a survey of small and medium enterprises (SMEs) in Turkey and the Western Balkans.

The survey focused on the SME perception of effectiveness of government policy and collected information the most critical issues linked to the operational environment for SMEs and assessed their perceptions on orientation and effectiveness of central government policy action on areas related to the SBA principles.

The questionnaire included items on:

- The company's profile
- The company's operational environment
- The company's perception of government policy



Methodology (I)

In order to better identify the specific needs of various types of SMEs, the analysis divided the sample into six groups – based on the growth record and the export orientation of each company.

Growth dimension:

Companies provided information on their current turnover, past and future investment, which formed the basis for classifying companies as **stagnating** (past and future investment less than 10% of current turnover), **growing** (past or future investment more than 10% of current turnover) and **continuously growing** (past and future investment more than 10% of current turnover).

Export orientation dimension:

Companies provided information whether they export and the amount of exports as percentage of their total sales; companies were classified as having a **high export orientation** (more than 30% of sales are exports) or as having **limited/no export orientation** (less than 30% of sales are exports).



Methodology (II)

In order to better identify the specific needs of various types of SMEs, the analysis divided the sample of 262 companies into six groups – based on the growth record and the export orientation of each company.

	Stagnating	Growing	Continuously Growing
High Export Orientation	A1 (N=25)	A2 (N=24)	A3 (N=28)
Limited/No Export Orientation	B1 (N=95)	B2 (N=37)	B3 (N=53)



Results (I) – Company Profiles

There are clear differences in some of the key characteristics of six groups: the average number of years in operation (AYO) is higher for export oriented firms, and so is also the number of employees (EMP); application to government financing is also more dominant for the slower growing exporters.

	Stagnating	Growing	Continuously Growing
High Export Orientation	A1	A2	A3
	AYO: 18	AYO: 15	AYO: 19
	EMP: 103	EMP: 79	EMP: 50
	GF: 60%	GF: 67%	GF: 44%
Limited/No Export Orientation	B1	B2	B3
	AYO: 10	AYO: 18	AYO: 13
	EMP: 46	EMP: 42	EMP: 20
	GF: 44%	GF: 62%	GF: 50%



Results (II) – Business Environment Conditions

Companies ranked the top five business environment conditions that make their business more successful.

A1	A2	A3
Stronger consumer demand	Stronger consumer demand	Stronger consumer demand
More stable economic environment	More and better qualified personnel available	More stable regulatory conditions with easier access to licenses/permits and less bureaucracy
Receiving business friendlier loans from banks	Lower cost of labor	Receiving business friendlier loans from banks
More and better qualified personnel available	More stable regulatory conditions with easier access to licenses/permits and less bureaucracy	Better export promotion
Better export promotion	Better export promotion	More stable economic environment



Results (III) – Business Environment Conditions

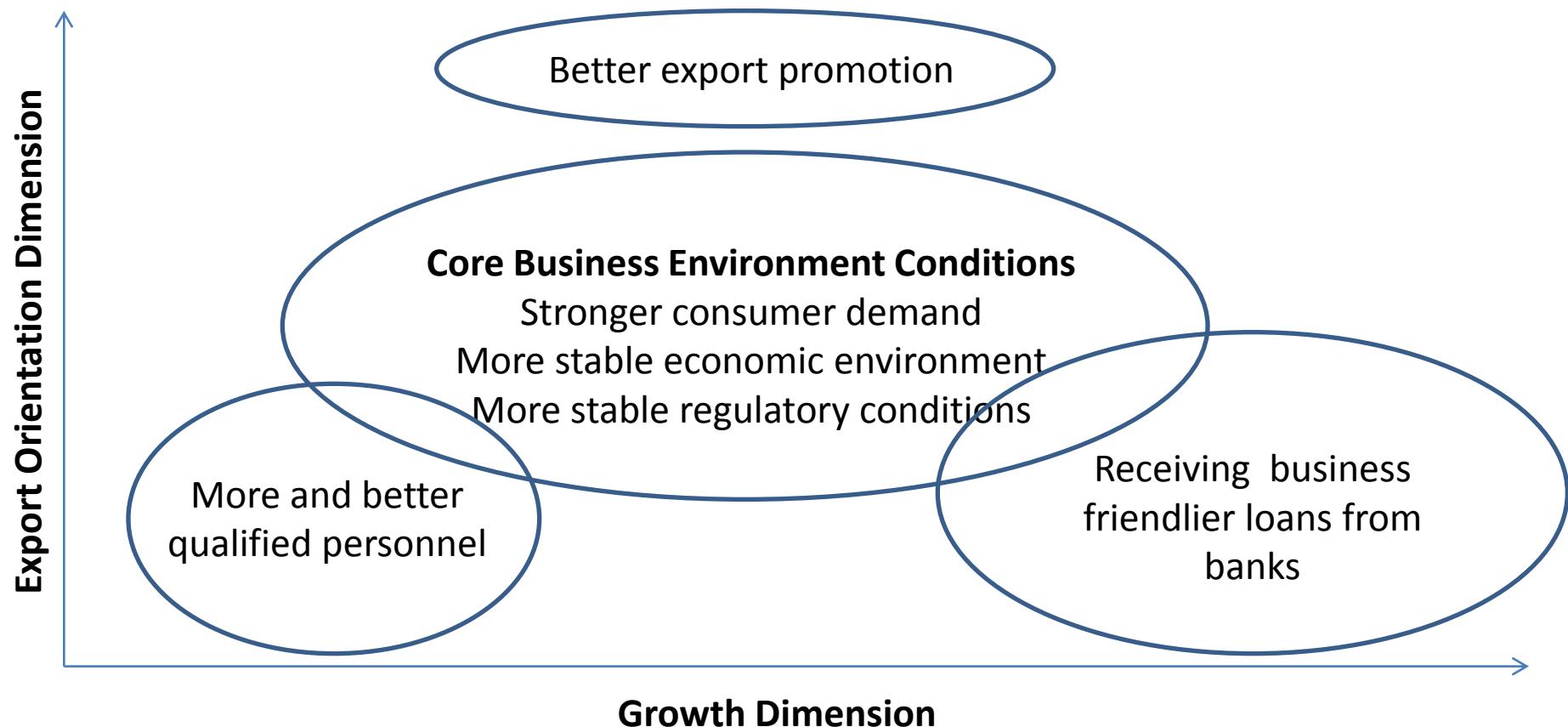
Companies ranked the top five business environment conditions that make their business more successful.

B1	B2	B3
Stronger consumer demand	Stronger consumer demand	Stronger consumer demand
More stable economic environment	More stable economic environment	More stable regulatory conditions with easier access to licenses/permits and less bureaucracy
More stable regulatory conditions with easier access to licenses/permits and less bureaucracy	Receiving business friendlier loans from banks	More stable economic environment
More and better qualified personnel available	More stable regulatory conditions with easier access to licenses/permits and less bureaucracy	Lower cost of labor
Lower cost of labor	More and better qualified personnel available	Receiving business friendlier loans from banks



Results (IV) – Business Environment Conditions

The analysis revealed a core set of business environment conditions applicable to all six types of companies, but also significant differences along both dimensions.



Results (V) – Perception of Government Policies

Companies highlighted the most needed government policies and evaluated the performance of each policy.

A1	A2	A3
Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations (performance perceived fair)	Support in export promotion and financial support (performance perceived poor)	Support in export promotion and financial support (performance perceived poor)
Promotion of entrepreneurial learning (performance perceived good)	Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations (performance perceived very poor)	Promotion of entrepreneurial learning (performance perceived fair)
Support in export promotion and financial support (performance perceived good)	Support in innovation and upgrading skills of SME staff (performance perceived poor)	Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations (performance perceived poor)



Results (VI) – Perception of Government Policies

Companies highlighted the most needed government policies and evaluated the performance of each policy.

B1	B2	B3
Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations (performance perceived very poor)	Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations (performance perceived very poor)	Easy access to loans and credits (performance perceived poor)
Promotion of entrepreneurial learning (performance perceived good)	Promotion of entrepreneurial learning (performance perceived fair)	Simpler procedures for business: company registration, simplified rules (performance perceived very poor)
Easy access to loans and credits (performance perceived poor)	More benefits from the Single Market through better technical regulations, standardizations, accreditation (performance perceived poor)	Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations (performance perceived very poor)



Results (VII) – Perception of Government Policy

The needed government policies match what companies highlighted as the key business conditions; while the six groups differ on the rest of top needed policies, there is a consensus of dissatisfaction with the performance of government policies.



Results (VIII) – Perception of Government Policy

Last but not least, the companies were surveyed on how government policies could be improved: through either more financial resources, more coordination, more promotion or better design.

	A3	A2	A1
Promotion of entrepreneurial learning	Promotion	Promotion	Promotion
Enhanced bankruptcy procedures, fast second chance for SMEs	Promotion	Promotion	Promotion
Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations	Promotion	Promotion	Coordination
Simpler procedures for business:company registration, simplified rules	Promotion	Coordination	Design
Transparent public procurement and SME support services	Promotion	Coordination	Promotion
Easy access to loans and credits More benefits from the Single Market through better technical regulations, standardizations, accreditation	Financing Coordination	Financing Promotion	Financing Design
Support in innovation and upgrading skills of SME staff	Financing	Promotion	Financing
Promotion of environmental management systems and standards	Promotion	Promotion	Financing
Support in export promotion and financial support	Financing	Financing	Financing



Results (IX) – Perception of Government Policy

Last but not least, the companies were surveyed on how government policies could be improved: through either more financial resources, more coordination, more promotion or better design.

	B3	B2	B1
Promotion of entrepreneurial learning	Promotion	Coordination	Financing
Enhanced bankruptcy procedures, fast second chance for SMEs	Promotion	Promotion	Coordination
Improved business regulation: simplification, better assessment for new legislation, Public-Private-Consultations	Coordination	Coordination	Coordination
Simpler procedures for business:company registration, simplified rules	Design	Coordination	Coordination
Transparent public procurement and SME support services	Promotion	Design	Financing
Easy access to loans and credits More benefits from the Single Market through better technical regulations, standardizations, accreditation	Financing Promotion	Financing Coordination	Financing Promotion
Support in innovation and upgrading skills of SME staff	Financing	Financing	Financing
Promotion of environmental management systems and standards	Promotion	Promotion	Promotion
Support in export promotion and financial support	Financing	Financing	Financing

