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Effects of Support Programs on Corporate Strategies of Small and Medium-Sized Enterprises

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Abstract

Small and medium-sized enterprises (SMEs) have become the strategic organizations of ever-globalizing country economies. Turkish SMEs have some compliance problems (increase in efficiency and productivity, improve quality, development of new production techniques and processes, product and technology development) with EU standards along the way of EU accession period within the frame of Customs Union and Helsinki Decisions. Such a case has brought the support policies and strategies for SMEs into the agenda. In present study, supports provided to SMEs were evaluated. The primary objective was set as to investigate the effects of provided-supports on business strategies of SMEs. A survey was conducted on 396 small and medium-sized enterprises of Kayseri Organized Industrial Region in Turkey between the years of 2011-2012. Resultant data were analyzed through the SPSS statistical software. Results revealed significant effects of technology, training and consultancy supports provided to SMEs on product and marketing strategies of these enterprises.

Keywords: Support Programs; Corporate Strategies; SMSEs

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1. Introduction

World-wide globalization concept has led the formation of national and international markets, provided the new chances and opportunities for businesses, however, has also brought together a great competition problems. In this sense, corporate success is shaped around integration with global markets and sustainable value creation capacity.

Small and medium sized enterprises (SMEs) constitute an essential component of socio-economical structure of a country. They create the driving force for industrialization, proper urbanization, optimum distribution and trade operations (Akgemci, 2001). SMEs are also specified as the locomotive of country economies. They have to follow up ever-changing and developing technologies, implementations, methods and innovations to take a part in such a competitive world, to create value-added and to provide quality products and services. In this sense, national strategies and policies toward SMEs should be revised since SMEs have various infrastructural problems and insufficiencies. Therefore, support programs should be organized to promote the use of local sources as much as possible, to encourage highly qualified labor and entrepreneurship, to create a consciousness about research-and-development, technology development, specific design and brand creation. Such supports may let the corporates take their parts in international markets and allow them to develop their innovative capacities. (Zengin, 2010). Beside own sources, SMEs try to benefit from external sources and supports to improve their efficiency and productivity, to increase quality, to develop new production processes and products or improve the currently available ones, to use and develop technologies (Regional, 2000). Especially along the way of full-membership process of Turkey into European Union, every kind of problems of SMEs should urgently be resolved.

In present study, supports provided to SMEs will be determined and effects of such supports on corporate strategies of SMEs will be investigated. Initially the current state will be assessed and additional supports will be provided through literature on existing supports and corporate strategies.

2. Literature Review and Hypotheses

2.1. Corporate Strategies of SMSEs

Corporate strategies are assessed around different perspectives in literature. Industrial Organization Economic (IOE) (Bain, 1956, 1968; Caves, Porter 1977; Porter, 1980; Caves, 1980), Business or competition strategy typologies (Miles and Snow 1978; Porter 1980, 1985) and Resource-Based View (RBV) (Wernerfelt, 1984; Barney 1986, 1991) are among them. IEO assesses business performance based on market mediators (buyer and seller) and market structure (number, size …). Business or competition strategy typologies are considered based on corporate strategic operations like prospectors, analyzers, defenders and reactors strategies in Miles and Snow'un (1978) and based on competition-oriented strategies like cost-leadership, differentiation, focus strategies in Porter (1980). With regard to RBV perspective, corporate product and resources specify strategic preferences of the corporate. In recent studies, mixed strategies allowing corporate to use functional and proper sources to gain a sustainable competitive market advantage are recommended (Porter, 1990). As to be suitable for corporate type, cost reduction, innovativeness and quality creation are among mixed strategies (Rosli, 2012). Type of corporate is pointed out as the pre-condition for such mixed strategies.

Corporate strategies are generally considered for large enterprises. However, SMEs are somehow different from large enterprises with regard to managerial and organizational structure. Such differences are mainly resulted from financial problems, production/service source and capabilities, limited marketing and competitive power. In this sense, SMEs should shape their strategies within the

frame of characteristics suitable for themselves. SME strategies are summarized in Table 1. In present study, corporate strategies are classified as product and market-oriented strategies (Ansoff, 1957; Aytekin, Kaya and Özkan, 2006):

Table 1. SME Strategies

	Product-Oriented Strategies	**Market-Oriented Strategies**
Market response strategies	• New product/service supply • Quality product/service supply • Product diversification • Flexibility	• Advertisement and promotion • Customer activation • Market diversification
Scale strategies	• Niche strategy • Specialization • Low-cost • Vertical integration	• Niche strategy • Get into distribution canals • Pricing strategies • Cooperation and unions
Operational strategies	• Focusing on product or contributing value-added to production strategy	• Focusing on market or contributing value-added to marketing strategy

***Soruce*:** Aytekin et al. (2006).

2.1.1. Product Strategies

Product strategies are generally composed of quality, innovation, flexibility, vertical integration, product diversification and specialization strategies and they usually are developed to goldenly meet the customer demands and to supply products/services contributing a value to customers. SMEs either use such strategies for certain periods or may use more than one strategy at a time.

2.1.2. Market Strategies

Market strategies are the market-oriented strategies of SMEs. The most important of them are pricing strategies, marketing canal strategies and advertisement-promotion strategies.

2.2. SME Support Programs

SME supports cover a large spectrum starting from the design and extending to financing, training, marketing and consultancy services. Such support programs may be summarized under six headings as of technology/research & development, training, financing, machinery/equipment, marketing and consultancy supports (Gücelioğlu, 1944; Moha-Asri, 1999; Erdil, Kalkan, 2005).

2.2.1. Technology Support

One of the basic problems of small and medium-sized enterprises is their inability to follow up new and ever-changing technologies and consequently inability to focus on research & development (R&D) activities. Data acquisition, making these data meaningful, basic and applied research capability, finalization development capabilities are considered as great cost element in SMEs. Especially the small enterprises are not able to create a budget and a program for R&D activities event they desire to establish an R&D department due to organizational, social or market-related reasons (Akgemci, 2001). Right at this point, a technology support provided to SMEs will improve product qualities, reduce the costs and they

will even create innovations in products and processes. Following hypotheses were formed for technology support:

H1a: There is a significant positive relationship between technology support provided to SMEs and product strategies of SMEs.

H1b: There is a significant positive relationship between technology support provided to SMEs and market strategies of SMEs.

2.2.2. Training Support

Primarily, employment of well-trained qualified personnel is the key issue in development and strengthening SMEs. Trainings are provided in enterprises under two categories. The first one is training on entrepreneurial development and business administration and the second one is training on technical skills development (Moha-Asri, 1999). With these implementations, training is provided within the frame of corporate needs on entrepreneurship, managements, quality, innovation and technology like issues effecting business efficiency and productivity, beside the job satisfaction, organizational behavior and commitment like issues effecting business performance and yielding positive organizational outcomes. Especially technical skills trainings will reduce the errors and provide knowledge and skills able to provide innovations in products and processes. Employee training in long run points out productivity and increase in production and market share (Forker, 1997). Following hypotheses were formed for training support:

H2a: There is a significant positive relationship between training support provided to SMEs and product strategies of SMEs.

H2b: There is a significant positive relationship between training support provided to SMEs and market strategies of SMEs.

2.2.3. Financing Support

Equity capital and working capital deficiency, deficient credit types and amounts, heavy crediting conditions are the main financial problems of SMEs. Besides, cost variations, delays in recovery of dept, low sales, rapid increase in input prices all due to economic instabilities and desperate straits of a country even worsen the financial difficulties of SMEs (Kalkan, 2005). Financial supports provided to SMEs supply the basis to realize their projects, develop technologies, improve product process and quality, and invest in R&D activities. Following hypotheses were formed for financing support to be provided to SMEs:

H3a: There is a significant positive relationship between financing support provided to SMEs and product strategies of SMEs.

H3b: There is a significant positive relationship between financing support provided to SMEs and market strategies of SMEs.

2.2.4. Machinery/Equipment/ Infrastructure Support

Basic objectives of machinery-equipment-infrastructure support are to provide corporate modernization, to improve product qualities, to direct export, to improve employment and eventually to provide support for country economy through providing national common use workshops and laboratories, machinery-equipment and laboratory devices, high-cost infrastructural services. Following hypotheses were formed with regard to machinery/equipment/infrastructure support:

H4a: There is a significant positive relationship between machinery/equipment/infrastructure support provided to SMEs and product strategies of SMEs.

H4b: There is a significant positive relationship between machinery/equipment/infrastructure support provided to SMEs and market strategies of SMEs.

2.2.5. Marketing Support

SMEs are in need of marketing knowhow to determine proper markets and customers for their products and to improve design and quality parameters. Especially export-oriented SMEs do not familiar with the markets and customers. Such SMEs have various difficulties due to deficient marketing and management knowhow (Siringoringo, Prihandoko, Tintri and Kowanda, 2009). With the marketing support, SMEs will be familiar with new markets, be able to adapt relevant compliance and improvements and be able to provide value-added by using effectively the product, market, pricing, promotion like basic marketing functions. Following hypotheses were formed for marketing support:

H5a: There is a significant positive relationship between marketing support provided to SMEs and product strategies of SMEs.

H5b: There is a significant positive relationship between marketing support provided to SMEs and market strategies of SMEs.

2.2.6. Consultancy Support

Consultancy support aims to provide knowledge and information on especially weak points of SMEs. Consultancy support may be provided in several issues such as preparation of EU projects, formation of product recipes, improvement of product quality and processes, assessing environmental impacts of products. With such supports, SMEs will be able to convert both their weak points into advantages and threats into opportunities. Following hypotheses were formed between consultancy support provided to SMEs and corporate strategies:

H6a: There is a significant positive relationship between consultancy support provided to SMEs and product strategies of SMEs.

H6b: There is a significant positive relationship between consultancy support provided to SMEs and market strategies of SMEs.

3. Methodology

3.1. Research Goal

The objective of present study is to determine the effects of SME supports on corporate strategies of SMEs. To test the hypothesis, a field survey with questionnaires will be conducted.

3.2. Sample and Data Collection

A survey was conducted on 396 small and medium-sized enterprises of Kayseri Organized Industrial Region in Turkey between the years of 2011-2012. Research universe is composed of 600 small and medium-sized enterprises (with less than 200 employees) of Kayseri Organized Industrial Region with a total of 822 enterprises. Data gathered from 396 enterprises were statistically analyzed by using SPSS software and hypotheses were tested by regression analysis.
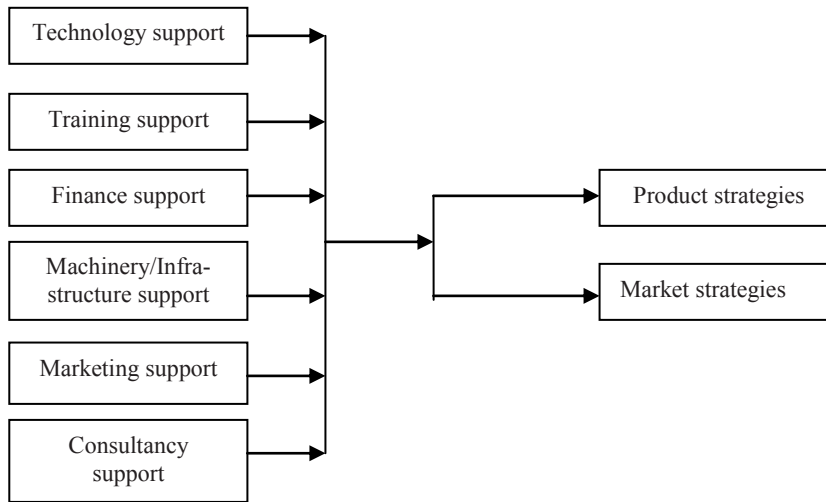
3.3. Research Model

Figure 1. Relationships between supports provided to SMEs and corporate strategies of SMEs

The relationships between supports provided to SMEs and corporate strategies of SMEs were investigated in present study. SME supports were considered as independent variables and business strategies were considered as dependent-variables. Hypotheses were formed and tested about whether or not they were supported. Above specified symbolic research model was used.

3.4. Analyses and Results

To determine the supports used by enterprises, support programs and relavent supports provided to SMEs by KOSGEB, (Small and Medium Industry Development Organization), TUBİTAK, (Scientific and Technological Research Council of Turkey) and DEVELOPMENT AGENCIES were evaluated and a scale composed of six dimensions (technology (4 items), training (4 items), financing (4 items), machinery/equipment (4 items), marketing (5 items) and consultancy support (3 items) and 24 statements. Cronbach's Alpha value of the scale was calculated as 0.807. Corporate strategies were determined by using the scale developed by Burke and Glick (1998) which uses 26 items to measure two dimensions (product strategies (13 items), market strategies (13 items)). Cronbach's Alpha value of the scale used for corporate strategies was found to be 0.846. A 5 point Likert scale was used in statements (50 items) toward the supports and programs used by enterprises and corporate strategies of enterprises (Five point: 1=strongly disagree 5= strongly agree).

3.4.1. Means and Standard Deviations

Table 2. Means and Standard Deviations

Variables	N	Percentage (%)	Mean	Standard Deviation
Technology Support	45	45*100/396=11.36	4.45	0.36
Training Support	10	10*100/396=2.52	3.97	0.37
Financing Support	94	94*100/396=23.73	4.00	0.61
Machinery/Infrastructure Support	56	56*100/396=14.14	3.77	0.52
Marketing Support	44	44*100/396=11.11	4.47	0.33
Consultancy Support	8	8*100/396=2.02	3.83	0.25
Product Strategies	172	172*100/396=43.43	3.49	0.82
Market Strategies	172	172*100/396=43.43	3.23	1.03

Table 2 presents average use (percent), means and standard deviations for variables. Support programs had generally high mean values and among them, marketing support had the highest mean with 4.47. On the other hand, independent variables of product and market strategies had significantly lower mean values than support programs.

3.4.2. Correlation Analysis

Table 3. Correlation coefficients

	1	2	3	4	5	6	7	8
1. Technology Support	1							
2.Training Support	--	1						
3.Financing Support	0.31	1.00**	1					
4.Machinery/Infrastructure Support	0.69	--	0.66**	1				
5.Marketing Support	050	---	0.35	0.63	1			
6.Consultancy Support	--	1.00**	0.88*	---	---	1		
7.Product Strategies	0.44**	0.75*	0.01	0.05	0.03	0.75*	1	
8.Market Strategies	0.39**	0.80**	0.07	0.21	0.03	0.74*	0.65**	1

Table 3 presents the Pearson correlations among the investigated variables. While there were not any relationships between some variables, significant relationships were observed between the dependent variables of product-market strategies and technology, training and consultancy supports. A significant relations was not observed between financing, machinery/infrastructure supports and product-market strategies.

3.4.3. Regression Analyses and Hypothesis Testing

The model hypotheses were tested by a regression analysis. The relationship between SME supports ad product strategies are provided in Table 4 and relationships between SME supports and market strategies are presented in Table 5.

Table 4. Results of regression analysis performed to determine the effect of SME Supports on product strategy

Variable	R	R²	Corrected R²	St. Er.of Estimation	F	Beta	t	Sig.
Technology Support	0.447	0.200	0.181	0.86	10.73	0.447	5.33	0.002
Training Support	0.754	0.568	0.514	0.87	10.53	0.754	4.03	0.012
Consultancy Support	0.751	0.564	0.491	0.80	7.75	0.751	3.37	0.032

As it was seen in Table 4, technology support had significant positive effects on product strategies (Beta= 0,447) at p=0.00 significance level. Therefore, the hypothesis H1a was supported. Similarly, training support (Beta=0,754) and consultancy support (Beta=0,751) had positive effects on product strategies at p=0.05 significance level. These results require the acceptance of hypotheses H2a and H6a. On the other hand, hypotheses H3a, H4a and H5a were rejected since there were not any significant relationships between financing/infrastructure, marketing supports and product strategies.

Results of regression analyses between market strategies and SME supports are summarized in Table 5. Significant positive relationships were observed between technology (Beta=0,393; p=0,008), training (Beta=0,807; p=0,005), consultancy (Beta=0,740; p=0,036) supports and market strategies. Therefore, the hypotheses H1b, H2b and H6b were accepted. The hypotheses H3b, H4b and H5b were rejected due to insignificant relationships between financing, machinery/infrastructure, marketing supports and market strategies.

Table 5. Results of regression analysis performed to determine the effect of SME Supports on Market strategy

Variable	R	R²	Corrected R²	St. Er.of Estimation	F	Beta	t	Sig.
Technology Support	0.393	0.154	0.135	0.72	7.85	0.393	5.05	0.008
Training Support	0.807	0.651	0.607	0.63	14.90	0.807	4.93	0.005
Consultancy Support	0.740	0.548	0.473	0.77	7.27	0.740	3.26	0.036

In accordance with the regression analyses results, research model was shaped as it was presented in Figure 2 below:
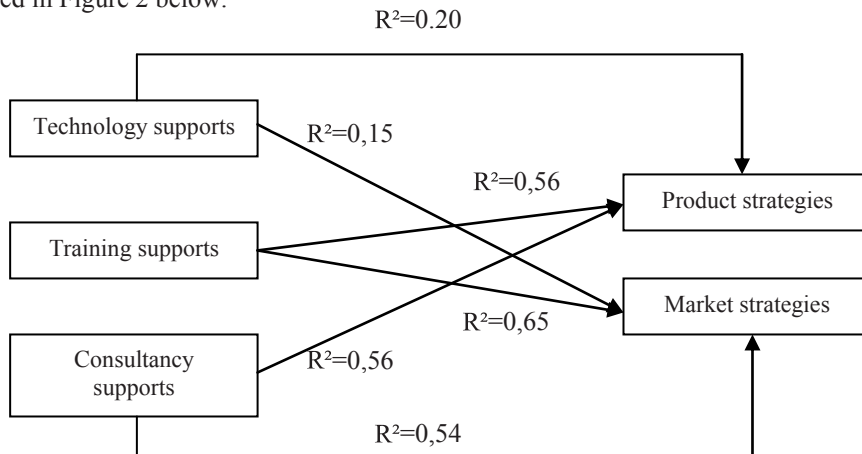

Figure 2. Final Research Model

4. Conclusion

Among the SME supports, technology, training and consultancy supports had significant effects on corporate product and market strategies. Although there are similar studies investigating SME supports (Moha-Asri 1999; Hanel 2003; Erdil, Kalkan 2005; Zengin 2010) in literature, there aren't any studies investigating the relationships between such supports and corporate strategies. Present study supports the findings of Erdil and Kalkan (2005) reporting the relationships between SME technology, training, consultancy supports and corporate product quality and innovation. Further studies are commended to investigate the relationships between SME supports and efficiency, productivity and performance of corporate strategies and to evaluate sectoral variations.

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