

Republic of Turkey  
KOSGEB (Small and Medium-sized  
Enterprise Development Organization)

The Study  
on  
the SME Consultancy System Project  
in  
the Republic of Turkey

FINAL REPORT  
(SUMMARY)

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JAPAN INTERNATIONAL COOPERATION AGENCY

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## Abbreviation

	Abbreviation	Turkish	English
A	ABİGEM	Avrupa Birliği İş Geliştirme Merkezleri	European Turkish Business Centres
	ASO	Ankara Sanayi Odası	Ankara Chamber of Industry
B	BSTB	Bilim, Sanayi ve Teknoloji Bakanlığı	Ministry of Science, Industry and Technology
C	CIP		Competitiveness and Innovation Framework Programme
	CMC		Certified Management Consultant
	CNC		Computerized Numerical Control
	CPI		Consumer Price Index
D	DACUM		Developing a Curriculum
	DATUP	Danışman Ahlaki ve Teknik Uygulama Prensipleri	Ethical and Technical Consultancy Implementation Principles
	DTM	T.C. Başbakanlık Dış Ticaret Müsteşarlığı	Undersecretariat of the Prime Ministry for Foreign Trade
E	EFQM		European Foundation for Quality Management
	EQF		European Qualifications Framework
	ERP		Enterprise Resource Planning
	EU	Avrupa Birliği	European Union
G	GAP	Güneydoğu Anadolu Projesi	South-Eastern Anatolian Project
	GDP		Gross Domestic Product
	GİP	Gelişen İşletmeler Piyasası	Emerging Companies Market
	GNI		Gross National Income
	GTB	Gümrük ve Ticaret Bakanlığı	Ministry of Commerce and Customs
H	HYB	Hizmet Yeterlilik Belgesi	Service Compliance Certificate
I	ICMCI		International Council of Management Consulting Institutes
	ICT		Information and Communications Technology
	IE		Industrial Engineering
	İGEM	İşletme Geliştirme Merkezi	Enterprise Development Center
	İGEME	İhracatı Geliştirme Etüd Merkezi	Export Promotion Center of Turkey
	İMKB	İstanbul Menkul Kıymetler Borsası	Istanbul Stock Exchange
	İŞGEM	İş Geliştirme Merkezi	Business Development Center
	İŞKUR	Türkiye İş Kurumu	Turkey Employment Agency
	İTO	İstanbul Ticaret Odası	Istanbul Chamber of Commerce
	iVCi		Istanbul Venture Capital Initiative
J	JICA		Japan International Cooperation Agency
K	KALDER	Türkiye Kalite Derneği	Turkey Quality Association
	KBK		Key Business Knowledge
	KGF	Kredi Garanti Fonu A.Ş.	Credit Guarantee Fund
	KOSGEB	Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı	Small and Medium-sized Enterprise Development Organization
	KPDS	Kamu Personeli Dil Sinavi	Foreign Language Examination for Civil Servants
	KSEP	Kobi Stratejisi ve Eylem Planı	SME Strategy and Action Plan
M	MEKSA	Mesleki Eğitim ve Küçük Sanayii Destekleme Vakfı	Foundation for the Promotion of Vocational Training and Small Industry

	Abbreviation	Turkish	English
	MIS		Management Information System
	MPM	Milli Prodüktivite Merkezi	National Productivity Centre
	MYK	T.C. Mesleki Yeterlilik Kurmu	Turkish Vocational Qualifications Authority
N	NGO		Non-Governmental Organization
	NVQ		National Vocational Qualification
O	ODTÜ	Orta Doğu Teknik Üniversitesi	Middle East Technical University
	OHSAS		Occupational Health and Safety Assessment Series
	OIZ		Organized Industrial Zones
P	PRODER	Profesyonel Danışmanlar Derneği	Association of Professional Consultants
Q	QCC		Quality Control Circle
R	R&D		Research and Development
S	SME		Small and Medium-sized Enterprise
	SPK	Sermaye Piyasası Kurulu	Capital Markets Board of Turkey
	SPO	T.C.Başbakanlık Devlet Planlama Teşkilatı Müsteşarlığı	T.R. Prime Ministry State Planning Organization
	SRM		Strategic Road Map
	SSIE		Small Scale Industrial Estate
	STB	Sanayi ve Ticaret Bakanlığı	Ministry of Industry and Trade
T	TAYSAD	Taşıt Araçları Yan Sanayicileri Derneği	Association of Automotive Parts & Components Manufacturers
	TEKMER	Teknoloji Geliştirme Merkezleri	Technology Development Center
	TESK	Türkiye Esnaf ve Sanatkarları Konfederasyonu	Confederation of Tradesmen and Artisans of Turkey
	TGSD	Türkiye Giyim Sanayicileri Derneği	Turkish Clothing Manufacturers Association
	TKB	Türkiye Kalkınma Bankası A.Ş.	Development Bank of Turkey
	TOBB	Türkiye Odalar ve Borsalar Birliği	Union of Chambers and Commodity Exchanges of Turkey
	TPI	Türk Patent Enstitüsü	Turkish Patent Institute
	TPS		Toyota Production System
	TQM		Total Quality Management
	TSE	Türk Standardları Enstitüsü	Turkish Standards Institution
	TSİ	Türkiye İstatistik Kurumu	Turkish Statistical Institute
	TTGV	Türkiye Teknoloji Geliştirme Vakfı	Technology Development Foundation of Turkey
	TÜBİTAK	Türkiye Bilimsel ve Teknolojik Araştırma Kurumu	Scientific and Technological Research Council of Turkey
	TÜRKAK	Türk Akreditasyon Kurumu	Turkish Accreditation Agency
	TÜSSİDE	Türkiye Sanayi Sevk ve İdare Enstitüsü	Turkish Institute for Industrial Management
V	VGM	Verimlilik Genel Müdürlüğü	General Directorate of Productivity
Y	YDD	Yönetim Danışmanları Derneği	Management Consultants Association
	YÖK	Yüksek Öğretim Kurulu	Council of Higher Education

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## Introductory Chapter

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## Introductory Chapter

The Study on the SME Consultancy System Project in the Republic of Turkey (hereinafter referred to as the “the Study”) aims to make recommendations aimed at improving the quality of consulting service provided by Small and Medium-sized Enterprise Development Organization (KOSGEB)<sup>1</sup>.

### 1. Objective of the Study

The objective and desired outcomes of the Study is as follows:

#### Objective

To make recommendations aimed at improving the quality of consulting service provided by Small and Medium-sized Enterprise Development Organization (KOSGEB).

#### Desired Outcomes

- (1) Current situations and problems in SMEs, SME consultants, and SME promotion policies and SME support measures in Turkey become clear.
- (2) A comprehensive design of a system qualifying SME consultants and a roadmap toward the establishment of the system are proposed.

### 2. Counterpart Organization

Small and Medium-sized Enterprise Development Organization (KOSGEB)

### 3. Scope of the Study

The Study is composed of three stages. Activities at each stage are as follows:

#### First Stage: Conduct of fact-finding surveys and hypothesis formulation on how to disperse knowledge and technique for effective business management and production management

- (1) Holding a workshop to announce the objective of the Study
- (2) Administration of surveys on national SME promotion policies and how SMEs are doing
- (3) Administration of surveys on consulting service for SME provided by KOSGEB
- (4) Hypothesis formulation on how to improve KOSGEB’s consulting service

<sup>1</sup> Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Başkanlığı



**Second Stage: Implementation of pilot projects (hypothesis testing)**

- (1) Determination of the implementation structure of pilot projects
- (2) Determination of pilot project sites
- (3) Implementation of pilot projects

**Third Stage: Presentation of recommendations on how to improve KOSGEB's consulting service for SMEs**

- (1) Analysis of results and findings of the pilot projects
- (2) Holding of a workshop to report results of the pilot projects
- (3) Presentation of recommendations on ability criteria for SME consultant qualification and on a corresponding evaluation and certification system
- (4) Presentation of recommendations on how to improve KOSGEB's consulting service
- (5) Holding a workshop to report results of the Study

**4. Field Studies**

As originally planned, the JICA Study Team conducted four field surveys. Schedules and major activities are as follows:

Field survey	Schedule	Major activities
First field survey	From: October 3, 2010 To: January 23, 2011 (113 days)	<ul style="list-style-type: none"> <li>• Submission of the inception report</li> <li>• Administration of fact-finding surveys</li> <li>• Holding of the first workshop</li> <li>• Holding of the first steering committee</li> </ul>
Second field survey	From: June 15, 2011 To: July 31, 2011 (47 days)	<ul style="list-style-type: none"> <li>• Submission of the interim report</li> <li>• Discussions and determination on details of pilot projects</li> <li>• Preparation of the pilot projects</li> </ul>
Third field survey	From: September 4, 2011 To: January 11, 2012 (130 days)	<ul style="list-style-type: none"> <li>• Preparation of the pilot projects</li> <li>• Implementation of the pilot projects</li> <li>• Submission of the progress report</li> <li>• Holding of the second workshop</li> </ul>
Fourth field survey	From: February 20, 2012 To: March 1, 2012 (11 days)	<ul style="list-style-type: none"> <li>• Submission of the draft final report</li> <li>• Holding of the third workshop</li> <li>• Holding of the second steering committee</li> </ul>

## 5. Reports

Report	Month of submission	Major contents
Inception report	October, 2010	<ul style="list-style-type: none"> <li>• Framework/plan of the Study</li> </ul>
Interim report	June, 2011	<ul style="list-style-type: none"> <li>• Findings of the fact-finding surveys and a basis for recommendations to be tested in pilot projects</li> </ul>
Progress report	December, 2011	<ul style="list-style-type: none"> <li>• Plan of the pilot projects</li> <li>• Results of the first pilot project held in Ankara</li> </ul>
Draft final report	February, 2012	<ul style="list-style-type: none"> <li>• Findings of the fact-finding surveys</li> <li>• Results of the pilot projects</li> <li>• Recommendations for establishing a SME consultant qualification system</li> <li>• Recommendations for improving KOSGEB's consulting service</li> </ul>
Final report	March, 2012	A revised version of the draft final report modified according to the feedbacks from KOSGEB at the second steering committee meeting.

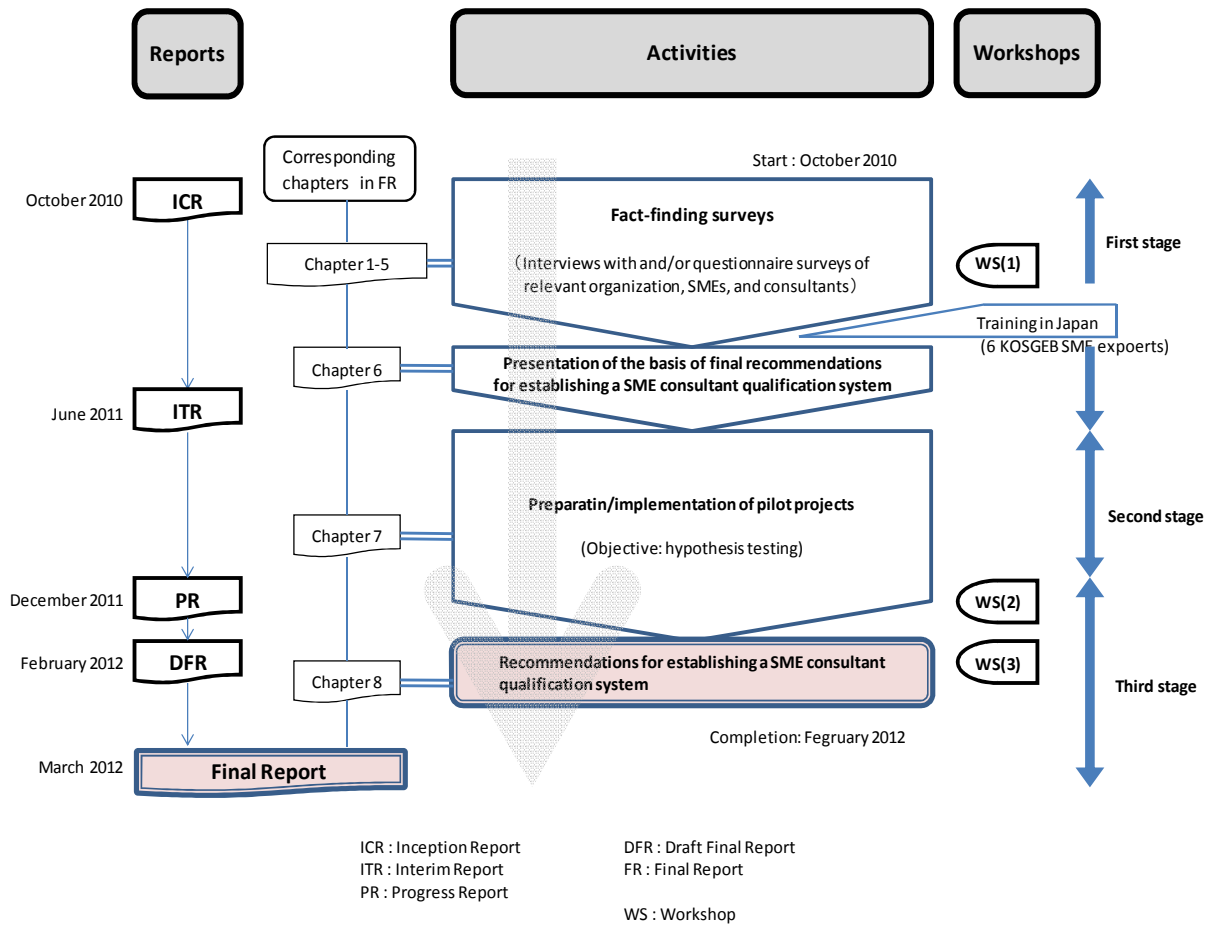
## 6. Composition of the JICA Study Team

The JICA Study Team is composed of six experts. The following table shows their names, role allocation and which field studies they participated in.

Name	Role Assignment	Field Study			
		First	Second	Third	Fourth
Toru MORIGUCHI	Team leader Institution-building of SME consultant system	○	○	○	○
Kimihiko KATO	Assistant leader SME promotion	○	○	○	○
Nori IAI	SME consulting	○	○	○	
Seiji SUGIMOTO	SME consultant training (1)	○			
Takayuki SHIMIZU	SME consultant training (2)			○	
Kenji HATA	Coordinator Needs analysis/Pilot project operation	○	○	○	

## 7. Relation between the Field Studies and Report Contents

The following table shows chapter contents of this report in relation to findings and/or results of each field survey.



Source: Prepared by JICA Study Team

### Relation between the Progress of the Study and the Composition of the Report

**Chapter 1**  
**Turkish Economy and Small and**  
**Medium-sized Enterprises**

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## Chapter 1 Turkish Economy and Small and Medium-sized Enterprises

### 1.1 An Overview of the Economy in Turkey

#### 1.1.1 Economic Development in Turkey

In 2010, Gross Domestic Product (GDP) of the Republic of Turkey was 735,264 million dollars, and its per capita Gross National Income (GNI) was 9,500 dollars. The GDP in US dollars is ranked 17th and the World Bank classifies the country as an upper middle income country based on its 80th-ranked per capita GNI<sup>1</sup>. It is among the Next Eleven countries<sup>2</sup> having a high potential of rapid economic growth along with BRICKs.

Table 1-1 shows key economic figures of the country after 2005. Turkey experienced negative growth in 2001, hit by a financial crisis caused by multiple factors including chronic inflation, budget deficits, growing external debts, and undermined confidence in the financial system. After the crisis, it worked on structural reform such as inflation containment, fiscal restoration, and debt reduction. It also strengthened financial regulations and supervision as well as privatized state-owned enterprises. As a result, it grew annualized rate of 6.9% for the 5 years after 2002. However, the worldwide financial crisis which had begun in 2007 slowed its growth; in 2009, its economy contracted by 4.8%, and unemployment rate went up to 14.0%. Nevertheless, thanks to its solid economic foundation, the adverse effects of the crisis were mild relative to those to other countries. Turkey restored positive growth in as early as the fourth quarter of 2009. It grew 8.9% in 2010 and is expected to have grown 6.6% in 2011.

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<sup>1</sup> The GDP ranking compares 195 countries while the GNI ranking does 215 of them. For further information, refer to the following links.

(GDP) <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>

(GNI) <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf>

<sup>2</sup> In 2005, Goldman Sachs investment bank identified eleven countries, Next Eleven, which had a high potential of becoming the world's largest economies along with the BRICS (Brazil, Russia, India, China, and South Africa). Other ten countries are Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, and Vietnam.

**Table 1-1 Key Economic Figures of Turkey (2005-2010)**

	2005	2006	2007	2008	2009	2010+
GDP (current billion TL)*	648.93	758.39	843.18	950.53	952.56	1,105.10
GDP growth (%)*	8.4	6.9	4.7	0.7	-4.8	8.9
GNI per capita, Atlas Method (current US dollar)**	6,480	7,470	8,440	9,260	9,060	9,890
Inflation, average consumer price (% change)*	7.7	9.7	8.4	10.1	6.5	6.4
Current account balance (% of GDP)*	-4.6	-6.1	-5.9	-5.7	-2.3	-6.6
Unemployment (% of total labor force)*	10.6	10.2	10.2	10.9	14.0	11.9
Primary balance (% of GDP)***	6.0%	5.4%	4.2%	3.5%	0.0%	n.a
External debt stock (% of GNI)**	34.6	37.3	36.9	36.5	41.2	34.6

Source: \*International Monetary Fund. World Economic Outlook. September 2011..

\*\*World Bank. World Economic Indicators 2011.

\*\*\*Ministry of Finance. YILLIK EKONOMİK RAPOR 2010.

### 1.1.2 Industrial Structure of Turkey

Table 1-2 shows growth rates by sector after 2006 as well as sector composition rates in 2001 and 2010. Based on the sector classification applied to it<sup>3</sup>, the largest sector is manufacturing (15.5%), followed by transport, storage and communication (13.3%), and wholesale and retail trade (11.2%)<sup>4</sup>. Sectoral share of agriculture, hunting and forestry is relatively high, reflecting that the country leads the world in multiple agricultural products.

**Table 1-2 Sector-based Growth Rate (%) and Sectoral Composition in Turkish Economy**

Sector/year	2006	2007	2008	2009	2010	Share in 2001	Share in 2010
Agriculture, hunting and forestry	1.3	-7.0	4.6	3.7	1.2	8.6%	8.2%
Fishing	4.1	0.7	-5.7	-0.3	14.2	0.2%	0.2%
Mining and quarrying	5.2	8.1	5.4	-6.7	4.7	1.0%	1.4%
Manufacturing	8.4	5.6	-0.1	-7.2	13.6	19.1%	15.5%
Electricity, gas and water supply	8.6	6.8	3.7	-3.4	7.3	2.4%	2.3%
Construction	18.5	5.7	-8.1	-16.1	17.1	4.5%	4.1%
Wholesale and retail trade	6.3	5.7	-1.5	-10.4	13.3	12.1%	11.2%
Hotels and Restaurants	2.5	2.1	-2.0	3.7	0.3	2.4%	2.3%
Transport, storage and communication	6.8	7.1	1.5	-7.2	10.5	13.3%	13.3%
Financial intermediation	14.0	9.8	9.1	8.5	7.2	8.6%	3.8%
Ownership and dwelling	2.7	2.1	2.3	2.6	1.9	8.8%	11.3%
Real estate, renting and business	12.6	13.9	6.7	4.4	7.6	2.8%	4.8%

<sup>3</sup> Figures of items in different tables which are named identically are not necessarily comparable, as scopes and classifications of referenced surveys are not same. For example, total number of persons employed in Table 1-5 does not equal that in Table 1-3. The number of enterprises in Table 1-15 does not equal that of Table 1-4, either.

<sup>4</sup> Except ownership and dwelling and taxes-subsidies.

Sector/year	2006	2007	2008	2009	2010	Share in 2001	Share in 2010
activities							
Public administration and defense; compulsory social security	0.1	1.2	0.3	2.9	0.5	4.7%	4.2%
Education	5.2	4.8	1.2	2.0	0.6	2.5%	3.3%
Health and social work	3.9	1.7	3.3	3.1	1.1	1.3%	1.6%
Other community, social and personal service activities	9.1	5.4	1.8	-1.2	0.9	1.6%	1.7%
Private household with employed persons	13.5	12.2	5.6	2.3	5.4	0.1%	0.2%
Financial intermediation services indirectly measured	17.4	9.0	8.4	-3.6	8.9	5.3%	1.8%
Taxes-Subsidies	6.6	5.9	-0.6	9.7	13.0	11.1%	12.5%

Note: Sectoral composition is calculated in current TL. The sum in each year does not equal 100% due to statistical discrepancy.

Source: Turkish Statistical Institute. Annual Industry and Service Statistics

Table 1-3 shows the sector composition of the working population in 2009. Agriculture, hunting and forestry employs the most (25.2%), followed by manufacturing (18.7%) and wholesale and retail trade (14.7%).

**Table 1-3 Working Population and Sectoral Composition (2009)**

Sector	Composition
Agriculture, forestry, and fishing	25.2%
Manufacturing	18.7%
Wholesale and retail trade	14.7%
Construction	6.3%
Public administration and defense	5.7%
Accommodation and food service activities	4.8%
Education	4.5%
Transportation and storage	4.5%
Other social, community and personal service activities	3.7%
Administrative and support service activities	3.4%
Human health and social work activities	2.6%
Professional, scientific and technical activities	1.9%
Financial and insurance activities	1.2%
Information and communication	0.9%
Electricity, gas, steam, water supply, sewerage etc.	0.7%
Mining and quarrying	0.5%
Arts, entertainment and recreation	0.5%
Real estate activities	0.3%
Working Population (thousand)	22,594

Note: NACE Rev.2 classification

Source: Turkish Statistical Institute. Periodic Results of Household Labour Force Survey.

Table 1-4 shows the number of enterprises and value-added at factor cost by sector. The top 3 sectors are common; enterprises engaged in wholesale, retail trade and repair are the most (45.59%) followed by transport, storage and communication (16.94%) and manufacturing (12.45%). Manufacturing generates value the most (34.68%) and wholesale, retail trade and repair is in second place (23.15%).

**Table 1-4 Number of Enterprises and Value Added at Factor Cost (2008)<sup>5</sup>**

	Number of enterprises		Value added at factor cost (1,000 TL)	
Mining and quarrying	2,442	0.09%	7,246,035	2.68%
Manufacturing	321,652	12.45%	93,803,616	34.68%
Electricity, gas and water supply	2,710	0.10%	9,268,741	3.43%
Construction	94,781	3.67%	19,032,607	7.04%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	1,177,710	45.59%	62,608,376	23.15%
Hotels and restaurants	210,809	8.16%	7,514,828	2.78%
Transport, storage and communication	437,640	16.94%	34,024,089	12.58%
Real estate, renting and business activities	161,270	6.24%	25,482,648	9.42%
Education	8,561	0.33%	3,263,003	1.21%
Health and social work	39,279	1.52%	5,195,878	1.92%
Other community, social and personal service activities	126,245	4.89%	3,053,803	1.13%
<b>Total</b>	<b>2,583,099</b>		<b>270,493,624</b>	

Note: NACE Rev.1.1 2 digits classification

Source: Turkish Statistical Institute. Annual Industry and Service Statistics

Table 1-5 shows the number of enterprises, the number of people employed and value-added at factor cost in the manufacturing industry. The bold figures in the table indicate that the sub-sectors are among the top five in the relevant item. Food products and beverages is among the top five in all the three items. Wearing apparel and fabricated metal products are so too in the first two items but they are in 8th and 9th places respectively in terms of value added. Two sub-sectors, basic metals, and motor vehicles, trailers and semi-trailers produce high added value relative to the numbers of enterprises and those of people employed.

Table 1-6 and 1-7 shows the same items in two sectors, namely wholesale, retail trade and repair and transport, storage and communication. Although a large proportion of companies are engaged in retail trade, repair of personal and household goods and land transport, wholesale

<sup>5</sup> The following sectors are not covered: agriculture, hunting and forestry, fishery, financial intermediation services, renting one's own real estate covered under the activities of renting real estates and business activities, public administration and defense, compulsory social security, activities related with homemade industry, international organizations and representative offices, non-profit organizations. These sectors are not included in Table 1-12, 1-13, 1-14, either.



trade and commission trade, post and telecommunications, supporting and auxiliary transport activities produce much value added relative to their composition rates in terms of the number of enterprises or those of people employed.

**Table 1-5 Number of Enterprises, People Employed and Value Added at Factor Cost in Manufacturing (2008)**

	Number of enterprises		Number of persons employed		Value added at factor cost (million TL)	
Food products and beverages	<b>34,781</b>	<b>10.81%</b>	<b>328,653</b>	<b>3.26%</b>	<b>10,984</b>	<b>11.71%</b>
Tobacco products	28	0.01%	18,669	0.19%	1,038	1.11%
Textiles	24,056	7.48%	<b>373,617</b>	<b>3.70%</b>	<b>8,136</b>	<b>8.67%</b>
Wearing apparel; dressing and dyeing of fur	<b>48,563</b>	<b>15.10%</b>	<b>400,677</b>	<b>3.97%</b>	5,601	5.97%
Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear	7,200	2.24%	51,323	0.51%	773	0.82%
Wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	<b>28,611</b>	<b>8.90%</b>	71,526	0.71%	1,302	1.39%
Pulp, paper and paper products	2,205	0.69%	41,346	0.41%	1,532	1.63%
Publishing, printing and reproduction of recorded media	13,661	4.25%	70,709	0.70%	1,792	1.91%
Coke, refined petroleum products and nuclear fuel	195	0.06%	6,435	0.06%	2,135	2.28%
Chemicals and chemical products	3,563	1.11%	83,514	0.83%	6,329	6.75%
Rubber and plastic products	15,295	4.76%	146,245	1.45%	4,840	5.16%
Other non-metallic mineral products	12,679	3.94%	181,725	1.80%	7,348	7.83%
Basic metals	2,319	0.72%	101,976	1.01%	<b>11,206</b>	<b>11.95%</b>
Fabricated metal products, except machinery and equipment	<b>50,902</b>	<b>15.83%</b>	<b>232,804</b>	<b>2.31%</b>	4,852	5.17%
Machinery and equipment n.e.c.	22,036	6.85%	<b>232,936</b>	<b>2.31%</b>	<b>7,482</b>	<b>7.98%</b>
Office machinery and computers	19	0.01%	1,159	0.01%	95	0.10%
Electrical machinery and apparatus n.e.c.	5,923	1.84%	81,351	0.81%	3,565	3.80%
Radio, television and communication equipment and apparatus	338	0.11%	19,655	0.19%	1,089	1.16%
Medical, precision and optical instruments, watches and clocks	2,462	0.77%	24,971	0.25%	652	0.70%
Motor vehicles, trailers and semi-trailers	3,776	1.17%	136,278	1.35%	<b>7,891</b>	<b>8.41%</b>
Other transport equipment	2,369	0.74%	61,696	0.61%	2,288	2.44%
furniture; manufacturing n.e.c.	<b>40,627</b>	<b>12.63%</b>	190,032	1.88%	2,842	3.03%
Recycling	44	0.01%	1,188	0.01%	33	0.04%
Total	321,652		2, 858, 485		93, 804	

Note: NACE Rev.1.1 2digits classification

Number of persons employed includes owners, partners, unpaid family workers and apprentices.

Source: Turkish Statistical Institute. Annual Industry and Service Statistics

**Table 1-6 Number of Enterprises, People Employed and Value Added at Factor Cost in Wholesale, Retail Trade and Repair (2008)**

	Number of enterprises		Number of persons employed		Value added at factor cost (million TL)	
Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	146,215	12.42%	459,316	14.68%	7,980	12.75%
Wholesale trade and commission trade, except of motor vehicles and motorcycles	204,097	17.33%	888,845	28.42%	33,150	52.95%
Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	827,398	70.25%	1,779,665	56.90%	21,478	34.31%
<b>Total</b>	<b>1,177,710</b>	<b>100%</b>	<b>3,127,826</b>	<b>100%</b>	<b>62,608</b>	<b>100%</b>

Note: NACE Rev.1.1 2 digit classification

Number of persons employed includes owners, partners, unpaid family workers and apprentices.

Source: Turkish Statistical Institute. Annual Industry and Service Statistics

**Table1-7 Number of Enterprises, People Employed and Value Added at Factor Cost in Wholesale, Retail Trade and Repair (2008)**

	Number of enterprises		Number of persons employed		Value added at factor cost (million TL)	
Land transport; transport via pipelines	410,383	93.77%	723,061	72.52%	10,324	30.34%
Water transport	3,554	0.81%	26,325	2.64%	3,049	8.96%
Air transport	64	0.01%	17,586	1.76%	1,742	5.12%
Supporting and auxiliary transport activities; activities of travel agencies	19,344	4.42%	138,381	13.88%	6,323	18.59%
Post and telecommunications	4,295	0.98%	91,761	9.20%	12,583	36.99%
<b>Total</b>	<b>437,640</b>	<b>100%</b>	<b>997,114</b>	<b>100%</b>	<b>34,024</b>	<b>100%</b>

Note: NACE Rev.1.1 2digit classification

Source: Turkish Statistical Institute. Annual Industry and Service Statistics

Number of persons employed includes owners, partners, unpaid family workers and apprentices.

### 1.1.3 Trade

Turkey lies between Europe and Asia-Middle East, making it a critical passage for transportation in the continent. It aims to join in the European Union (EU) and joined its customs union in 1996. Since then, the EU is the largest trade partner; in 2010, 46.23% of Turkey's exports went to EU countries and 38.93% of its imports were from them<sup>6</sup>.

<sup>6</sup> Source: Turkish Statistical Institute. Foreign Trade Statistics.

Table 1-8 lists the top 10 exports by value in 2010 and their composition ratios in 1996, 2001, and after 2006. Although agricultural products used to occupy the majority in the early 1980's, the exports of basic metals, and motor vehicles and trailers have increased in the 2000's. These goods together with the other three products, namely textiles and wearing apparel, both of which have been its main exports, and machinery and equipment account for the majority now. Chemicals and chemical products (14.57%), crude petroleum and natural gas (11.56%), basic metals (10.05%), motor vehicles and trailers (8.49%) and machinery and equipment (8.37%) top the list of imports in 2010<sup>7</sup>.

Table 1-9 shows the composition of intended use of traded products. Overall, Turkey imports intermediate goods while exporting consumption goods. In goods trade, those from the manufacturing sector account for over 90% in exports and around 80% in imports.

Table 1-10 lists the manufacturing segments whose total export value for the period between 2006 and 2010 is larger than total import value of the same period. The table shows the balances in 2010, too. In general, industries with competitiveness export more than import, and thus these nine segments, wearing apparel, textiles, food products and beverages, other non-metallic minerals, fabricated metal prod (excluding machinery), motor vehicles and trailers, rubber and plastic products, furniture, and tobacco products are considered competitive in the global market.

Current account has been negative as shown in Table1-1. However, Turkey has kept services account positive at around 15 billion dollars per year for the 5 years after 2006 as a popular foreign tourists' destination boasting seventh place in the number of inbound tourists and ninth in tourist revenue in 2009<sup>8,9</sup>. Therefore, tourism and related industries are also likely to have a competitive edge.

**Table1-8 Top 10 Exports in 2010 and the Transition of the Composition Ratios**

	Top 10 Exports in 2010	Composition ratio of the top 10 exports						
		1996	2001	2006	2007	2008	2009	2010
1	Motor vehicles and trailers	4.20%	8.48%	14.82%	15.86%	14.67%	12.59%	12.98%
2	Basic metals	9.62%	9.32%	10.91%	11.51%	17.09%	14.79%	12.69%
3	Textiles	16.44%	15.78%	10.83%	10.07%	8.58%	9.36%	9.60%
4	Wearing apparel	20.80%	17.23%	11.90%	11.00%	8.71%	9.40%	9.33%
5	Machinery and equipment	3.57%	4.99%	7.02%	7.49%	7.39%	7.90%	7.95%

<sup>7</sup> Ditto.

<sup>8</sup> Source: World Tourism Organization. Provisional figures.  
[http://www.unwto.org/facts/eng/pdf/barometer/UNWTO\\_Barom10\\_2\\_en.pdf](http://www.unwto.org/facts/eng/pdf/barometer/UNWTO_Barom10_2_en.pdf)

<sup>9</sup> Source: Central Bank of Turkey.  
<http://www.tcmb.gov.tr/odemedenge/table4.pdf>

	Top 10 Exports in 2010	Composition ratio of the top 10 exports						
		1996	2001	2006	2007	2008	2009	2010
6	Food products and beverages	10.57%	6.43%	5.07%	4.81%	4.90%	5.81%	5.89%
7	Chemicals and chemical products	5.36%	4.72%	4.07%	3.78%	3.78%	4.21%	5.01%
8	fabricated metal prod(exc. machinery)	1.99%	2.34%	3.92%	3.96%	4.19%	4.38%	4.37%
9	Agriculture and farming of animals	9.25%	6.28%	4.05%	3.46%	2.97%	4.25%	4.32%
10	Rubber and plastic products	2.20%	3.00%	3.53%	3.66%	3.60%	3.95%	4.29%
Total amount (million US dollar)		23,224	31,334	85,535	107,272	132,027	102,143	113,899

Note: ISIC.Rev.3 2digits classification

Source: Turkish Statistical Institute. Foreign Trade Statistics.

**Table 1-9 Composition of Intended Use of Traded Goods and Amount of Trade**

	2006		2007		2008		2009		2010	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Capital goods	11.02%	16.73%	12.82%	15.91%	12.67%	13.87%	10.88%	15.23%	10.34%	15.54%
Intermediate goods	44.18%	71.36%	46.05%	72.70%	51.30%	75.14%	48.69%	70.61%	49.48%	70.84%
Consumption goods	44.18%	11.55%	40.73%	10.99%	35.66%	10.64%	39.88%	13.69%	39.82%	13.33%
Others	0.62%	0.36%	0.39%	0.40%	0.37%	0.35%	0.55%	0.47%	0.36%	0.29%
Total (billion US dollar)	86	140	107	170	132	202	102	141	114	185

Note: BEC classification

Source: Turkish Statistical Institute. Foreign Trade Statistics.

**Table 1-10 Manufacturing Segments which Exported More than Imported (2006-2010) and the Export-Import Balances in 2010<sup>10</sup>**

(Million US dollar)

	Exports minus Imports (2010)		Exports minus Imports (2010)
Wearing apparel	8,293	Motor vehicles and trailers	-967
Textiles	4,880	Rubber and plastic products	1,394
Food products and beverages	3,279	Furniture	762
Other non-metallic minerals	2,462	Tobacco products	203
Fabricated metal prod (exc machinery)	1,791		

Note: ISIC, Rev.3 2digits classification

The balance of motor vehicles and trailers were negative in 2006 and 2010. The balance in 2009 was 2,086 million dollar.

Source: Turkish Statistical Institute. Foreign Trade Statistics

<sup>10</sup> In the non-manufacturing sectors, the balances of 4 segments (other mining and quarrying, fishing, electricity, gas and steam, and metal ores) are positive in the same period.

## 1.2 Definition of Small and Medium-sized Enterprises and Company Distribution in Turkey

### 1.2.1 Definition

As shown in Table 1-11, small and medium-sized enterprises (SMEs) in Turkey are companies with less than 250 employees and annual turnover or balance sheet total of 2.5 million TL or less. Although public institutions in the country used to apply their own criteria of SMEs to provide support for them, the Turkish government determined a common definition in 2005 to harmonize it to the *acquis communautaire*<sup>11</sup>.

**Table 1-11 Definition of Small and Medium-sized Enterprises**

	Employees	Annual turnover or balance sheet total
Micro enterprise	Less than 10	1 million TL or less
Small enterprise	Less than 50	5 million TL or less
Middle-sized enterprise	Less than 250	25 million TL or less

Source: KOSGEB Official Gazette: 18 Nov 2005, 25997

Table 1-12 shows the sector-based number of enterprises, number of people employed, and value-added at factor cost as well as the ratios occupied by enterprises employing less than 250 people<sup>12</sup>. Over 99% of enterprises employ less than 250<sup>13</sup>. Those employing less than 250 absorb a little under 80% of working people and produce over 50% of value added. Although annual turnover or balance sheet total are not factored into the calculation, the ratios are likely to be closer to the real ratios represented by SMEs.

<sup>11</sup> Thresholds in terms of the number of employees are same as those of EU. Those of annual turnover and balance sheet total are half or around half of the EU's.

<sup>12</sup> In the 2011-2013 SME Strategy and Action Plan, KOSGEB shows the data on the number of SMEs by sector and by size, after adding information obtained from the tax bureau to the data in the Annual Industry and Service Statistics published by Turkish Statistical Institute (TSI). The data include the number of enterprises engaged in financial intermediation, and the numbers of enterprises in other sectors are a bit different, too.

According to the data, the total number of enterprises is 3,222,133, and 3,205,929 enterprises are those with 249 employees or less (3,084,183 enterprises with 9 employees or less and 121,746 with 49 employees or less, and 16,204 with 249 employees or less). However, there is no corresponding data showing the number of employees and value added. Therefore, this report lists the data published by TSI which have corresponding information.

<sup>13</sup> The ratio of the enterprises employing less than 50 is still over 99%.

**Table 1-12 Sector-based Number of Enterprises, Number of the Employed and Value-added at Factor Cost and the Ratios of SMEs (2008年)<sup>14</sup>**

Sector	Number of enterprises	SME Ratio	Number of persons employed (thousand)	SME Ratio	Value added at factor cost (million TL)	SME Ratio
Mining and quarrying	2,422	97.46%	98	45.93%	7,246	17.73%
Manufacturing	321,652	99.59%	2,858	68.15%	93,804	40.59%
Electricity, gas and water supply	2,710	97.90%	96	20.63%	9,269	33.68%
Construction	94,781	99.76%	717	84.38%	19,033	70.78%
Wholesale and retail trade and repair	1,177,710	99.97%	3,128	92.27%	62,608	79.91%
Hotels and Restaurants	210,809	99.91%	666	84.03%	7,515	65.61%*
Transport, storage and communication	437,640	99.96%	997	76.15%	34,024	38.92%
Real estate, renting and business activities	161,270	99.70%	913	61.78%	25,483	73.36%
Education	8,561	99.01%	171	74.12%	3,263	52.88%
Health and social work	39,279	99.80%	198	75.51%	5,196	68.50%*
Other community, social and personal service activities	126,245	99.95%	246	82.52%	3,054	55.58%
Total	2,583,099	99.88%	10,088	77.97%	270,494	55.21%

Note: NACE Rev.1.1 2digits classification

Number of persons employed includes owners, partners, unpaid family workers and apprentices.

\*Some value added data are not disclosed. SME ratios of hotels and restaurants and Health and social work are based on year 2007 data.

Source: Turkish Statistical Institute. Annual Industry and Service Statistics.

Table 1-13 focuses attention only on enterprises employing less than 250; those in whole and retail trade and repair account for over 45% of them, followed by transport, storage and communication (16.96%) and manufacturing (12.42%). Top 3 sectors are same in terms of the number of persons employed, but manufacturing comes second. Three-fourth of SMEs and over 70% of SME employment are in the top 3 sectors.

**Table 1-13 Composition of Enterprises Employing Less than 250 (2008)**

Sector	Number of enterprises	SME Ratio	Number of persons employed	Sector	Number of enterprises	SME Ratio
Mining and quarrying	2,380	0.09%	44,893	Mining and quarrying	1,285	0.86%
Manufacturing	320,324	12.42%	1,948,021	Manufacturing	38,071	25.49%
Electricity, gas and water supply	2,653	0.10%	19,884	Electricity, gas and water supply	3,122	2.09%
Construction	94,550	3.66%	605,099	Construction	13,471	9.02%
Wholesale and retail trade and repair	1,177,413	45.63%	2,886,081	Wholesale and retail trade and repair	50,031	33.50%
Hotels and Restaurants	210,626	8.16%	559,219	Hotels and Restaurants	3,652*	2.80%*
Transport, storage and communication	437,486	16.96%	759,274	Transport, storage and communication	13,243	8.87%
Real estate, renting and business activities	160,786	6.23%	564,039	Real estate, renting and business activities	18,694	12.52%

<sup>14</sup> For convenience, SMEs in the table refer to enterprises employing less than 250 persons.

Sector	Number of enterprises	SME Ratio	Number of persons employed	Sector	Number of enterprises	SME Ratio
Education	8,476	0.33%	126,372	1.61%	1,725	1.16%
Health and social work	39,199	1.52%	149,563	1.90%	2,684*	2.06%*
Other community, social and personal service activities	126,182	4.89%	202,958	2.58%	1,697	1.14%
Total	2,580,075	100%	7,865,403	100%	149,347	-

Note: NACE Rev.1.1 2 digits classification

\* Some value added data are not disclosed. Figures and ratios of hotels and restaurants and health and social work are based on year 2007 data.

Source: Turkish Statistical Institute. Annual Industry and Service Statistics.

Table 1-14 compares sector-based SMEs' per capita value added with that of sector averages. On the whole, workers in SMEs produces 70% of value added of the overall average. While SMEs' per capita value added in the two sectors, electricity, gas and water supply, and real estate, renting and business activities exceed their sector averages, those of three sectors, mining and quarrying (38.61% of the sector average), transport, storage and communication (51.11%), and manufacturing (59.55%) are well below the sector averages.

**Table 1-14 Comparison of per capita Value Added at Factor Cost (2008)**

Sector	Per capita value added at factor cost (A)	SMEs' per capita value added at factor cost (B)	(B)/(A)
Mining and quarrying	74,134	28,624	38.61%
Manufacturing	32,816	19,543	59.55%
Electricity, gas and water supply	96,167	156,991	163.25%
Construction	26,539	22,262	83.88%
Wholesale and retail trade and repair	20,017	17,335	86.60%
Hotels and Restaurants	9,161*	7,089*	77.38%*
Transport, storage and communication	34,123	17,441	51.11%
Real estate, renting and business activities	27,910	33,144	118.75%
Education	19,138	13,654	71.34%
Health and social work	18,274*	15,051*	82.36%*
Other community, social and personal service activities	12,417	8,363	67.35%
Total	26,814	18,988	70.81%

Note: NACE Rev.1.1 2digits classification

\* Some value added data are not disclosed. Figures and ratios of hotels and restaurants and health and social work are based on year 2007 data.

Source: Turkish Statistical Institute. Annual Industry and Service Statistics

Table 1-15 lists the top 10 provinces in terms of the number of enterprises together with the numbers and the composition ratios. Over 20% of enterprises are in Istanbul, and those located in the 10 provinces account for over 50% of the total. Given the proportion of SMEs in all enterprises, their geographic distribution seems to be similar to this result which includes large enterprises.

**Table 1-15 Top 10 Provinces in terms of Number of Enterprises (2009)** <sup>15,16</sup>

Province	Number of Enterprises	Composition
Istanbul	754,861	23.40%
Ankara	226,441	7.02%
Izmir	206,748	6.41%
Antalya	126,079	3.91%
Bursa	117,169	3.63%
Konya	84,568	2.62%
Adana	75,811	2.35%
Mersin	71,800	2.23%
Kocaeli	65,230	2.02%
Gaziantep	64,454	2.00%
The Whole Turkey	3,225,462	55.59%

Source: Turkish Statistical Institute. Regional Statistics.

<sup>15</sup> 81 provinces are in Turkey.

<sup>16</sup> Due to difference in reference, the number of enterprises in the table does not equal that of Table 1-4.



## **Chapter 2**

### **Development Plan and SME Policy in Turkey**

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## Chapter 2 Development Plan and SME Policy in Turkey

The government of Turkey have formulated a comprehensive long-term development plan for every several years. In line with them, medium-term programmes, strategic plans, regional development plans, and sector strategies are planned and implemented. This chapter summarizes the documents listed in Table 2-1, which were released by the Ministry of Development, the Ministry of Science, Industry and Technology (BSTB)<sup>1</sup> and Small and Medium Enterprise Development Organization (KOSGEB)<sup>2</sup> to overview the national development plan and those related to the promotion of small and medium-sized enterprises (SMEs).<sup>3</sup>

**Table 2-1 Development Plans and Strategies Related to SME Promotion**

Issuing Institution	Plan and Strategy
Ministry of Development (SPO at the time of release)	Ninth Development Plan 2007-2013
	Medium Term Programme 2010-2012
	2011 Annual Programme
BSTB (STB at the time of release)	Strategic Plan 2010-2014
	Industry Strategy Paper 2011-2014
KOSGEB	KOSGEB Strategic Plan 2011 - 2015
	Performance Program 2011
	2011-2013 SME Strategy and Action Plan

Source: Prepared by JICA Study Team

<sup>1</sup> Bilim, Sanayi ve Teknoloji Bakanlığı

<sup>2</sup> Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı

<sup>3</sup> In June, 2011, the government of Turkey restructured ministries and other government agencies: Prime Ministry State Planning Organization (Başbakanlık Devlet Planlama Teşkilatı Müsteşarlığı or SPO) changed to the Ministry of Development (Kalkınma Bakanlığı), the Ministry of Industry and Trade (Sanayi ve Ticaret Bakanlığı or STB) separated into the Ministry of Commerce and Customs (GTB: Gümrük ve Ticaret Bakanlığı) and the Ministry of Science, Industry and Technology (BSTB). All the plans and strategy paper covered in this chapter had been published before the restructuring, and thus institution names in the past are listed as the sources of reference. In the same way, former names are listed in the columns showing institutions responsible for implementing policy measures.

## 2.1 Plans Released by the Ministry of Development [State Planning Organization (SPO) at the Time of Release]<sup>4</sup>

### 2.1.1 Ninth Development Plan 2007-2013

The current long-term development plan of the country is the Ninth Development Plan 2007-2013. Formulated under the coordination of the Ministry of Development [State Planning Organization (SPO) at the time] through meetings and discussions in 57 ad-hoc committees, it presents directions and general principles of national development for the targeted period.

Table 2-2 shows its development axes and priorities. The Turkish government assumes that achieving them makes it (1) a country with institutional basis in line with the acquis of the European Union (EU) as well as (1) one with social and economic conditions close to the EU average.

**Table 2-2 Ninth Development Plan 2007-2013: Development Axes and Priorities**

Development Axes	Priorities
1. Increasing Competitiveness	<ol style="list-style-type: none"> <li>1) Making macroeconomic stability permanent</li> <li>2) Improving the business environment</li> <li>3) Reducing the informal economy</li> <li>4) Improving the financial system</li> <li>5) Improving the energy and transportation infrastructure</li> <li>6) Protecting the environment and improving the urban Infrastructure</li> <li>7) Improving Research and Development (R&amp;D) and innovation</li> <li>8) Disseminating information and communication technologies</li> <li>9) Improving efficiency of the agricultural structure</li> <li>10) Ensuring the shift to high value-added production structure in industry and services</li> </ol>
2. Increasing Employment	<ol style="list-style-type: none"> <li>1) Improving the labor market</li> <li>2) Increasing the sensitivity of education to labor demand</li> <li>3) Developing active labor policies</li> </ol>
3. Strengthening Human Development and Social Solidarity	<ol style="list-style-type: none"> <li>1) Enhancing the educational system</li> <li>2) Making the health system effective</li> <li>3) Improving income distribution, social inclusion and fight against poverty</li> <li>4) Increasing effectiveness of the social security system</li> <li>5) Protecting and improving culture and strengthening social dialogue</li> </ol>
4. Ensuring Regional Development	<ol style="list-style-type: none"> <li>1) Making regional development policy effective at the central level</li> <li>2) Ensuring development based on local dynamics and internal</li> </ol>

<sup>4</sup> Başbakanlık Devlet Planlama Teşkilatı Müsteşarlığı

Development Axes	Priorities
	<p>potential</p> <p>3) Increasing institutional capacity at the local level</p> <p>4) Ensuring development in the rural areas</p>
5. Increasing Quality and Effectiveness in Public Services	<p>1) Rationalizing powers and responsibilities between institutions</p> <p>2) Increasing policy making and implementation capacity</p> <p>3) Developing human resources in the public sector</p> <p>4) Ensuring the dissemination and effectiveness of e-government applications</p> <p>5) Improving the justice system</p> <p>6) Making security service effective</p>

Source: State Planning Organization. Ninth Development Plan 2007-2013.

A large part of descriptions referring to SME promotion are in the sections of first development axis, increasing competitiveness; the plan says that the government helps SMEs to improve corporate governance, facilitates access to diversified financial sources under affordable conditions, provides training and consulting services, spreads Business Development Centers (İŞGEM)<sup>5</sup> and similar institutions and streamlines regulations to increase their efficiency. In the sections about the fourth axis, ensuring regional development, it indicates that the government supports special training programs to nurture entrepreneurs in cooperation with relevant institutions as well as implements differentiated SME policies to ensure regional convergence and to improve competitiveness. Given that the plan lists as structural problems manufacturing enterprises' being small, SMEs' wanting Research and Development (R&D) activities and their lacking sufficient number of qualified employees, it appears to take SMEs into consideration when it describes promoting R&D and innovation and increasing the sensitivity of education to labor demand.

### 2.1.2 Medium Term Programme 2010-2012

The latest medium term programme is for 3 years between 2010 and 2012. Aiming to put the economy back on a sustainable growth path and thereby to improve social welfare, it fleshes out the development axes and priorities of the Ninth Development Plan 2007-2013<sup>6</sup>.

To help SMEs to develop, it plans to improve the efficiency of the Credit Guarantee Fund as a part of the structural reform. In addition, the targets include improving access to finance and diversifying financial instruments, increasing R&D capacity and R&D demand,

<sup>5</sup> İş Geliştirme Merkezleri. İŞGEM refers to regional incubation centers operated by local levels. KOSGEB has supported their establishment.

<sup>6</sup> The plan indicates macroeconomic targets, but no details such as activities and their time span, responsible institutions or performance indicators are presented.

encouraging enlargements and mergers of SMEs for productivity enhancement, and taking some measures to increasing service export.

### 2.1.3 2011 Annual Programme

The latest referable annual programme covers year 2011. It subdivides three topics, namely (1) the priorities set in the Ninth Development Plan 2007-2013, (2) policy agenda for the accession to the EU, and (3) other foreign economic relations, into 128 priorities and 308 measures. Then it identifies responsible institutions, institutions to cooperate with, and the implementation period for each measure.

Table 2-3 lists the priorities and measures related to SMEs. It further breaks down the targets in the Medium Term Programme 2010-2012 such as increasing SMEs' R&D capacity and R&D demand.

**Table 2-3 2011 Annual Programme: Items Referring to SMEs (Excerpt)<sup>7</sup>**

Priority/Measure	Institution in charge	Institutions to cooperate with	Period
Priority 8. In order to increase the access of SMEs to finance, the efficiency of subsidies provided will be enhanced and financial instruments will be diversified.			
Measure 19. Credit Guarantee Fund will be improved and expanded.	KOSGEB, Union of Chambers and Commodity Exchanges of Turkey (TOBB) <sup>8</sup>	STB, SPO, Undersecretariat of Treasury	End of Dec.
Measure 20. SME Strategy and Action Plan will be implemented efficiently.	KOSGEB	Related public agencies and institutions	End of Jun.
Priority 9. Efficient subsidies will be provided to increase the competitiveness of SMEs, new entrepreneurs, small tradesmen and artisans; monitoring and evaluation systems will be established for the subsidies; and inter-agency cooperation and coordination will be enhanced.			
Measure 21. Tradesmen and Artisans Strategy and Action Plan will be implemented efficiently.	STB	SPO, Ministry of Finance, Undersecretariat of Treasury, Ministry of Labor and Social Security, Confederation of Tradesmen and Artisans of Turkey (TESK) <sup>9</sup> , Other related institutions	End of Dec.
Measure 22. SMEs will be supported with project-based support programs.	KOSGEB	Related public agencies and institutions	End of Dec.

<sup>7</sup> Numbers in the table correspond to those in the Annual Programme.

<sup>8</sup> Türkiye Odalar ve Borsalar Birliği

<sup>9</sup> Türkiye Esnaf ve Sanatkarları Konfederasyonu

Priority/Measure	Institution in charge	Institutions to cooperate with	Period
Measure 23. Cooperatives Strategy Paper will be prepared.	STB	Ministry of Agriculture and Rural Affairs <sup>10</sup> , Ministry of Public Works and Settlement <sup>11</sup>	End of Dec.
Priority 39. R&D capacity and R&D demand of the private sector, particularly SMEs, will be increased.			
Measure 85. R&D activities performed by the private sector will be supported.	Scientific and Technological Research Council of Turkey (TUBİTAK) <sup>12</sup>	STB, SPO, TOBB, KOSGEB, Related public agencies and institutions, Universities, Development agencies	End of December
Measure 86. The efficiency of R&D subsidies provided to SMEs will be increased and they will be expanded.	KOSGEB	STB, Turkish Patent Institute (TPI) <sup>13</sup> , Universities, Chambers of Industry and Commerce, Development agencies	End of Dec.
Measure 87. Cooperation networks and platforms in the field of science and technology will be expanded.	TUBİTAK	Council of Higher Education (YOK) <sup>14</sup> , Universities, Private sector, Public agencies	End of Dec.
Priority 58. Growth and mergers of SMEs will be encouraged. In this context, productivity enhancement, business set-up and development activities will be supported.			
Measure 122. The culture of doing joint business will be developed among SMEs	KOSGEB	Ministry of Finance, STB, related institutions and organizations	End of Dec.
Measure 123. The services and supports offered to companies in Organized Industrial Zones (OIZs) will be streamlined and diversified.	STB	Related public institutions and Organizations	End of Dec.
Measure 124. The number of business development centers and incubators will be increased.	KOSGEB	Related public institutions and Organizations	End of Dec.
Measure 125. Competitiveness clustering support program will be prepared.	STB	SPO, KOSGEB, Related public institutions and organizations	End of Dec.
Measure 126. Project implementation in three provinces will be completed to expand the Efficiency Improvement Project countrywide at the provincial level.	National Productivity Centre (MPM) <sup>15</sup>	Governorates, Chambers of Industry and Trade	End of Dec.
Measure 127. Hezarfen Project will be scaled up.	TPI	STB, KOSGEB, OIZs,	End of

<sup>10</sup> The Ministry of Agriculture and Rural Affairs changed to the Ministry of Food, Agriculture and Animal Husbandry (Gıda, Tarım ve Hayvancılık Bakanlığı).

<sup>11</sup> The Ministry of Public Works and Settlement changed to the Ministry of Environment and Urban Planning (Çevre Ve Şehircilik Bakanlığı).

<sup>12</sup> Türkiye Bilimsel ve Teknolojik Araştırma Kurumu

<sup>13</sup> Türk Patent Enstitüsü

<sup>14</sup> Yükseköğretim Kurulu Başkanlığı

<sup>15</sup> Milli Prodüktivite Merkezi

Priority/Measure	Institution in charge	Institutions to cooperate with	Period
		Chambers of Industry and Trade	Dec.
Priority 61. Tourism investments will be diversified, and tourism activities will be shifted from developed and intensely used regions to other areas, and will be spread over the whole year.			
Measure 133. Subsidies will be provided to tourism enterprises, and appropriate incentives will be introduced for tourism activities in interior and underdeveloped areas.	Ministry of Culture and Tourism	Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of Foreign Trade (DTM), SPO, Development Bank of Turkey (TKB) <sup>16</sup>	End of Dec.
Priority 74. In order to ensure efficient implementation of active labor market programs, the institutional capacity of Turkey Employment Agency (ISKUR) will be strengthened, and the cooperation with private sector and related professional organizations will be enhanced.			
Measure 168. The share of private sector, professional organizations and labor and employer unions in the labor training programs implemented by ISKUR Turkey Employment Agency (ISKUR) <sup>17</sup> will be increased.	ISKUR	Ministry of Finance, Ministry of Labor and Social Security, Ministry of National Education, Undersecretariat of Treasury, Turkish Vocational Qualifications Authority (MYK) <sup>18</sup> , Confederations of Labor and Employer Unions, Professional organizations	End of Dec.

Source: State Planning Organization. 2011 Annual Programme.

## 2.2 Plans Released by the Ministry of Science, Industry and Technology (the then Ministry of Industry and Trade: STB)<sup>19</sup>

### 2.2.1 2010 – 2014 Strategic Plan

In accordance with the Ninth Development Plan 2007-2013, BSTB (the then STB) has formulated the 2010-2014 Strategic Plan which sets four strategic objectives, 21 targets and 182 performance indicators. Table 2-4 shows the objectives and Table 2-5 lists items referring to SMEs.

<sup>16</sup> Türkiye Kalkınma Bankası A.Ş.

<sup>17</sup> Türkiye İş Kurumu

<sup>18</sup> T.C. Mesleki Yeterlilik Kurumu

<sup>19</sup> Sanayi ve Ticaret Bakanlığı

**Table 2-4 2010 - 2014 Strategic Plan: Four Strategic Objectives**

1	Formulating, implementing, monitoring, and evaluating policies and strategies prepared by collaborative efforts of public institutions, universities and the private sector and thereby transforming industrial and commercial structures and enhancing the global competitiveness of Turkish industries to the utmost extent
2	Supporting deliberate industrial development and improving investment environments by making Turkey an active, stable and competitive market which is fair to small producers, small sellers and consumers as well as one which meets EU standards and by closing gaps in development between regions.
3	Developing necessary infrastructure, promoting cooperation between industries and universities, and improving R&D and innovation capability by changing industries into those which make use of industrial patents and opt to produce high value-added products according to priorities set in the industrial strategy
4	Reforming the organization structure of STB to strengthen its management and implementation capability so that it can fulfill the mission

Source: Ministry of Industry and Trade. 2010-2014 Stratejik Planı.



Table 2-5 2010 - 2014 Strategic Plan: Items Referring to SMEs (Excerpt)<sup>20</sup>

Strategic Objective	Target	Performance Indicator
1.	1.1. Preparing strategic documents in a participatory approach to adopt them by all stakeholders, and monitor and evaluate them.	10. Execution rate of the activities listed in SME Strategy and Action Plan 100%
2.	2.4. Improving access to finance of SMEs, artisans and craftsmen.	79. Completion of the study on problems in access to finance which KOSGEB's intended targets face Within the year 2010 100%
		80. Execution rate of the remedial activities listed in the report in the performance indicator 79 100%
		85. The number of SMEs applying to project-based support programs 10 SMEs
		86. The number of SMEs' approved applications 5 SMEs
		89. The number of participants in the activities of annual report day, which aim to promote SMEs' use of financial support like those in Competitiveness and Innovation Framework Programme (CIP) <sup>21</sup> (total numbers of participants and those from SMEs) Annual total: 500 including 250 from SMEs
		90. The number of provinces which hold PR workshops which aim to promote SMEs' use of financial support like those in CIP 7 provinces/year
		91. The number of meetings held between financial institutions to promote SMEs' use of financial support like those in CIP Twice/year

<sup>20</sup> Numbers in the table correspond to those in the Strategic Plan.

<sup>21</sup> Competitiveness and Innovation Framework Programme (CIP) refers to a support measure for SMEs by EU. The Entrepreneurship and Innovation Programme, a component of the CIP, provides loan and equity finance support.

Strategic Objective	Target	Performance Indicator	
3.	2.5. Strengthening cooperation and coordination among vocational schools, universities, SMEs, artisans and craftsmen. 2.6. Promoting cluster activities which are inside the Ministry's area of responsibility 3.3. Increasing SMEs and entrepreneurs producing innovative or knowledge-intensive products/services	92. The number of meetings targeting innovation projects to promote SMEs' use of financial support like those in CIP	Twice/ year
		93. The number of meetings with the representatives of SMEs, artisans and craftsmen to identify their needs and problems in vocational training.	Twice/ year
		95. The number of SMEs using training and consultation support to hire more numbers of qualified personnel	100 SMEs/ year
		100. Completion of SME network formation and inter-regional cooperation strengthening	Year 2012
		123. The number of entrepreneurs with innovative ideas	50 entrepreneurs /year
		128. The number of R&D projects supported by KOSGEB Technology Development Center (TEKMER) <sup>22</sup>	75 cases/per year
		129. The number of newly established İŞGEM	2 per year (2010-2012)

Source: Ministry of Industry and Trade. 2010-2014 Stratejik Planı.

<sup>22</sup> Teknoloji Geliştirme Merkezleri

## 2.2.2 Turkey Industry Strategy Paper 2011-2014 (Towards EU Membership)

BSTB (STB at the time) has also released the Turkey Industry Strategy Paper 2011- 2014, a revision of the Industrial Policy for Turkey which had been published by SPO at the time in 2003. As seen in the subtitle, towards EU membership, the paper aims to harmonize the country's industrial policy with the chapter 20 of the *acquis communautaire* titled enterprise and industry policy, and discusses policy principles, policy instruments and sectoral policies of which the chapter 20 is composed<sup>23</sup>.

Table 2-6 shows the overview of the strategy. It sets a long-term vision and an objective extending over the target period. The vision is “to be a manufacturing base of mid and high-tech products in Eurasia.” The objective is “boosting the share of Turkish products and services in world exports by improving competitiveness and productivity of the Turkish industries, producing mainly high-tech and high value-added goods, having quality labor force, and making industrial structures more socially and environmentally friendly.” Identifying eight horizontal policy areas, it presents actions, responsible institutions, those to cooperate with, implementation period, and performance indicators. Regarding sectoral policies, the paper analyzes the competitiveness of seven industries; policy formulation is set as a part of activities together with its implementation and evaluation.

**Table 2-6 Turkey Industry Strategy Paper 2011-2014: Overview**

Vision	To be a manufacturing base of mid and high-tech products in Eurasia	
Objective	Boosting the share of Turkish products and services in world exports by improving competitiveness and productivity of the Turkish industries, producing mainly high-tech and high value-added goods, having quality labor force, and making industrial structures more socially and environmentally friendly	
Strategy	Heightening the role of middle and high-tech manufacturing enterprises and export sectors, increasing value added of goods in low-tech sectors, and heightening the role of strong enterprises capable of continually innovating themselves in economy	
Horizontal policy	Improving business and investment environment Improving trade and investment policy and thereby contributing to the diversification of traded goods Fostering human resources matching the demand Improving SMEs' access to finance Encouraging R&D activities Building infrastructure and thereby lessening input costs Promoting environmentally friendly production and products Promoting regional development	
Sectoral Policy: evaluation items and target sectors	Information technology Competition Legislative foundation Environment and energy International Competitiveness and trade Employment and geographical spread	Automobiles, Machinery, White goods, Electric and electronic devices, Textile and apparel, Food, and Iron and steel

Source: Ministry of Industry and Trade. Türkiye Sanayi Stratejisi Belgesi 2011 - 2014 (AB Üyeliğine doğru)

<sup>23</sup> The screening report in 2006 appreciates the industrial policy in Turkey as compliant to the *acquis communautaire*.

The paper as a whole covers enterprises in all industries of all sizes, but some actions focus on SME promotion. KOSGEB is in charge of such actions except financial assistance for which Undersecretariat of Treasury is responsible. Table 2-7 lists the activities of which KOSGEB is in charge.

**Table 2-7 Turkey Industry Strategy Paper 2011-2014 : Activities for which KOSGEB is Responsible 24**

No.	Priority	Activity	Institutions to cooperate with	Performance Indicator	Period
1	1.1. Improving investment and business environments	Strengthening training and support on entrepreneurship development	STB, Undersecretariat of Treasury, DTM, TOBB, TESK	The number of entrepreneurship development activities (over 20 cases / year) The amount of assistance to entrepreneurs (more than the previous year's result ) The number of newly established İŞGEM (3 or more /year)	2011 - 2013
10	1.2. Improving trade and investment policies to contribute to the diversification of traded goods	Continuing to provide support enhancing SMEs' marketing and exporting capability		The number of SMEs receiving support for market research and export promotion and the amount of assistance (more than the previous year's results) The number of publicity workshops (20 or more per year)	2011 - 2014
18	1.3. Fostering human resources which match demands	Improving SMEs' management capability and increase good employment		The number of training and consulting cases on managerial skills improvement and the amount of assistance (more than the previous year's results) The number of SMEs receiving support in hiring qualified employees (more than the previous year's result)	2011 - 2014
27	1.4. Improving SMEs' access to finance	Improving SMEs' access to finance	Credit Guarantee Fund (KGF) <sup>25</sup>	KOSGEB's contribution payment for year 2009 by to Istanbul Venture Capital Initiative (IVCI) The number of events hosting together with KGF for promoting special credit guarantee schemes (5 or more per year) The number of awareness and promotion activities to SMEs on alternative financing measures (over 20 year year)	2011 - 2014

<sup>24</sup> Numbers in the table correspond to those in the strategy paper.<sup>25</sup> Kredi Garanti Fonu A.Ş.

No.	Priority	Activity	Institutions to cooperate with	Performance Indicator	Period
31	1.5. Encouraging R&D activities	Supporting SMEs' R&D, innovation, quality improvement, and IT utilization		Utilization ratio of TEKMER (80% in 2011 and 2012, 90% in 2013) The number of R&D support cases and the amount of assistance (more than the previous year's results) The number of events by TEKMER on R&D and innovation (20 or over per year) The number of exhibitions presenting examples of R&D projects supported by TEKMER (1 or more per year) The number of training and consulting cases on R&D, innovation, quality improvement, and IT utilization and the amount of assistance (more than the previous year's results or more) The number of support on system certification and the amount of assistance (more than the previous year's results) The number of SMEs receiving support on IT utilization and the amount of assistance (more than the previous year's result)	2011 - 2014
64	1.8. Promoting regional development	Supporting regional development projects related to SMEs	STB, Ministry of Finance, SPO, Undersecretariat of Treasury, Development agencies, TOBB, TESK, and NGOs	The number of implemented regional development project (1 or more per year), The number of support cases on SMEs' co-funding (more than the previous year's result) The number of cluster formation projects conducted together with other organizations (1 or more per year)	2011 - 2014

Source: Ministry of Industry and Trade. Turkey Industry Strategy Paper 2011-2014.

## 2.3 Plans Released by KOSGEB

### 2.3.1 KOSGEB 2011 - 2015 Strategic Plan

KOSGEB had released a strategic plan covering the period between 2008 and 2012, but it prepared one covering the period between 2011-2015 after its target industries expanded in September 2009<sup>26</sup>. The plan sets four strategic objectives, twelve targets, and 51 performance indicators, and responsible sections.

**Table 2-8 KOSGEB 2011 – 2015 Strategic Plan**

Strategic Objective	Target
Improving SMEs' management capability	Promoting the exploitation of KOSGEB's support programs and enhancing their effectiveness
	Nurturing the culture of doing project-based activities and the culture of cooperation among SMEs
	Making SMEs extend cooperation with domestic and foreign institutions
	Enhancing the exploitability of nontraditional financial resources
Increasing SMEs' R&D and innovation-related activities	Making SMEs recognize the importance of R&D and innovation-related activities and promoting the provision of supports for them
	Making R&D and innovation-related activities profitable businesses
Nurturing entrepreneurial culture and promoting business start-ups	Developing the environments fostering business start-ups and making them as good as those in developed countries
	Increasing the chance of success of new businesses by making common business start-ups with a business plan
	Promoting women's business start-ups
Ensuring the continuous institutional development as the organization responsible for SME promotion	Improving business processes and motivating staff and thereby utilizing KOSGEB's staff effectively.
	Developing a comprehensive information system to smoothen information flow and communication as well as to make better decisions
	Conducting effective public relations activities and enhancing the image of KOSGEB

Source: KOSGEB. KOSGEB 2011-2015 Stratejik Planı

### 2.3.2 Year 2011 Performance Program

KOSGEB formulates yearly annual programs based on the upper-level plans, and the newest one available is for year 2011. Along with the four goals and the twelve targets of the KOSGEB 2011 - 2015 Strategic Plan, it plans 45 activities and sets 47 performance indicators.

<sup>26</sup> KOSGEB used to support SMEs in manufacturing only, but it now supports those in services, too.

### 2.3.3 2011-2013 SME Strategy and Action Plan

In cooperation with relevant organizations, KOSGEB has also released SME strategy and action plans to coordinate SME promotion policies at the national level. The newest one is for the three years from 2011 and it is based on the EU Small Business Act for Europe as well as domestic policies related to SME promotion.

Making the goal “ensuring the increase in production, investment, and added value of SMEs by providing accessible quality support measures and services which address problems in their business environments,” it sets 16 targets ranging five strategic areas with 82 corresponding actions. The five areas of intervention were determined to tackle weaknesses and threats listed in a SWOT analysis made by the representatives of relevant institutions and SMEs. The plan appoints responsible institutions and support institutions for each action. These institutions report progresses to KOSGEB twice a year (end-January and end-July). If necessary, opinions of the technical committee are asked. Then, they are reported to the steering committee. Table 2-9 shows the areas of intervention and targets.

**Table 2-9 2011-2013 SME Strategy and Action Plan (Draft): Areas of Intervention and Targets**

Area of intervention	Targets
1.Starting businesses	1.1 Nurturing entrepreneurial culture and creating entrepreneurial environments as good as those in advanced countries
	1.2 Providing entrepreneurs with support such as training, consulting, and physical office spaces, and thereby helping them to expand their businesses
	1.3 Helping special target groups to overcome problems they face on starting a business
2.Management skills and corporate competency	2.1 Providing information and supporting services on management, organization, marketing, productivity improvement, quality management, standardization, intellectual property right, IT utilization
	2.2 Developing SMEs’ export capability and supporting their access to the international market
	2.3 Nurturing cooperative culture and supporting collaboration
	2.4 Assisting SMEs in hiring qualified employees and improving employees’ capability
	2.5 Improving SMEs’ adaptability to national and international standards
3.Attention on SMEs in improving business and investment environments	3.1 Improving the ability to grasp SMEs’ needs in planning policies and support measures which affect businesses and investments
	3.2 Developing statistics on SMEs which are fundamental to formulating better policy



Area of intervention	Targets
4.R&D and innovation capability	4.1 Changing SMEs' thoughts on R&D, innovation, and design and supporting these activities
	4.2 Assisting the commercialization of goods and services produced by R&D and innovative activities
	4.3 Promoting collaboration with universities and large enterprises
5.Access to finance	5.1 Enhancing access to bank finance
	5.2 Promoting the understanding on international credit standards and principles of corporate governance
	5.3 Nurturing venture capitals, business angels and developing equity markets for SMEs

Source: KOSGEB. 2011 - 2013 Kobi Stratejisi ve Eylem Planı

An action in the plan aims to build the foundation of testing and certifying process of SME consultants as a preparation to set a national ability-based occupational grade system for them. Appointing MYK as the responsible organization and TURKAK as the one to cooperate with, it plans to complete the first phase of the preparation by 2013 by prompting relevant parties to define SME consultants according to required procedures.

**Chapter 3**  
**KOSGEB and SME Support Organizations**

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## Chapter 3 KOSGEB and SME Support Organizations

Figure 3-1 presents an overview of key organizations involved in SME support in Turkey. The role and activity of Small and Medium Enterprise Development Organization (KOSGEB)<sup>1</sup> is described in 3.1, and that of other SME support organizations in 3.2. Note that the organizations and activities of support organizations specialized in consulting service, such as European Turkish Business Centres (ABİGEM)<sup>2</sup>, which was established under EU's support, General Directorate of Productivity (VGM)<sup>3,4</sup>, Association of Professional Consultants (PRODER)<sup>5</sup>, and Management Consultants Association (YDD)<sup>6</sup> are summarized in Chapter 4.

### 3.1 Role and Activity of KOSGEB

#### 3.1.1 Role

The primary role of KOSGEB is to develop SME policy and implement specific programs on the basis of SME policy. With regard to SME policy formulation, KOSGEB develops "SME Strategy and Action Plan" in cooperation with Ministry of Development<sup>7</sup>, Ministry of Science, Industry and Technology (BSTB)<sup>8</sup>, Ministry of Finance, Ministry of Education, Ministry of Environment and Forest, Undersecretariat of Prime Ministry for Finance, Ministry of Economy<sup>9</sup>, Scientific and Technological Research Council of Turkey (TÜBİTAK)<sup>10</sup>, Union of Chambers and Commodity Exchanges of Turkey (TOBB)<sup>11</sup>, Confederation of Tradesmen and Artisans of Turkey (TESK)<sup>12</sup>, and HALKBANK. It also serves as the secretariat of the working group on policy formulation. Based on "SME Strategy and Action Plan," specific programs are decided by KOSGEB's Executive Committee (Figure 3-2), which is represented by BSTB, the Ministry of Development, Ministry of Finance, Undersecretariat of Prime Ministry for Finance, TOBB, TESK, TÜBİTAK, Izmir Institute of Technology, and KOSGEB.

<sup>1</sup> Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Başkanlığı

<sup>2</sup> Avrupa Birliği İş Geliştirme Merkezleri

<sup>3</sup> Verimlilik Genel Müdürlüğü

<sup>4</sup> As a result of restructuring the public agencies in June 2011, National Productivity Centre of Turkey (MPM : Milli Prodüktivite Merkezi) became a part of the Ministry of Science, Industry and Technology (BSTB: Bilim, Sanayi ve Teknoloji Bakanlığı) . STB (Sanayi ve Ticaret Bakanlığı) became BSTB by separating sections in charge of commerce. These section became a part of the Ministry of Custom and Commerce (GTB: Gümrük ve Ticaret Bakanlığı).

<sup>5</sup> Profesyonel Danışmanlar Derneği

<sup>6</sup> Yönetim Danışmanları Derneği

<sup>7</sup> It was formerly Prime Ministry State Planning Organization (SPO).

<sup>8</sup> Bilim, Sanayi ve Teknoloji Bakanlığı

<sup>9</sup> It was formerly Undersecretariat of the Prime Ministry for Foreign Trade (DTM).

<sup>10</sup> Türkiye Bilimsel ve Teknolojik Araştırma Kurumu

<sup>11</sup> Türkiye Odalar ve Borsalar Birliği

<sup>12</sup> Türkiye Esnaf ve Sanatkarları Konfederasyonu

In addition to a major player in the policymaking process, KOSGEB is primarily responsible for carrying out actual program designed to achieve the goals established in “SME Strategy and Action Plan.” Note that the scope of KOSGEB’s SME support was extended from the manufacturing sector to all industries in September 2009 when the commerce and service sector was added.

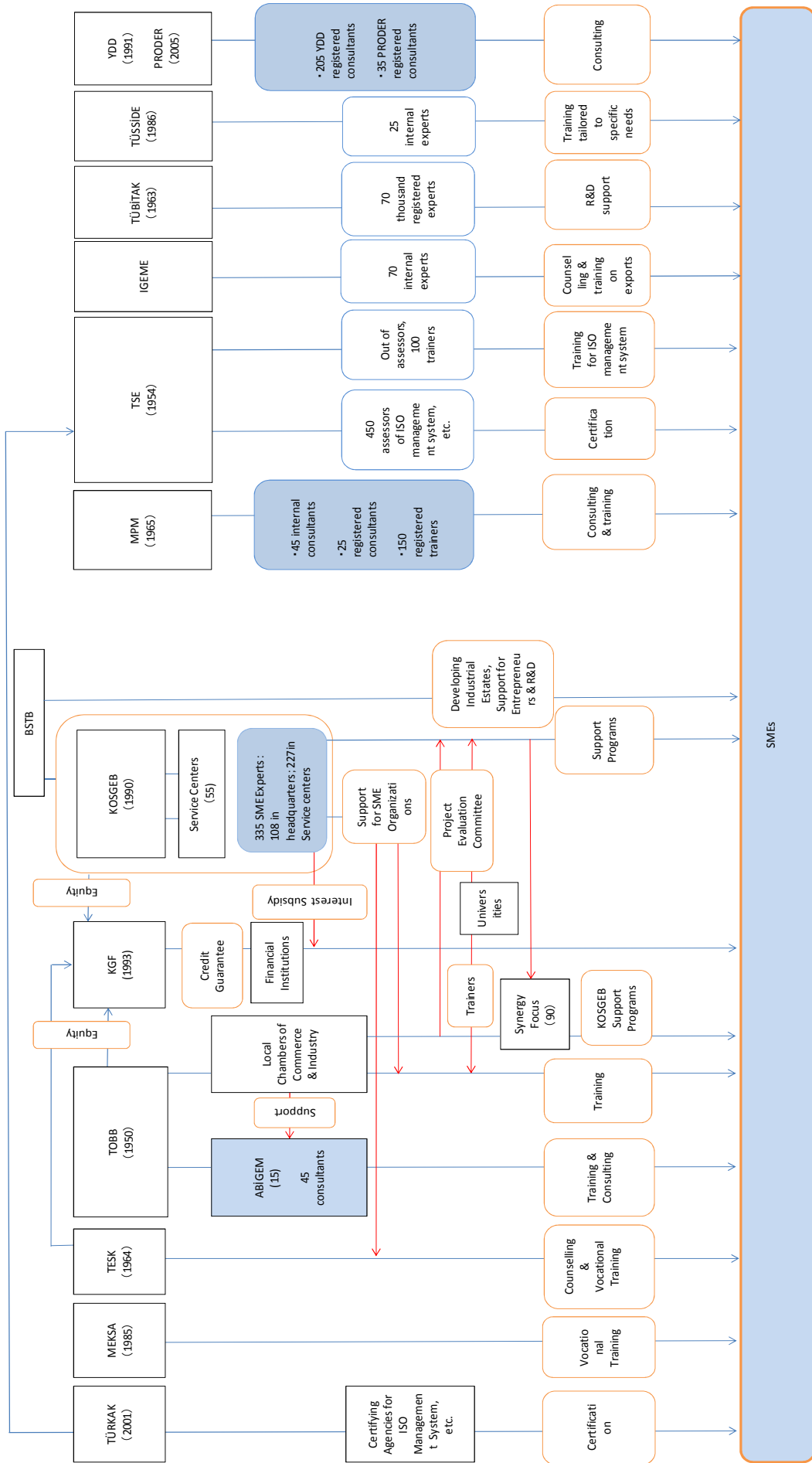
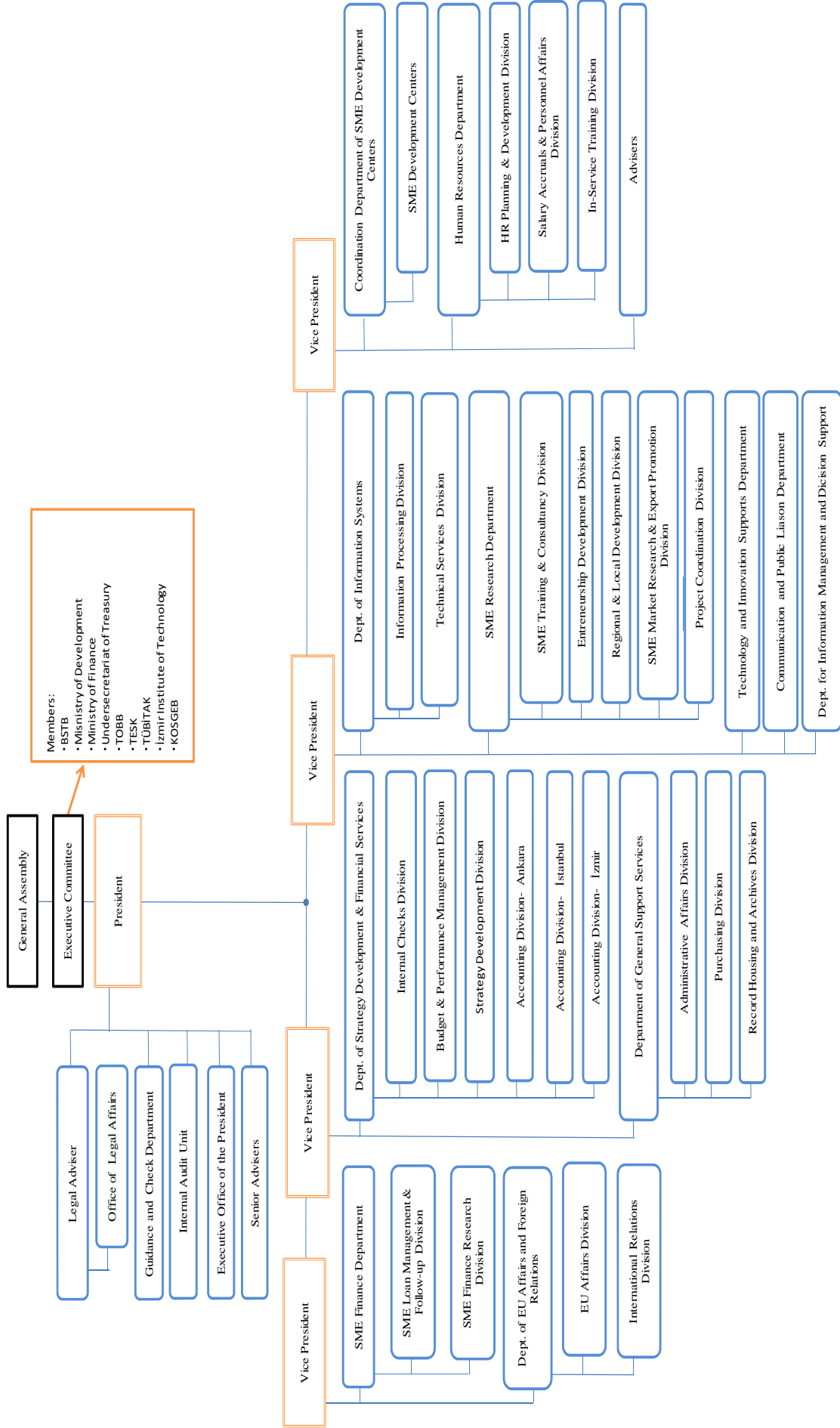


Figure 3-1 Major SME Support Organizations in Turkey



Source: KOSGEB

Figure 3-2 Organizational Chart of KOSGEB (as of November 2011)

### 3.1.2 Activity of KOSGEB

#### (1) Organization

KOSGEB's organization consists of the head office, which is responsible for formulation of SME policy and planning of actual support programs, and service centers in charge of SME support service.

KOSGEB has 75 service centers throughout the country<sup>13</sup>. As a result of the organizational reform in June 15, 2010, 35 business development centers (İGEM: İşletme Geliştirme Merkezi) – serving existing SMEs – and 20 technical development centers (TEKMER: Teknoloji Geliştirme Merkezi) – supporting startups – were integrated and renamed to Service Center, through which all support programs are provided.

**Table 3-1 KOSGEB Staffing (As of October 2011)**

	Total Staff	Consisting of		
		SME Expert	SME Expert Assistant	subtotal
KOSGEB	899	324	222	546
Headquarters	322	103	33	136
Service Centers (5)	577	221	189	410

Source: KOSGEB

As shown in Table 3-1, KOSGEB employs a total of 899 staff members (as of October 2011), which includes 546 SME experts and assistants. Of total, 136 SME experts and assistants work at the head office and are engaged in planning activity, whereas 410 experts and assistants at service centers are responsible for day-to-day support for SMEs. Note that the assistants mean recently employed staff members and SME experts mean those who work with KOSGEB for three or more years and have passed the promotion test.

#### (2) Ongoing support programs

There are seven ongoing support programs in place, consisting of those inherited from the old support programs underway up to June 15, 2010, and three new programs, i.e., “SME Project Support,” “Theme-specific Project Support,” “Association Organization Support” and “Support to be Listed on the Emerging Equity Market” (Table 3-3). Furthermore, the interest subsidy scheme is undertaken as a financial support program since 2003.

<sup>13</sup> The figure is as of October 2011.

**Table 3-2 Comparison of KOSGEB's Old and Ongoing Support Programs**

Programs after June 15, 2010		Programs before June 15, 2010	
Programs	Starting Period	Programs	
1. General Support Program		1. Consulting & Training Support Program	
1-1. Domestic Business Fairs Support		1-1. Consulting Support	
1-2. Overseas Business Trip Support		1-2. Training Support	
1-3. Advertising Support		2. Technology Development and Innovation Support Program	
1-4. Matching Support		2-1. R&D Support	
1-5. Qualified Personnel Support		2-2. Support for Intellectual Property Rights	
1-6. Consulting Support		3. Information Technology Support Program	
1-7. Training Support		3-1. Software Support	
1-8. Energy Efficiency Support		3-2. Support for Orientation to E-Trade	
1-9. Design Support	June 2010	4. Quality Improvement Support Program	
1-10. Support for Intellectual Property Rights		4-1. Testing, Analysis and Calibration Support	
1-11. Certification Support		4-2. System Certification Support	
1-12. Testing, Analysis and Calibration Support		5. Market Research and Export Improvement Support Program	
2. R&D Support Program		5-1. Support for Participating in the Domestic Business Fairs	
2-1. Support for Developing Prototype of New Products		5-2. Support for Participation in International Business Fairs in the Country	
2-2. Support for Commercialization of New Products		5-3. Overseas Business Trip Support	
3. Entrepreneur Support Program		5-4. Support for Participation in Business Fairs Abroad	
3-1. Entrepreneur Training	July 2010	5-5. Advertising Support	
3-2. Support for Start-up Funds		5-6. Brand Support	
3-3. Support for İŞGEM		6. Support Program for Improving International Cooperation	
3-4. Business Plan Contest	June 2010	6-1. Support for Participation in Export purposed Trips Abroad	
4. SME Project Support Program	July 2010	6-2. Matching Support	
5. Thematic Project Support Program	June 2010	7. Regional Development Support Program	
5-1. Support for Solving Problems Designated by KOSGEB		7-1. Local Economic Research Support	
5-2. Support for SME Organizations Implementing Projects to help SMEs Solve Problems		7-2. Support for Machinery-Equipment for Common Use Purposes	
6. Support Program for Organizing Cooperatives	June 2010	7-3. Infrastructure Support	
7. Support to be Listed on the Emerging Equity Market	July 2011	7-4. Qualified Personnel Support	
8. Financial Support Program		8. Support Program for Developing Entrepreneurship	
8-1. 100% Interest Subsidy Support for Enterprises in Diyarbakir	Oct. 2010	8-1. New Entrepreneur Support	
8-2. Disaster Emergency Support		8-2. Support for İŞGEM	
8-3. Priority Program for GAP Region		9. Financial Support Program	
8-4. Program for Developing Each Stratum of SMEs	Nov. 2010		
8-5. Export Financial Support Program	Nov. 2010		

Source: Prepared by Study Team based on hearing.



In comparison to the old support programs, the newly introduced four programs focus on the areas relating to the improvement of competitiveness of SMEs and the support to help SMEs to solve the issues relating to operation and management, namely the support for growth of individual SMEs by accelerating their equipment investment projects, the support to help SMEs to solve the issues relating to specific areas of operation and management, the support to promote organization of collective efforts (e.g., association) and merger with view to improving competitiveness of SMEs as a whole, and the support to help SMEs to be listed on the emerging equity market in the Stock Exchange in Turkey.

The track record of the support programs is presented in Table 3-4. Between January and June in 2011, 56,892 enterprises made use of the programs, and 212 million 190 thousand TL was spent. 71.1% of funds spent were for Finance (Interest Subsidy) Support Program. 12.6% for General Support Program and 7.4% for R&D Support Program. Looking at the number of support cases, Finance (Interest Subsidy) Support Program accounts for 77.8%, followed by General Support Program (16.7%) and Entrepreneur Support Program (2.1%)

**Table 3-3 Track Record of Support Programs**

	January-June 2011				2010			
	Amount (1,000TL)		Number of Enterprises		Amount (1,000TL)		Number of Enterprises	
		%		%		%		%
1 Support under the existing programs	4,438	2.1%	1,027	1.8%	27,338	14.7%	5,550	10.8%
2 Support under new programs	56,545	26.6%	11,586	20.4%	11,138	6.0%	2,455	4.8%
1) General Support Program	26,793	12.6%	9,493	16.7%	4,960	2.7%	2,202	4.3%
2) R&D Support Program	15,696	7.4%	735	1.3%	4,162	2.2%	176	0.3%
3) Entrepreneur Support Program	5,828	2.7%	1,198	2.1%	358	0.2%	69	0.1%
4) SME Project Support Program	3,714	1.8%	140	0.2%	293	0.2%	3	0.0%
5) Theme-specific Project Support Program	10	0.0%	1	0.0%	0	0.0%	0	0.0%
6) Organization of Association Support Program	4,504	2.1%	19	0.0%	1,365	0.7%	5	0.0%
3 Project at Diyarbakir Center	247	0.1%		0.0%	292	0.2%		0.0%
4 Support to be Listed on the Emerging Equity	150,958	71.1%	44,279	77.8%	146,886	79.1%	43,310	84.4%
Total	212,188	100.0%	56,892	100.0%	185,654	100.0%	51,315	100.0%

Source: Prepared by the JICA Study Team according to KOSGEB, *Annual Report 2010; Financial Report 2011*

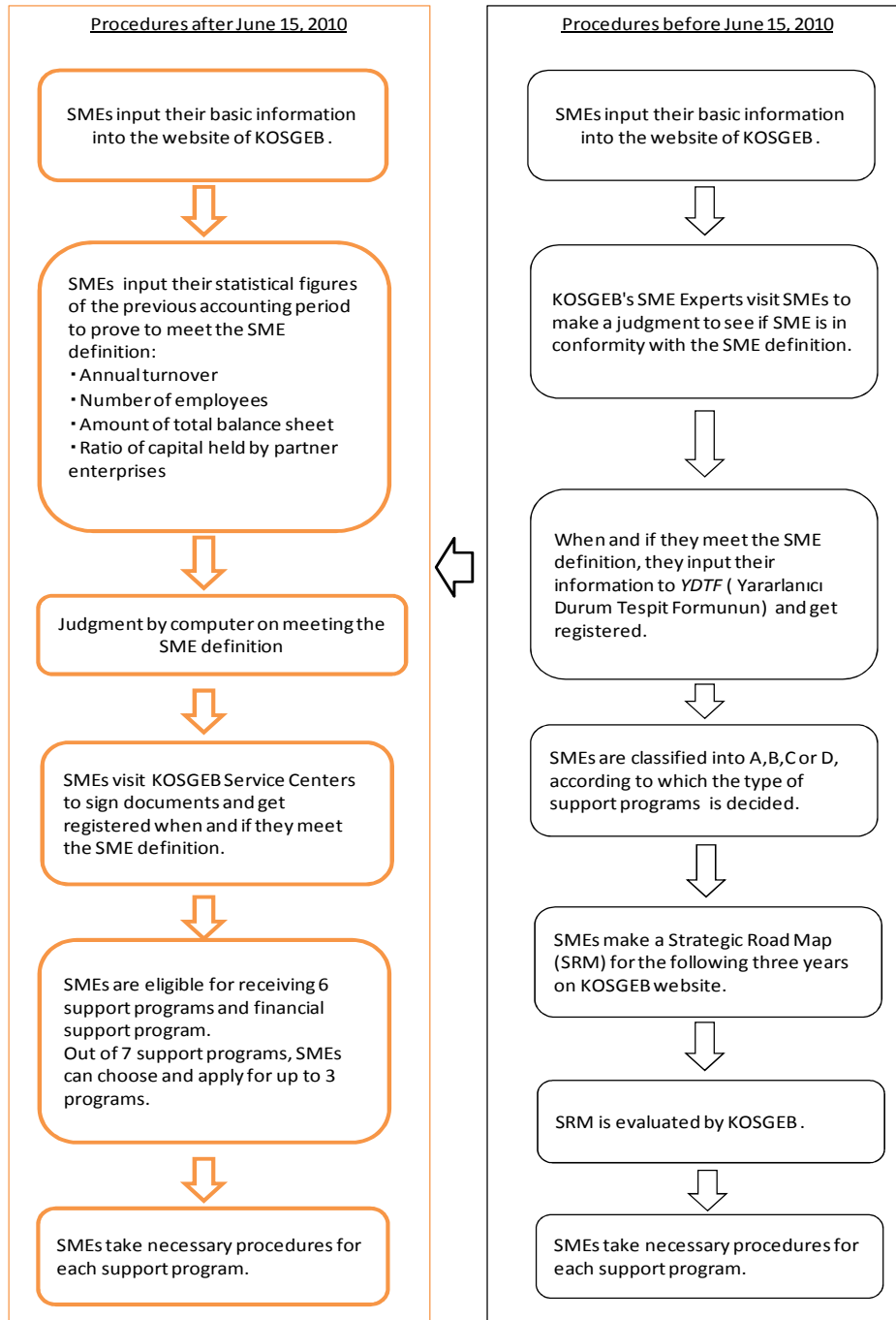
The track record of consulting support for the same period is not clear. Between January and August in 2011, 166 SMEs used the program, and 599 thousand TL was spent<sup>14</sup>.

<sup>14</sup> Information from KOSGEB's Training and Consulting Division

(3) Support service procedures

To use various SME support programs offered by KOSGEB, a company must be registered through KOSGEB's Web site by providing necessary information. The new service procedures, enacted on June 15, 2010, are compared with the old ones in the table below.

**Table 3-4 Comparison of KOSGEB's New and Old SME Support Service Procedures**



Source: Prepared by JICA Study Team based on hearing

The new and old registration procedures differ primarily in that the former is simplified by eliminating the requirement for preparation and submission of the three-year business plans called Strategic Road Maps (SRMs). There were two reasons for this: 1) the SRM was rather difficult to prepare and created heavy burdens for SMEs in terms of time and cost; and 2) as a result, most SMEs hired registered consultants to make the SRM, which often overemphasized each consultant's specialty and was considered unsuitable for the intended purpose.

As SMEs are no longer required to submit the SRM under the new procedures, once a company is recognized as a SME, it can be registered with KOSGEB after its representative visits a nearby service center and signs a declaration that it has provided genuine information, thus making it eligible for various services. The change is particularly beneficial for MEs with nine or less employees as their accessibility to KOSGEB's support service has improved substantially.

As of December 2011, 439,099 companies were registered with KOSGEB (Table 3-8), of which the manufacturing sector accounted for 39.7% (174,378 companies), the wholesaling and retail sector 29.8% (130,769), the transportation and warehousing sector 6.1% (26,571), and construction 5.4% (23,590).

Finally, size distribution of registered companies indicates that micro-sized enterprises (1-9 employees) represent 73.3%, small-sized enterprises (10 - 49 employees) 20.5%, and medium-sized enterprises (50 – 249 employees) 6.2%. Thus, companies having 49 or less employees account for 93.8% of the total.

**Table 3-5 Breakdown of Companies Registered with KOSGEB, by Industry Type and Size (as of December 2011)**

NACE code		Number of registered SMEs				
		Micro-size (9 employees or less)	Small-size (49 employees or less)	Middle-size (249 employees or less)	Total	%
		321,835	90,175	27,089	439,099	1620.9%
		1188.1%	332.9%	100.0%	1620.9%	
B	MINING and QUARRYING	1,440	307	65	1,812	6.7%
C	MANUFACTURING	108,853	49,064	16,461	174,378	643.7%
D	ELECTRICITY, GAS, STEAM and AIR CONDITIONING SUPPLY	1,265	218	61	1,544	5.7%
E	WATER SUPPLY	730	150	30	910	3.4%
F	CONSTRUCTION	19,451	3,336	803	23,590	87.1%
G	WHOLESALE and RETAIL TRADE; REPAIR of MOTOR VEHICLES and MOTORCYCLES	104,061	21,121	5,587	130,769	482.7%
H	TRANSPORTING and STORAGE	21,280	4,181	1,110	26,571	98.1%
I	ACCOMODATION and FOOD SERVICE ACTIVITIES	12,430	2,276	605	15,311	56.5%
J	INFORMATION and COMMUNICATION	7,313	1,411	366	9,090	33.6%
M	PROFESSIONAL, SCIENTIFIC and TECHNICAL ACTIVITIES	8,084	1,388	323	9,795	36.2%
N	ADMINISTRATIVE and SUPPORT SERVICE ACTIVITIES	3,449	612	147	4,208	15.5%
R	ARTS, ENTERTAINMENT AND RECREATION	174	24	5	203	0.7%
S	OTHER SERVICES ACTIVITIES	33,305	6,087	1,526	40,918	151.1%

Source: KOSGEB

## 3.2 Other SME Support Organizations

### 3.2.1 Ministry of Science, Industry and Technology (BSTB)

Ministry of Science, Industry and Technology (BSTB) is responsible for formulation of industrial development policy covering the manufacturing. At the same time, it carries out a variety of SME support programs designed for the following purposes: 1) development of industrial zones/estates; 2) R&D promotion; and 3) fostering of entrepreneurs.

- (1) STB provides financial support for development of two types of industrial estates, i.e., organized industrial zones (OIZs) and small scale industrial estates (SSIEs), by supplying long-term loans.
- (2) Support programs in the area of R&D promotion are roughly divided into subsidy for technopark construction and incentives for companies operating in each technopark.
- (3) STB's support program for the fostering of entrepreneurs provides subsidy of 100,000 TL for entrepreneurs who have completed a Master's or Ph.D. program with the recent five years. Selected entrepreneurs can receive subsidy to cover the costs required to develop a new technology, product or production process to the prototyping stage, including raw materials, software, and rent for workshop. The program benefits up to 100 persons each year. Then, entrepreneurs who have successfully developed a prototype will be able to use KOSGEB's R&D support program.

### 3.2.2 Turkish Standardization Institute (TSE) <sup>15</sup>

Turkish Standardization Institute (TSE), established in 1954, is the sole standardization organization in the country and the sole governmental certification organization (covering products, management system personnel, testing and inspection) accredited by Turkish Accreditation Agency (TÜRKAK) <sup>16</sup>

TSE has approximately 1,500 employees, of which 450 serve as assessors of ISO9001 and other management systems and 100 as trainers of TSE's training courses. These trainers have knowledge on a variety of management systems, such as ISO9001, ISO18001 (OHSAS: Occupational Health and Safety Assessment Series), and ISO14001, and they teach TQM, Kaizen, statistical process management, leadership, and other subjects.

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<sup>15</sup> Türk Standardları Enstitüsü

<sup>16</sup> Türk Akreditasyon Kurumu

### 3.2.3 Export Promotion Center of Turkey (İGEME)<sup>17</sup>

Export Promotion Center of Turkey (İGEME), under the Ministry of Economy, carries out export promotion programs formulated by the ministry. It has offices in Istanbul and Izmir, employing approximately 50 persons. Its SME support programs cover business consultation, training, and consulting service.

- (1) Business consultation is carried out for around 12,000 companies that are registered at İGEME's Web site, using e-mail and telephone. It generally responds to questions relating to export practice, including introduction of foreign importers, preparation of invoice, export procedures, and the indication of product number in relation to export.
- (2) The training program covers the training cost for companies that send their employees to any of training institutes approved by İGEME (there are around 30 of them). The total amount of financial support provided for each company is limited to 30,000 TL<sup>18</sup> per year, and each company can participate in as many as ten training courses annually.
- (3) İGEME's consulting service was started in September 2010, covering a group of companies that plan to implement an export-related project. For instance, İGEME bears the consulting fee for a group of 5-10 companies that intend to formulate an export promotion project to explore foreign markets jointly. Companies can select a consultant from around 50 consulting firms approved by the Ministry of Economy and university faculty members having a Ph.D. degree. Companies are required to subject their project proposal, which is examined by a committee consisting of four İGEME employees.

### 3.2.4 Scientific and Technological Research Council of Turkey (TÜBİTAK)

TÜBİTAK is a government organization established in 1963 and it is now under BSTB. It is primarily responsible for the following three activities: 1) policy proposals and recommendations in the fields of science, technology and innovation; 2) support for promotion of science, technology and innovation by the private sector; and 3) advanced technology research and development at eleven research institutes throughout the country.

Support programs targeting the private sector in 2) include subsidy for R&D activities by SMEs, covering five fields, namely manufacture of machinery, electrical and electronics, IT, materials and metallurgy, and bioengineering and food. For instance, with regard to the

<sup>17</sup> İhracatı Geliştirme Etüd Merkezi

<sup>18</sup> Equivalent to US\$20,000 (converted at the average exchange rate of US\$1 = TL1.500364) (CBRT)

manufacture of machinery, the program supports development of a new machine or innovative improvement.

In addition, when a company needs consulting service in relation to preparation of project documents or technical advice, it can hire an outside consultant by using the subsidy program covering such service.

### **3.2.5 Turkish Institute for Industrial Management (TÜSSİDE)<sup>19</sup>**

Turkish Institute for Industrial Management (TÜSSİDE) is an organization under TÜBİTAK and was established in 1986 for the purpose of providing training for organizations in the government and private sectors. It has around 70 staff members. Its training center in Gebze in Kocaeli is situated in a vast 8,000m<sup>2</sup> site and includes accommodation facilities for 140 persons.

TÜSSİDE's training program does not have fixed courses or a predesigned curriculum. Instead, it is characterized as tailor-made, i.e., TÜSSİDE designs a course and a curriculum according to the needs of each organization or company.

Finally, consulting service is provided as part of follow-up service for the above training program, thus it is not carried out separately.

### **3.2.6 Foundation for the Promotion of Vocational Training and Small Industry (MEKSA)<sup>20</sup>**

Foundation for the Promotion of Vocational Training and Small Industry (MEKSA) was established in 1985 under assistance of Germany. In addition to the head office in Ankara, it has 23 vocational training centers in 13 provinces including Ankara, Istanbul, Adana, and Izmir. It aims to assist young people of 18 – 35 years old in finding jobs by teaching theories and practical skills. At present, the training center in Ankara teaches 45 courses, including welding, CNC (computerized numerical control), electrical installation, mechatronics, computer, and solar energy use.

In fact, training courses are decided on a project basis. Turkey Employment Agency under the Ministry of Labor and Welfare (İŞKUR)<sup>21</sup> proposes to MEKSA training courses that meet the needs of the labor market. Then, MEKSA develops a curriculum for each course and

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<sup>19</sup> Türkiye Sanayi Sevk ve İdare Enstitüsü

<sup>20</sup> Mesleki Eğitim ve Küçük Sanayii Destekleme Vakfı

<sup>21</sup> Türkiye İş Kurumu

recruits trainees (young people without full-time jobs). MEKSA's training courses are offered with free of charge and are funded by İŞKUR and other organizations that propose them.

Trainers are university faculty members and other persons with practical experience, who are registered with MEKSA. The training center in Ankara registers approximately 500 trainers.

Note that microenterprises often employ young people who have completed primary education (first to eighth grades), but many of them are not capable of giving vocational training due to the lack of money. To improve the situation, MEKSA admits and provides training for these new employees (two days per week) under an agreement with individual MEs.

### 3.2.7 Union of Chambers and Commodity Exchanges of Turkey (TOBB)

TOBB is an economic organization established in 1922 and serves as the federation of affiliated organizations throughout the country, i.e., 60 chambers of commerce, 12 chambers of industry, 178 chambers of commerce and industry, 113 commodity exchanges, 2 chambers of marine transport. These organizations boast total membership of around 1.3 million companies.

TOBB has the mission to make policy proposals and recommendations to the government, including the participation in the policymaking process, such as "SME Strategy and Action Plan." It also carries out ABİGEM Project under EU's assistance in order to provide support for SMEs<sup>22</sup>.

Being the federation of local chambers of commerce and industry, TOBB does not provide business development service directly for SMEs.

### 3.2.8 Local Chambers of Commerce and Industry

#### (1) Ankara Chamber of Industry (ASO)<sup>23</sup>

Ankara Chamber of Industry (ASO) has total membership of 4,859 manufacturers operating in Ankara and has around 50 staff members. By industry type, member companies representing the metalworking industry account for 37% of the total, the food and beverage industry 15%, and the plastics and petroleum product industry 13%. In terms of company size, 2,330 companies (48%) are microenterprises with 9 or less employees, 2,007 (41%) small enterprises with 49 or less employees, 402 (8%) medium-sized enterprises with 249 or less employees, and 120 (3%) large enterprises with 250 or larger employees.

<sup>22</sup> See 4.2 of Chapter 4 for details on the project.

<sup>23</sup> Ankara Sanayi Odası

ASO holds monthly meetings of member companies representing key industries to identify issues facing them and submits a formal statement to related government organizations, containing requests relating to solution of the issues. For instance, ASO has successfully lobbied the Ministry of Finance to extend the scope of KOSGEB's new financial support program (which was started in November 2010)<sup>24</sup> to companies that were in arrears with loan repayment.

The SME support program consists of the following two elements: 1) training; and 2) consulting service.

(2) Istanbul Chamber of Commerce (İTO)<sup>25</sup>

Istanbul Chamber of Commerce (İTO) registers approximately 300,000 companies, of which SMEs account for 95%. Its SME support activities include: 1) training; and 2) the holding of the excellent SME contest.

### **3.2.9 Confederation of Tradesmen and Artisans of Turkey (TESK)**

TESK registers approximately 1.95 million microenterprises in three sectors, namely manufacturing, commerce and service, and maintenance and repairing. TESH's mission is to offer its opinions to the government for the best interest of its members. It also gives management advice at its Web site.

In fact, the Web site is called "the quick response consultation room" and TESK's experts respond by e-mail to questions in relation to around 30 fields, including work safety, tax law, finance, social security, auction procedures, national professional qualifications, recruitment and employment, and accounting.

In addition, TESK conducts vocational training in the fields that are not covered by the vocational training program of the Ministry of Education (conducted at 2-4 year apprenticeship schools, covering 153 professional skills), such as real estate and nail art.

### **3.2.10 Turkey Quality Association (KALDER)<sup>26</sup>**

Turkey Quality Association (KALDER) is a private organization established in 1991, for the purpose of furthering improvement of management quality among Turkish companies. It has offices in Ankara, Istanbul, Bursa, and Eskişehir, employing a total of 30 workers. Its

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<sup>24</sup> Company size specific development program

<sup>25</sup> İstanbul Ticaret Odası

<sup>26</sup> Türkiye Kalite Derneği



activities include: 1) selection and awarding of the Turkish National Quality Award, which is modeled after European Foundation for Quality Management (EFQM)<sup>27</sup>; and 2) implementation of the training program.

(1) Turkish National Quality Award

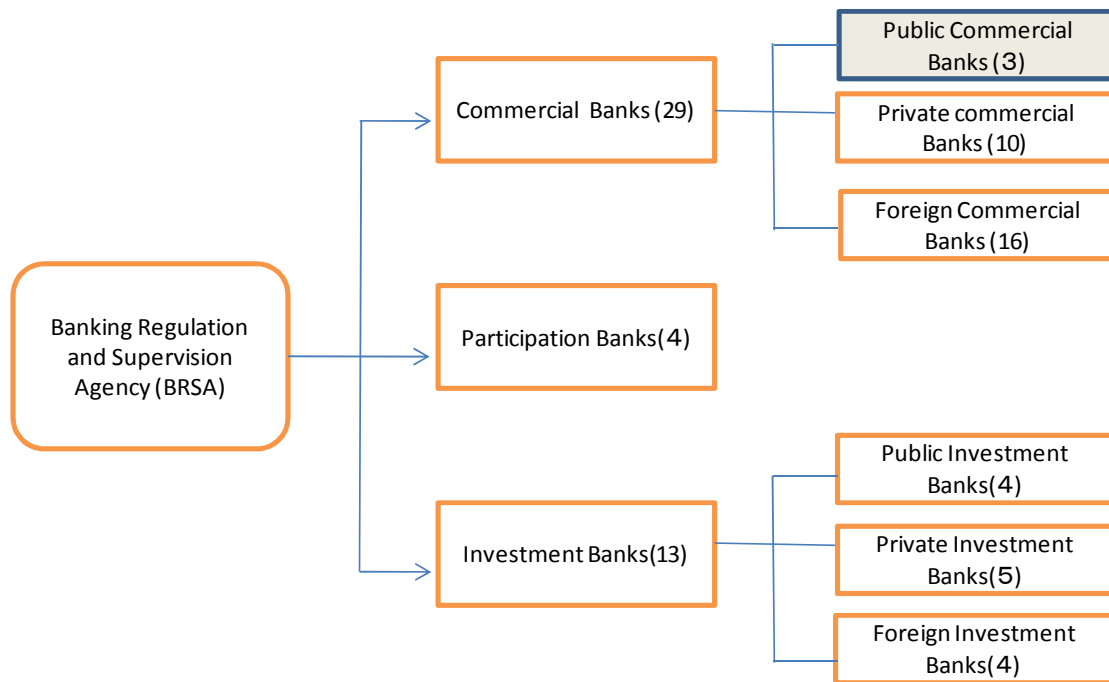
The award has been created by KALDER, modeling after the ERQM Quality Award in Europe, which recognizes organizations from TQM perspectives and is equivalent to the Deming Prize in Japan and the Malcolm Baldrige National Quality Award in the U.S. Started in 1993, the awards are given under three categories (types of organizations), namely large enterprises, SMEs, and government organizations. To this date, 7 SMEs have received this award.

(2) Training program

KALDER's training program focuses on, among other things, TQM, its essential element - quality control circle (QCC), management strategy, and process management. It is held around 200 times annually throughout the country. It is attended by companies that intend to improve management quality and government organizations that are required by law to participate.

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<sup>27</sup> European Foundation for Quality Management, which is a NPO promoting TQM in Europe, headquartered in Brussels



Note: The statistics in the right parentheses in the FIGURE indicate the number of each bank category as of October 2011.

Source: Banking Regulation and Supervision Agency

**Figure 3-4 Classification of Banks in Turkey**

### 3.2.11 HALKBANK

HALKBANK is one of the three national commercial banks<sup>28</sup> in the country (Figure 3-4<sup>29</sup>) and has strength in SME loans. Its working capital is 1.25 billion TL, of which the government has contributed 75% and private shareholders the remaining 25%. It operates around 700 branches throughout the country and has 13,000 employees. Of the total outstanding loan of 43 billion TL, SMEs account for 36%, large enterprises 39%, and individuals 25%. SME borrowers amount to 115,000 companies, which are dominated by manufacturers, although HALKBANK does not set a specific priority sector.

There are 2,350 loan officers throughout the country and each serves around 50 SMEs. They give advice to their SME customers, from time to time, in the course of business transaction and monitoring, although it is limited to financial problems. Note that HALKBANK does not provide consulting service (including to the introduction of a consultant) relating to management issues, such as production management and marketing, which may be found as a result of monitoring.

<sup>28</sup> Other two national commercial banks are T.C. ZİRAAT BANKASI that serve farmers and VAKIFLAR BANKASI (merchants)

<sup>29</sup> "Participation banks" handle Islamic finance.

KOSGEB's financial support program includes the interest subsidy scheme (covering 75% of interest on SME loans extended by banks), which can be handled by all financial institutions. On the other hand, HALKBANK operates a loan scheme to finance independent business operators, such as beauty salons and vegetable stores, via their respective associations. The association that uses the loan scheme is eligible for interest subsidy by the Ministry of Finance (covering 50% of interest payment), which can only be handled by HALKBANK.

### **3.2.12 Association of Automotive Parts & Components Manufacturers (TAYSAD)<sup>30</sup>**

In addition to the above SME support organizations, various trade associations organized by companies in their respective industries provide business development service for their member companies, including training. In this section, activities of the Association of Automotive Parts & Components Manufacturers (TAYSAD) are outlined as an example.

TAYSAD was established by 13 automotive parts manufacturers in 1978. It has eight employees and current membership of 282 companies. Major products are engine parts and components, brakes, suspensions, seats, castings, and plating. Around 90% of the member companies are first-tier suppliers and 60% are classified as SMEs. As for geographical distribution, 223 companies are located in Marmara, including Bursa and Kocaeli.

As major issues for parts manufacturers are high quality and productivity improvement, TAYSAD emphasizes training. In 2010, it conducted 58 training courses that were attended by 850 persons<sup>31</sup>. Major subjects are quality management, lean production, Toyota Production System (TPS), KAIZEN, and 5S, targeting owners, factory managers, engineers and workers of parts manufacturers.

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<sup>30</sup> Taşıt Araçları Yan Sanayilericileri Derneği

<sup>31</sup> Actual data up to December 14, 2010



**Chapter 4**  
**Current State of Consulting Service in Turkey**

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## Chapter 4 Current State of Consulting Service in Turkey

Organizations relating to consulting service in the country are divided into government organizations, namely Small and Medium-sized Enterprise Development Organization (KOSGEB)<sup>1</sup>, and General Directorate of Productivity (VGM)<sup>2</sup>, and private organizations including European Turkish Business Center (ABİGEM)<sup>3</sup> established by Union of Chambers and Commodity Exchanges of Turkey (TOBB)<sup>4</sup> under EU's assistance., Association of Professional Consultants (PRODER)<sup>5</sup>, and Management Consultants Association (YDD)<sup>6</sup>. (Table 4-3)

In this chapter, KOSGEB's consulting service is described in 4.1. General outlines and activities of other consulting service organizations are presented in 4.2, and the personnel certification system that has been implemented in the country is discussed in 4.3.

### 4.1 KOSGEB's SME Consulting Service

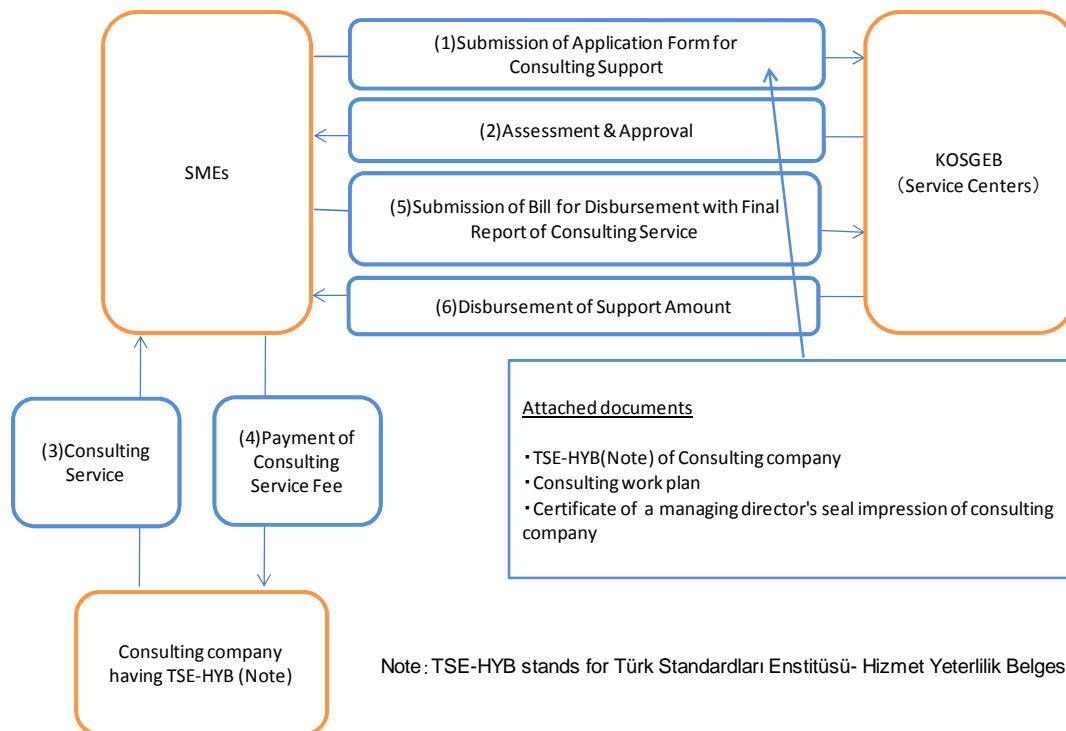
KOSGEB's consulting service for SMEs consists of consulting support as part of its General Support Program and consulting service as part of other support programs (e.g., consulting service provided by an expert. In this section, consulting service rendered as part of General Support Program, which is the focus of the Study, is discussed.

#### 4.1.1 Implementation Process

The implementation process for KOSGEB's consulting service is illustrated below.

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<sup>1</sup> Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı  
<sup>2</sup> Verimlilik Genel Müdürlüğü  
<sup>3</sup> Avrupa Birliği İş Geliştirme Merkezleri  
<sup>4</sup> Türkiye Odalar ve Borsalar Birliği  
<sup>5</sup> Profesyonel Danışmanlar Derneği  
<sup>6</sup> Yönetim Danışmanları Derneği



Source: Prepared by Study Team based on hearing.

**Figure 4-1 Implementation Process of KOSGEB Consulting Service**

(1) Submission of an application for consulting support

Each SME is free to choose a main theme for KOSGEB's consulting service. Then, relevance of the theme and content – including the number of days required for consulting service – is checked and confirmed by a responsible SME expert on the basis of the consulting work plan submitted with the application.

(2) Implementation of consulting service

A consultant who actually provides consulting service under KOSGEB's General Support Program is to be selected by a company requesting such service from a list of consulting firms who have obtained Service Compliance Certificate (HYB Certificate)<sup>7</sup> from Turkish Standards Institution (TSE)<sup>8</sup>. As discussed later, however, TSE's assessment for HYB certification examines organizational compliance of a consulting firm, rather than an individual consultant's professional knowledge and experience.

While a SME that requests consulting service can select a major theme, KOSGEB designates the following 14 themes under its Operating Rule for the General Support Program.

<sup>7</sup> Hizmet Yeterlilik Belgesi

<sup>8</sup> Türk Standardları Enstitüsü

- Business administration
- Project formulation to receive support from EU and other international organizations
- Development of business plans
- Investment analysis
- Marketing
- Production management
- Human resource development
- Financial management
- Foreign trade
- Information technology
- Energy saving technology
- New technology
- Improvement of the production system to obtain CE certification
- Environmental engineering

(3) Payment of the consulting fee to the consulting firm

Upon completion of consulting service, the company pays the service fee to the consulting firm.

(4) Submission of the invoice to request financial support for consulting service

A company that has received consulting service can submit the invoice to request financial support by attaching a consulting service completion report. In the completion report, the company confirms that consulting service has been provided according to the original plan by evaluating the results. KOSGEB does not participate in the assessment.

(5) Payment of KOSGEB's financial support to cover the consulting service fee

Upon receipt and confirmation of the bank's document to certify payment of the consulting service fee, KOSGEB executes financial support by paying the equivalent amount.

#### **4.1.2 Consultants**

Under the old consultant registration system, each client company (SME requesting consulting service) could freely choose a consultant from those registered with KOSGEB's database. After the end of the old system in June 2010, selection should be made from consulting firms that have obtained HYB Certificate from TSE.

The old registration system was discontinued in consideration of a conflict of interest issue that arises when an organization providing subsidy for consulting service also evaluates and registers consultants who will provide such service. The new system redefines qualification and permits consulting firms holding TSE HYB Certificate to perform consulting



service. Nevertheless, as TSE-HYB does not assure competence (knowledge and experience) of an individual consultant within a consulting firm, the new system serves as provisional measures until KOSGEB establishes a new system to guarantee consultants' quality.

TSE-HYB is a certificate issued to companies that provide service for organizations and individuals and constitutes a national standard developed by TSE. The certification system was started in 1995 for the purpose of assuring that a certified company is capable of satisfying its clients. In addition to consulting firms, TSE-HYB covers household appliance repair service, filling stations, cafes, and restaurants.

When a company applies for TSE-HYB certification, TSE's assessor visits the company to examine if the company meets TSE's prescribed standards in the following three areas:

- Work environment
- Machinery and equipment owned
- Human resources

In the case of a consulting firm, its human resources are assessed according to the following criteria:

- The principal of the firm has received university education in one or more engineering fields.
- Each consultant has received university education in his area of specialization, has participated in a training program relating to his specialty, at least once, and understands and recognizes his authority, role and responsibility fully.
- The firm maintains and updates data on its employees, including: 1) personal information; 2) evidence relating to education and professional competence (diploma and license); 3) results of physical check conducted periodically; and 4) reference from previous employers.

Note that individual consultants are assessed as to whether they satisfy the above qualification requirements on document, and no interview is conducted.

### **4.1.3 Capacity Development of KOSGEB's Staff**

As shown in Table 4-1, the number of companies that receive KOSGEB's support is on the steady rise in recent years. Between 2007 and June 2011, the number of companies grew from 14,105 to 56,892.

As background: 1) SME loans<sup>9</sup> were extended to 63,142 companies in 2009 as the special financial support program targeting SMEs that were affected by the global financial crisis in September 2008; and 2) the number of companies registered with KOSGEB soared from 70,298 in December 2007 to 439,099 in December 2011, because the commerce and service sector was added to the industries eligible for KOSGEB's support program in September 2009.

The number of staff has been increased, and it is 899 as October 2011. Yet, SME experts at KOSGEB service centers are busily occupied with work and do not have sufficient time to visit SMEs.

**Table 4-1 Recent Changes in KOSGEB's Staff and Client Companies**

	2007	2008	2009	2010	2011
Number of staff	651	821	823	878	899
Number of companies that received support (except for financial support)	14,105	25,780	72,640	51,315	56,892
Number of companies that received financial support	2,662	3,573	4,656	8,005	12,613
Total	11,443	22,207	67,984	43,310	44,279

Note: The number of staff in 2011 denoted the one as of October, and the number of supported companies in 2011 was up to June.

Source: KOSGEB, Annual Report: Financial Report 2011

Table 4-2 shows training for the staff held in 2011<sup>10</sup> for the purpose of providing support programs efficiently as well as changing the organization into more efficient one. It is composed of in-house training and training at training institutions. However, any training is not meant to get them to acquire ability necessary for enterprise checkups.

Note that promotion from an assistant to a SME expert is decided on the basis of a research paper to be submitted in the third year of employment. The research paper is prepared by an assistant who wants to get promotion, on the topic of his choice. It is then presented to the assessment committee consisting of the head of the HR division and other personnel, including questions and answers. The committee then decides on promotion. Note that the topic of the research paper may be broad and general, provided that it deals with SMEs, such as "SME Support Organizations in Turkey."

<sup>9</sup> KOBİ Destek Kredisi

<sup>10</sup> Data as of December 20, 2011.

**Table 4-2 Training Held in 2011 for the Staff**

	Theme	Schedule		Hours spent	Participants
		Started on	Ended on		
<b>I In-house training</b>					
1	Rules in workplace for managers	17-Feb	17-Feb	6	68
2	Analysis on training needs	18-Feb	18-Feb	6	28
3	How to use the equipment management system (1st group)	1-Mar	2-Mar	12	39
4	How to use the equipment management system (2nd group)	3-Mar	4-Mar	12	41
5	Orientation for new staff	21-Mar	30-Mar	60	85
6	Accounting	4-Apr	8-Apr	30	108
7	Project management	27-Apr	28-Apr	12	27
8	Project management	3-May	4-May	12	29
9	Project management	17-May	18-May	12	30
10	Project management	6-Jun	7-Jun	12	27
11	Project management	9-Jun	10-Jun	12	28
12	Industrial property rights	21-Sep	23-Sep	15	35
13	Industrial property rights	28-Sep	30-Sep	15	33
14	Industrial property rights	10-Oct	12-Oct	15	36
15	Industrial property rights	16-Nov	18-Nov	15	32
16	Industrial property rights	23-Nov	25-Nov	15	37
17	Industrial property rights	30-Nov	2-Dec	15	38
18	Regulations on public tenders	12-Oct	14-Oct	18	112
19	Public support programs	19-Oct	21-Oct	18	98
20	Communication in workplace	2-Dec	2-Dec	3	143
<b>II Training at training institutions</b>					
21	Leadership required for managers	25-Feb	25-Feb	6	1
22	Organizational innovation	1-Feb	1-Feb	6	1
23	Public strategy plans and strategic management	11-Apr	12-Apr	9	1
24	Training for welders	24-May	17-Jun	270	2
25	Training for nondestructive testing	14-Mar	9-Apr	270	1
26	internet protocol (V6)	13-Jun	15-Jun	18	3
27	Basics on the European Union	7-Mar	30-May	106	1
28	Information system protection	16-May	16-May	6	1
29	ISO 17025	21-Jun	23-Jun	18	1
30	General provisions of test and calibration bodies	12-Oct	14-Oct	18	2
31	How to prepare technical manuals	29-Nov	30-Nov	12	1

\*Note 1: Record of training as of December 20, 2011.

\*Note 2: In addition to the training listed above, e-learning training is available for the staff. Topics include communication skills, how to use Microsoft Word, how to use Microsoft Excel, time management, meeting management, and support programs by KOSGEB. Time necessary to finish one is 1.5 to three hours.

Source: KOSGEB

#### 4.1.4 Cooperation with Other Organizations

(1) Cooperation between KOSGEB and other support organizations

KOSGEB conducts SME support activities at 75 service centers throughout the country<sup>11</sup>. In particular, it operates more than two service centers in provinces with large cities, e.g., three in Ankara, four in Istanbul, and two in Izmir.

At present, KOSGEB operates service centers in 69 provinces, whereas there is none in the remaining 12 provinces. To ensure service accessibility for SMEs in such provinces, KOSGEB maintains an office within a local chamber of commerce and assigns 1-2 SME experts to provide support service.

The office is called “Synergy Focus.” There are 80 “Synergy Focus” offices throughout the country<sup>12</sup>. To facilitate their operation, KOSGEB has signed an agreement with respective chambers of commerce and industry to use their office space and hire support staff.

Note that “Synergy Focus” is installed not only in provinces where KOSGEB has no service center, but also at local chambers of commerce and industry that are easily accessible by SMEs. For instance, in Kocaeli where KOSGEB maintains the service center, Synergy Focus is established on the first floor of the Kocaeli chamber of industry, where two SME experts give management advice to SMEs, in addition to SME support activities.

(2) Cooperation in implementation of SME support programs

In implementing its support programs, KOSGEB cooperates with local chambers of commerce and industry and universities to evaluate applications for project support submitted by SMEs.

For instance, KOSGEB provides support for prototype development as part of R&D Support Program. In the process, a project proposal submitted by a SME is assessed by the assessment committee consisting of members representing KOSGEB, the local chamber of commerce and industry, and university, in order to determine relevance of the project (period and business plan) and the amount of financial support covering the anticipated costs required during the project period, such as machinery and equipment, raw materials, and new employees.

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<sup>11</sup> As of October 2011.

<sup>12</sup> As of November 2011.

The committee is established within each service center according to the type of support program and its members are selected at KOSGEB's head office. For instance, the Izmir service center has the assessment committee on R&D Support Program, whose six members consist of two KOSGEB service center managers, two staff members of the Aegean chamber of industry, and two faculty members of Aegean University. Note that the two service center managers are the Izmir service center manager and another representing a nearby service center.

### (3) Cooperation in relation to Financial Support (Interest Subsidy) Program

KOSGEB's Financial Support Program is designed to bear 75% of interest on commercial loans borrowed by SMEs. Each application for interest subsidy is examined and decided by a respective financial institution.

As discussed earlier, consultation support is limited to consulting service provided by a consulting firm holding TSE-HYB Certificate, and otherwise there is no cooperation between KOSGEB and other support organizations.

## 4.2 Other Consulting Service Organizations

### 4.2.1 European Turkish Business Center (ABİGEM)

#### (1) Implementation scheme

ABİGEM is a consulting and training institute serving SMEs, which has been established by TOBB and the local chamber of commerce and industry under EU's assistance.

As of December 2011, ABİGEM has 15 centers throughout the country<sup>13</sup>, of which three centers (Izmir, Kocaeli, and Gaziantep) were established when EU's assistance started in 2002. As the three ABİGEM centers became full-fledged and became private companies in March 2006, independent from EU's help<sup>14</sup>. The remaining 12 ABİGEM centers were established in 2008 as the second phase of EU support and are in the process of converting to financially independent companies.

Notably, each ABİGEM is independent from others and maintains different requirements for consultant registration. As a primary example, the registration requirements for Izmir ABİGEM are shown below.

<sup>13</sup> Kocaeli, Izmir, Gaziantep, Tekirdağ, Eskisehir, Afyon, Konya, Kayseri, Adana, Malatya, Trabzon, Erzurum, Denizli, Çorum, and Uşak

<sup>14</sup> According to the vice-president of activities of ABİGEM in Malatya, ABİGEM in Gaziantep has been suspended since end 2010 due to sluggish operating results. ABİGEM in Malatya serves as a proxy now.

(2) Consultant registration requirements

Izmir ABİGEM sets the following registration requirements:

- To have graduated from a four-year university
- To have in-depth knowledge on at least one field (e.g., marketing)
- To have work experience of five years or longer in a specific field
- To have proficiency in a foreign language (preferably English)

(3) Consultant's assessment

Figure 4-5 presents the consultant assessment process, which generally proceeds in three steps, i.e., interview, training, and final assessment.

- Interview

ABİGEM interviews each applicant to see if he has basic knowledge relating consulting service. Basic knowledge should cover not only the applicant's area of specialization, but broad areas of management, such as marketing, IT, production management, and finance.

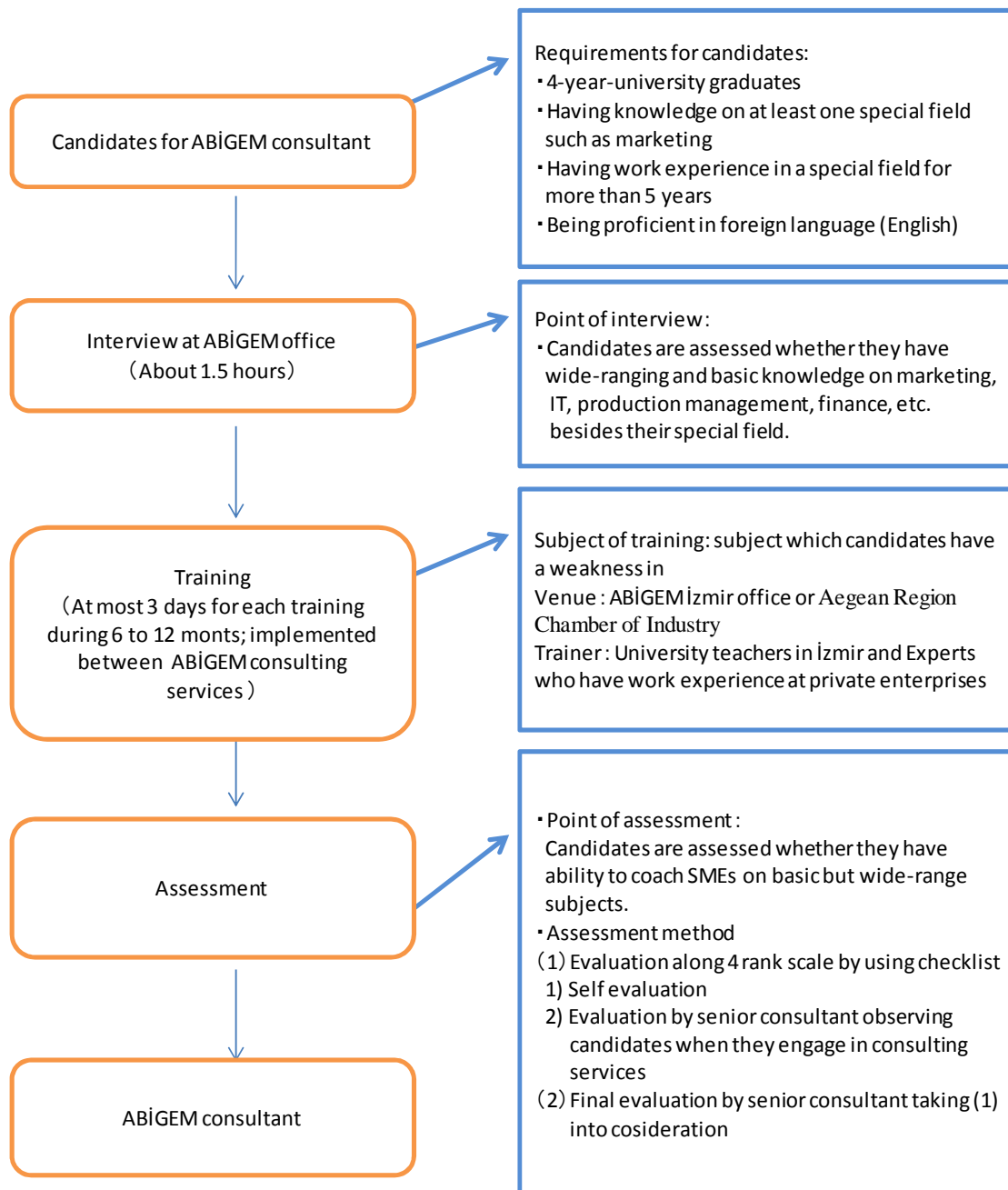
- Training

An applicant who has been found to have weakness in a specific area has to receive training (lecture). In addition, all applicants have to participate in actual consulting activity in order to have their consulting skills assessed.

- Final assessment

Final assessment is made on the basis of self-assessment using a checklist as well as grading by the applicant's supervisor, who makes a final decision on whether the applicant is qualified for registration.

A person who has been accepted as a registered consultant becomes a full-time ABİGEM consultant. Each ABİGEM consultant is expected to be capable of performing corporate diagnosis and giving advice with regard to basic operation and management of SMEs.



Source : Prepared by Study Team based on hearing.

**Figure 4-2 Assessment Process of ABiGEM consultants**

Table 4-3 Outline of Consulting Service Related Organizations

Organization	ABIGEM	PRODER	YDD	MPM	KOSGEB
Activities	Providing consulting services and training to SMEs	<ul style="list-style-type: none"> <li>Registration of consultants with an emphasis on ethics and speciality</li> <li>Providing training to SMEs</li> </ul>	<ul style="list-style-type: none"> <li>Certification of CMC</li> </ul>	<ul style="list-style-type: none"> <li>Providing training to public and private organizations</li> </ul>	<ul style="list-style-type: none"> <li>Providing wide-ranging support programs to SMEs</li> </ul>
Number of registered consultants	About 50 employed consultants (15 ABIGEM in the country)	35	23 out of individual members	Registered external trainers: 150 (Besides, 60 internal trainers)	438 (As of July 2009, Registration system was abolished June 15, 2010)
Requirements of application for registered consultants	ABIGEM Izmir (Four consultants) <ul style="list-style-type: none"> <li>Submission of C.V. describing educational history, work-experience, experience in speciality field, etc. (No requirements are demanded regarding the length of work-experience and consulting experience in the speciality field.)</li> </ul>	Graduates from 4-year-university <ul style="list-style-type: none"> <li>Being proficient in foreign language (English)</li> <li>Having more than 7 years' consulting experience</li> <li>Having letters of recommendation from more than two persons</li> </ul>	Registered consultants at YDD <ul style="list-style-type: none"> <li>Having consulting experience and work-experience at enterprises</li> <li>Having participated in training programs as trainees or trainers</li> <li>Submission of more than 5 references from beneficiary organizations to which candidates provided consulting services</li> </ul>	Being an expert in the field relevant to productivity <ul style="list-style-type: none"> <li>Having a past record of publications, theses, etc.</li> <li>Having two-years' experience as a trainer in the past</li> <li>Having good attires, giving good impression on others, having good pronunciation of words and having neutrality of thoughts</li> </ul>	Graduates from 4-year-university <ul style="list-style-type: none"> <li>Submission of more than 5 references from beneficiary organizations to which candidates provided consulting services or having more than 5 years' work-experience in the speciality field as managers in the enterprises.</li> </ul>
Assessment for registration	<p>Point of final role w:                      - Candidates are assessed on their basic knowledge on management, finance, etc.</p> <p>Subject of training: subject weak areas in management, finance, etc.</p> <p>Industry: University teachers in Izmir and Experts who have work-experience at private enterprizes</p> <p>Point of assessment:                      Candidates are assessed on coach SMEs on basic but wide-range subjects.                      (1) Evaluation about rank scale by using directit.                      (2) Evaluation by senior consultant observing candidates services through ABIGEM consulting staff (1) in to consideration</p>	Assessment by an interview to see if the candidates have ethics and speciality relevant to consultants  Candidates are required to be fair, confidential and neutral in ethics; required to be competent, able to generate customer satisfaction and contribute to the development of organizations in speciality.	Assessment by Committee on submitted documents  Interview by Assessment Committee (Presentation by an applicant on a consulting case and questions & answer session for 1 to 1.5 hours)  Training on Ethics (1 day)  CMC Registration	Document assessment by five committee members comprising secretary general, head of consulting department, etc.  Assessment by an interview with committee members	Document assessment by three technical committee members from SME training & consultancy division.  In this assessment, the total points for the candidates is calculated for reference by taking into consideration the educational background, experience, participation in training programs, academic activities and knowledge on foreign language. And the technical committee determines the speciality field of the candidates.  The approval committee re-examines the documents before candidates are registered at KOSGEB database as consultants.
Effective period for registration	Effective period is not limited.	Effective period is not limited. (Expires in case of violation of ethics)	Three years	Effective period is not limited. (Expires in case of violation of ethics.)	Effective period is not limited.
Requirements for registration renewal	—	—	Evaluation points must be more than minimum required points calculated from the days of participation in training programs, hours spent in consulting services and number of theses written in the past 3 years.	—	—
Targeted group of consulting service	SMEs	SMEs	SMEs	40 percent of beneficiaries are SMEs.	SMEs
Remarks	Consultants are expected to have wide-ranging and basic knowledge on production management, marketing, finance, etc.	Training is provided to SMEs by the 10 experts belonging to PRODER.	—	Management staffers in public and private organizations. About 200 times of trainings are provided annually.	Registration system was abolished June 15, 2010.

Source : Prepared by Study Team based on hearing.



## 4.2.2 Association of Professional Consultants (PRODER)

### (1) Implementation scheme

PRODER is a private organization representing consultants established in April 2005 and registers 35 consultants. Areas of specialization for registered consultants are production management, industrial engineering (IE), project management, work safety, information and communication technology (ICT), marketing, entrepreneurship, R&D, and the environment.

In practice, PRODER often encounters the cases where a company requesting consulting service faces an issue that is different from the one identified by the company, as revealed by corporate diagnosis. If its consultants are found to be unqualified for a specific case, PRODER will find and introduce an outside consultant who is suitable for the case. It believes that such practice is essential in complying with professional code of ethics.

Meanwhile, PRODER holds its own training program for SMEs a few times each year. Each program lasts 1-2 days, covering a variety of fields including production management, HR management, IT, marketing, quality control, and work safety. PRODER's 10 staff members (experts) serve as trainers.

### (2) Requirements for consultant registration

Registration requirements are as follows:

- To have graduated from a four-year university
- To have proficiency in a foreign language (preferably English)
- To have more than seven years of consulting experience
- To have references from two or more persons

### (3) Assessment

PRODER weighs work ethics and specialty as registered consultant's important quality requirements, generally referred as Ethical and Technical Consultancy Implementation Principles (DATUP)<sup>15</sup>. Work ethics emphasize fairness, confidentiality and neutrality, whereas specialty requires competence, the ability to generate customer satisfaction and contribute to the company's development. The registration period is not specified, but revocation occurs when the registered consultant commits an act in violation of the code of ethics.

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<sup>15</sup> Danışman Ahlaki ve Teknik Uygulama Prensipleri

### 4.2.3 Management Consultants Association (YDD)

#### (1) Implementation scheme

YDD is a private association of management consultants established in 1991 and is a member of International Council of Management Consulting Institutes (ICMCI)<sup>16</sup>, which is headquartered in London, England.

At present, 205 consultants are registered with YDD for a variety of management-related fields, including business administration, finance, human resource development, marketing, production management, and IT. Of total, 23 consultants are CMCs (certified management consultants) certified by ICMCI. YDD's consulting service targets medium-sized enterprises with 50 – 100 employees.

YDD has been conducting six-day training programs for consultants, around twice per year. In recognition of importance of work ethics, one day is devoted to lecture and case study on this issue.

#### (2) Registration requirements

##### 1) Requirements for YDD consultant registration

For registration with YDD, consultants must meet the following requirements.

- To work as a full-time consultant
- To be capable of presenting a written proof of consulting experience at least in three fields
- To have at least five years of experience in corporate management
- To present references from two YDD-registered consultants

##### 2) CMC registration requirements

Requirements for CMC registration as international certification are as follows.

- To be a YDD-registered consultant
- To have consulting experience as well as experience in company operation
- To have participated in a training program as a trainer or trainee
- To present references from client companies with regard to at least five consulting projects

#### (3) Assessment of consultants

##### 1) Assessment of consultants applying for YDD registration

A consultant applying for registration with YDD is interviewed by the assessment committee consisting of three YDD members. Registration is rejected when the applicant is

<sup>16</sup> ICMCI's member representing Japan is the All-Japan Federation of Management Organizations (Zen-Noh-Ren).

found to have a problem relating to work ethics. Once approved, registration is valid for an indefinite period to allow the registered person to work as management consultant.

## 2) Assessment for CMC registration

The applicant for CMC registration is evaluated by the assessment committee consisting of four members, namely one YDD board member, two CMC certified consultants, and one university faculty member.

After the committee's document review, the applicant have an interview with the committee, where he makes presentation on the past consulting project (selected from five projects specified in the application), followed by questions and answers. Then, the applicant must attend at a one-day training course on work ethics, consisting of lecture on work ethics expected by YDD in the morning and a case study-based workshop in the afternoon.

CMC registration is valid for three years. Renewal is decided on the basis of activities conducted by the applicant during the three-year period. The following criteria are used to measure the level of activity and the registered consultant is required to obtain the qualifying marks.

- Number of days participated in the training program
- Actual hours spending for consulting activity
- Number of research papers published
- Activity relating to CMC and other committees

### 4.2.4 General Directorate of Productivity (VGM)

#### (1) Implementation scheme

General Directorate of Productivity (VGM) is an organization established in 1965. It renders consulting and training service to government and private organizations. It used to be National Productivity Centre of Turkey (MPM)<sup>17</sup> under the then Ministry of Industry and Trade, but it is now a part of the Ministry of Ministry of Science, Industry and Technology. It has 45 internal consultants and 25 registered consultants, whose areas of specialization range from production management, to quality control, innovation, human resource management, finance and accounting, trade, enterprise resource planning (ERP), 5S, restructuring, and cost accounting.

Internal consultants, who constitute major portions of VGM's consulting resources, belong to Consulting and Training Department. They have graduated from universities and are originally hired as assistant. They learn consulting techniques in the form of OJT under

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<sup>17</sup> Milli Produktivite Merkezi

direction and supervision of senior consultants. For instance, they are always accompanied by senior consultants when they visit a client company. VGM has policy to teach assistants consulting skills, especially diagnosis, through field experience.

VGM's consulting services are divided into those provided with free of charge and those with a charge. The former is referred to as "Productivity Improvement Project in Provinces" and targets SMEs in rural regions. Since its start in 1998, 97 projects have been carried out<sup>18</sup>. On the other hand, VGM carries out around 25 consulting service contracts, of which 60% are intended for large enterprises and government organizations and 40% for SMEs.

(2) Registration requirements

VGM has the following requirements for consultant registration.

- To have at least one area of specialty
- To have consulting experience and present a reference from a former employer (consulting firm)

As for consulting experience, the applicant is required to submit a report describing consulting projects that he carried out in the past five years.

(3) Assessment of consultants applying for VGM registration

Upon submission of the application, document review is carried out by the assessment committee consisting of five members, who are VGM staff members such as Secretary General and the head of Consulting and Training Department. No interview is conducted in the registration process.

Once approved, registration is valid for an indefinite period. It is revoked when the registered consultant fails to comply with the following obligations: 1) to observe secrecy of information concerning a client company; 2) to refrain from an act that may damage a public image of VGM; and 3) to notify VGM promptly of a change in address.

### 4.3 Personnel Certification System in Turkey

At present, Turkey does not have a national competence certification system relating to management consultants. If the SME consultant to be developed under the Project is to be recognized as a national qualification in future, Turkish Vocational Qualifications Authority (MYK)<sup>19</sup> will become involved in the process as it is stepping up the role of the leading agency

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<sup>18</sup> As of December 2010

<sup>19</sup> T.C. Mesleki Yeterlilik Kurmu

for the personnel certification system in the country. In this section, the personnel certification system is discussed.

In addition to MYK, Turkish Accreditation Agency (TÜRKAK)<sup>20</sup> is expected to play a central role in development and management of the personnel certification system. It is an organization accrediting organizations that make certification under international standards such as quality management systems, whereas MYK is an organization established in September 2006, responsible for development of professional skills standards.

#### **4.3.1 Turkish Accreditation Agency (TÜRKAK)**

TÜRKAK is an organization that examines and accredits organizations that issue certification under international standards as well as national standards relating to products, management systems, personnel, and testing and calibrating organizations.

TÜRKAK accredits personnel certifying organizations according to general requirements under ISO 17024, which cover: 1) organization of the certifying organization; 2) personnel to be hired by the certifying organization, and the certification process.

For instance, ISO 17024 requires the certifying organization to have an organizational structure that can assure stakeholders of its competence, fairness, and reliability, because such requirements are indispensable in creating trustworthiness of a third party organization that certifies an individual's competence or skill. As for the certification process, ISO 17024 requires the certifying organization to conduct proper tests (written, interview, field practice, etc.), as distinguished from the organization certifying quality management systems. Furthermore, objective standards need to be established to make accurate assessment of skills, etc. on the basis of the test.

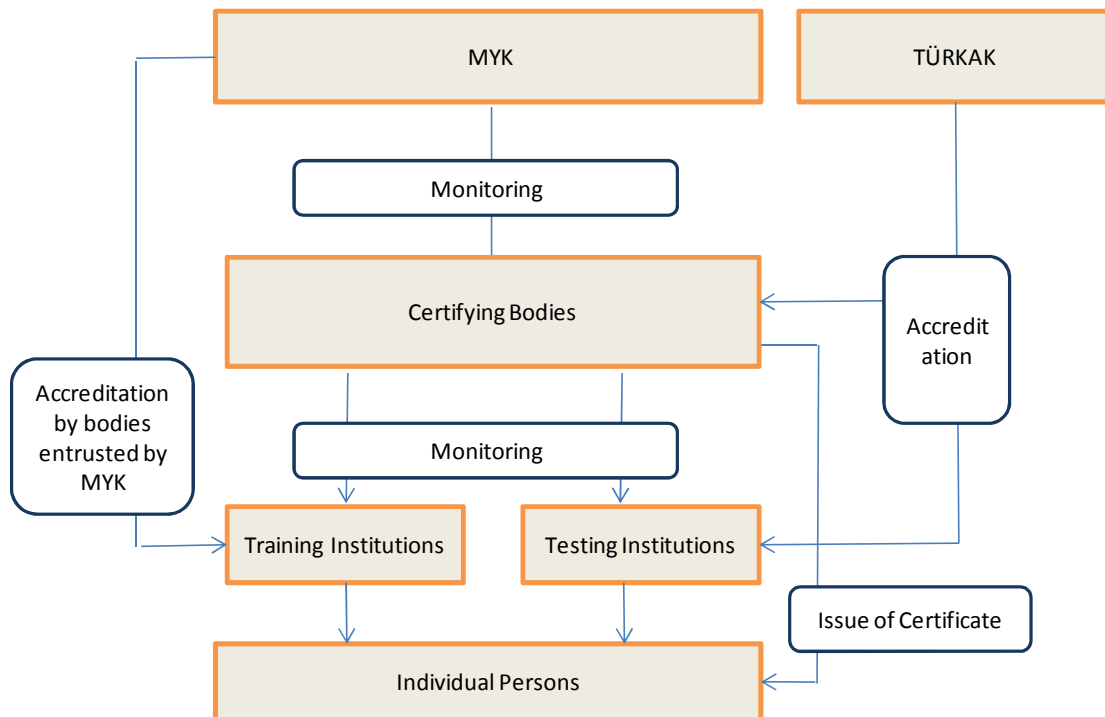
#### **4.3.2 Turkish Vocational Qualifications Authority (MYK)**

MYK is an independent organization authorized to develop competence standards for all types of industries. For a standard developed by MYK, TÜRKAK accredits certifying organizations. In practice, however, TÜRKAK has accredited certifying organizations for only two professions (including plastic welding) among others for which competence standards had been developed by MYK.

Figure 4-3 illustrates the relationship between MYK, TÜRKAK, and certifying organizations.

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<sup>20</sup> Türk Akreditasyon Kurumu



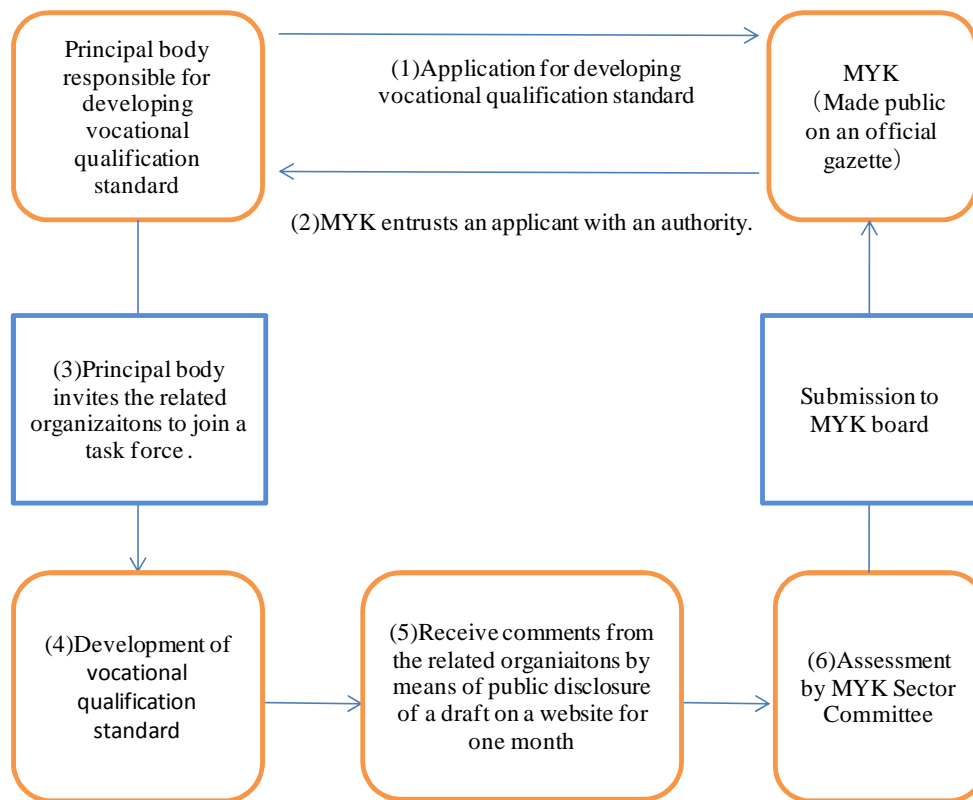
Source : MYK, *REGULATION ON VOCATIONAL QUALIFICATION, TESTING AND CERTIFICATION* (Dec. 2008) ; Study Team

**Figure 4-3 Framework of Personnel Certification System on MYK Vocational Qualification Standard**

Procedures from the development of a competence standard for a profession to its publication on the official gazette are shown below (Figure 4-4).

(1) Application for development of a competence standard

As a competence standard is developed by an organization under commissioning by MYK, the organization must submit the application to MYK.



Source : Prepared by Study Team based on hearing

**Figure 4-4 Procedures for Developing Vocational Qualification Standard**

(2) Authorization by MYK to develop the competence standard

(3) Formation of a task force for standard development

The organization responsible for development of the competence standard invites organizations relating to the profession to form a task force that will actually develop the standard.

(4) Development of the competence standard

It consists of the following activities.

- Preparation of a positioning map

In developing a competence standard for a specific profession, the positioning of the profession within an entire industry should be determined and defined, followed by all the

professions that constitute the industry<sup>21</sup>. The positioning map is prepared by reflecting opinions of the task force formed in (3) above.

- Development of the profession's profiles

Knowledge, capability and behavior/attitude expected for a specific profession are determined through analysis of the profession. Analysis involves development of a tree structure (profession – functions – activities), in which a profession is divided into 6 – 12 functions, each of which is then divided into 6 – 12 activities.

Analysis is carried out by using any of the following techniques or a combination of work analysis, Development of a curriculum (DACUM), Functional analysis

(5) Determination of grade level for the profession

Based on the level of knowledge, skills and attitude required for the profession, its grade level is determined according to the European Qualifications Framework (EQF) established by the EU, which sets the following eight levels according to the level of difficulty.

**Table 4-4 Grade Levels for Professional Qualification**

Level	Equivalent qualification
8	Ph.D. degree
7	Advanced specialist/senior manager (Master's degree)
6	Specialist/manager (bachelor's degree)
5	Advanced skill holder (associate degree)
4	Senior worker with high-level competence (middle school or higher education/vocational school diploma)
3	Senior worker with intermediate-level competence (middle school or higher education)
2	Junior worker with basic competence (middle school or higher education)
1	Junior worker without basic competence (primary school education)

Source: MYK

<sup>21</sup> For instance, when the competence standard for "SME consultants" is established, the scope of service provided by consultants in general – including SME consultants – needs to be defined. Then, professional consultants of other categories (such as financial consultants and productivity consultants) are to be defined before development of the competence standard for SME consultants starts (information obtained from interview at MYK).



(6) Request for comments and assessments from related parties

A draft competence standard so developed is published on the Web site for one month to obtain comments and assessments from related parties.

(7) Reviewing by the MYK sector committee

MYK has 15 sector committees for various industries<sup>22</sup>, consisting of members representing the Ministry of Education, the Ministry of Labor and Welfare, the Council of Higher Education, related professional organizations, and MYK. Each committee reviews a draft competence standard that has gone through the above process of request for comments and submits it to the MYK's board of directors.

(8) Submission of the draft competence standard to MYK's board of directors

(9) Publication on the official gazette as a national competence standard

Once the competence standard becomes a national standard, and when an organization wishes to certify personnel according to the standard, it makes an application for accreditation to TÜRKAK, which in turn examines the organization according to the standard set in ISO 17024.

#### **4.4 Key Considerations in relation to the Current State of Consulting Service**

Based on the data revealed from research and study on the current state of consulting service in Turkey, this section examines key factors to be considered in relation to the development of the SME consultant standard and the assessment method as part of the Project.

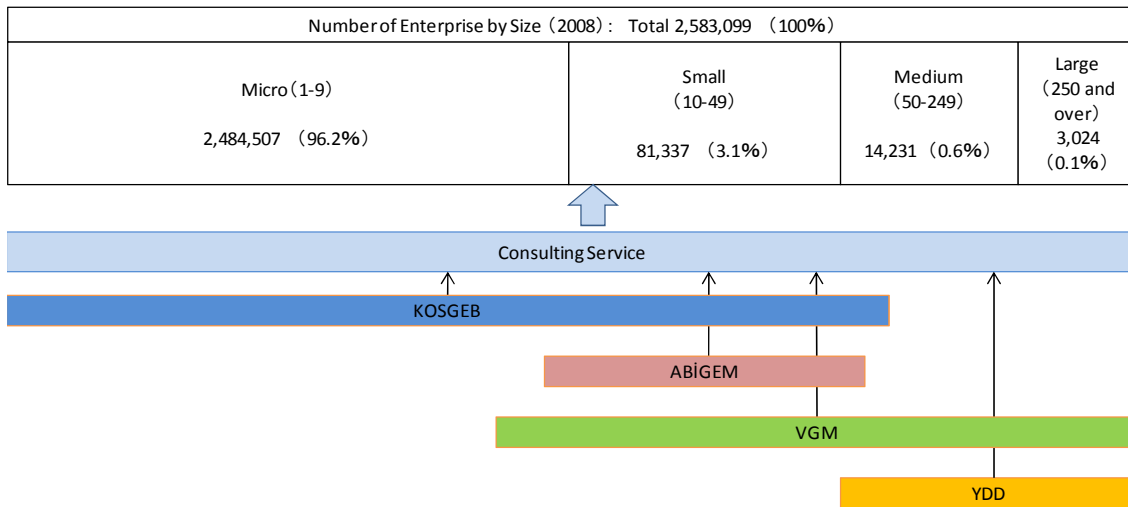
##### **4.4.1 Organizations relating to consulting service**

(1) Client companies and type of consulting service expected

The organizations providing consulting service, including KOSGEB, intend to serve SMEs. In reality, however, they seem to focus on companies of varying sizes (Figure 4-5). Microenterprises, which represent 96% of the total number of companies, have to rely on KOSGEB, and the SME consultant certification standard should take into account actual conditions of microenterprises.

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<sup>22</sup> As of November 2010



Note: Statistics in 2008 does not show the distinction between micro and small enterprises because the cut-off point under the 50 employees is 20.

Therefore, the number of enterprises for micro and small enterprises in 2008 is calculated by multiplying the ratio of micro and small in General Census in 2002 by the number of enterprises under 50 employees in 2008.

Source: Turkish Statistical Institute (TÜİK), *Annual Industry and Service Statistics 2008, General Census of Industry and Business Establishments 2002*; Hearings by Study Team at Related Organizations

#### Figure 4-5 Targeted Enterprises of Consulting Service Related Organizations

For instance, if SME consultants are to provide effective support for microenterprises, they should be capable of identifying issues to be resolved for the strengthening of business foundation and sustainable growth and giving advice on kaizen from broad management perspectives.

#### (2) Registration requirements for SME consultants

Most SME managers seem to expect practical guidance and advice that is conducive to cope with issues relating to day-to-day operation and management. This means that registration requirements for SME consultants should emphasize practical knowledge and experience as well as advising skills, rather than formal educational background (e.g., a graduate of a four-year university or proficiency in a foreign language)<sup>23</sup>. Furthermore, such knowledge and skills should be evaluated in an objective manner.

#### (3) Assessment

All the organizations include “work ethics” as a major factor for assessment. Clearly, it is imperative to introduce a metrics to estimate ethical awareness of each consultant as a method for assessing competence of SME consultants. At the same time, it is important to

<sup>23</sup> The SME Management Consultant system in Japan requires every applicant to take the preliminary test administered by testing organizations (designated by the Ministry of Economy and Industry), with no restriction on eligibility due to the age, gender, education or other factors.

establish a built-in mechanism to discourage or provide disincentive for an unethical act or conduct.

#### 4.4.2 KOSGEB's SME consulting service

##### (1) Selection of a main theme

Selection of a main theme for consulting service is left to each company that makes request. It is desirable to provide a mechanism to allow a SME expert or assistant to give advice on whether or not the theme specified by the company is essential in solving a major issue facing it.

The SME expert and assistant should possess broad knowledge on SME management, together with analytical skills.

##### (2) Consultant selection criteria

At present, a client company selects a consulting firm from those having TSE HYB Certificate. As already pointed out, however, TSE's examination does not check professional knowledge and experience of an individual consultant, so that selecting a HYB certified consulting firm does not warrant consulting service that meets actual needs of SMEs. It is therefore recommended to establish selection criteria focusing on competence of each SME consultant.

##### (3) Assessment of consulting service

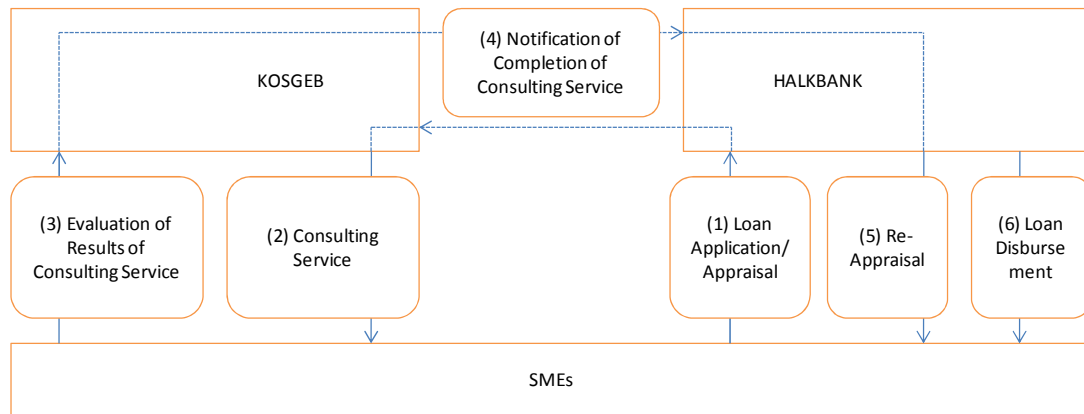
For companies that receive consulting service, it is "soft" capital investment for which they expect return. Together with the fact that KOSGEB's consulting support is funded by taxpayers, it is important to establish an index to measure effectiveness of consulting service.

##### (4) Cooperation with related organizations

To accomplish KOSGEB's policy objectives, e.g., to foster or support SE growth, it is strongly recommended to establish strong cooperation with related organizations. For instance, many SMEs face difficulty in obtaining bank loans for various reasons<sup>24</sup>. Here, a combination of KOSGEB's consulting service and HALKBANK's lending function can serve as an effective means to help SMEs to overcome the difficulty<sup>25</sup>. (Figure 4-6)

<sup>24</sup> See 3.2.11.

<sup>25</sup> In Japan, a government financial institution – Japan Finance Corporation (JFC) - operates the "loan for management improvement" scheme to provide small loans (requiring no collateral or guarantor) for microenterprises in collaboration with a local chamber of commerce and industry. A microenterprise can receive guidance from a management advisor of the chamber of commerce and industry (mainly SME Management Consultant), for the period of six months, and then, the chamber recommends loans to JFC. Thus, consulting service is effectively linked to financial service.



Source: Prepared by JICA Study Team

**Figure 4-6 Collaboration between KOSGEB and HALKBANK (Example)**

When HALKBANK finds that a company applying for loans cannot earn sufficient profits for repayment (1), it consults with KOSGEB, reexamines the application (5) under the assumption that the company's performance improves as a result of KOSGEB's consulting service (2), and provides loans (6). Under this arrangement, KOSGEB agrees to evaluate the results of its consulting service and inform them to HALKBANK (3) (4), and the involvement of the third party (the bank) creates a good pressure on the consultant and the client company, thereby helping improve quality of consulting service.



**Chapter 5**  
**Surveys of Consultant Profiles**

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## Chapter 5 Surveys of Consultant Profiles

Previous chapters have covered economic conditions of Turkey, definition of SMEs and their composition, KOSGEB and other public and private institutions supporting SMEs, and their support measures.

This chapter continues to cover findings and insights in the 1st field study, in particular those on consultation services which are gained out of questionnaire surveys, interviews and examinations. We asked interested parties of SME promotion, namely SMEs, SME experts, and consultants

### 5.1 Interviews with SMEs

#### 5.1.1 Overview of the Interviews and Profiles of SMEs

##### (1) Number of SMEs interviewed

During the period between November 4th and December 17th 2010, the JICA Study Team interviewed 61 SMEs in a semi-structured style to see to what extent and in what areas they had hired consultants. We also asked in what areas they were willing to receive consultation in the days ahead, what ideal consultants were like, and what consultant certification system they thought were reliable.

**Table 5-1 Overview of the Interview Survey**

Date	Province / City		Number of SMEs*
November 4 - 12, 2010	Ankara		25(2)
November 24 - 27, 2010	Izmir		13(4)
December 7 - 10, 2010	Istanbul		15(6)
December 15 - 17, 2010	Kocaeli	Izmit	2
		Gebze	6
Total			61 (12)

Note: Figures in the parentheses shows the number of unfledged enterprises located in incubation centers. They receive public support either for business start-up or for R&D activities.

Source: Prepared by JICA Study Team

##### (2) Question Items

Most interviewees were managers. We started with asking corporate information such as the number of employees, sectors, and major products and/or services, and then asked the questions below.

- What problems does your enterprise have? What problems does it try to solve now?
- Has your enterprise ever hired consultants? If it has, in what fields?

- In what areas is it willing to do so, suppose your enterprise hires consultants?
- What does your enterprise expect from consultants?

Visiting enterprises in the manufacturing, we saw factory floors to ask additional questions.

### (3) Profiles of the 61 SMEs

Among the 61 enterprises, twelve were in incubation centers, being just after they started their businesses or receiving public support for R&D activities<sup>1</sup>. Here, we describe them separately because nature of their operation, concentrating on developing products or services, is different from that of the other 49 business.

#### 1) Sector composition

Unfortunately, there are gaps in the composition between SMEs we interviewed and that of the Turkish population. Although KOSGEB started supporting non-manufacturing SMEs in June 2010, a disproportionate share of them is in the manufacturing; whereas the share of manufacturing SMEs among them is 88 percent (43 SMEs), that in the Turkish population is around 12 percent (see Table 1-13).

Among the 12 SMEs in incubation centers which the JICA Study Team interviewed, six are in the manufacturing. Those in the service sector account for 33 percent, which is higher than the share of SMEs in service sector among the 49 fledged enterprises.

#### 2) Number of Employees

On average, 48.7 employees work for a fledged enterprise we interviewed while 4.9 do for an unfledged one.

Among the SMEs registered to KOSGEB, 71.7 percent of them are micro-sized: small-sized businesses 22.0 percent and middle-sized 6.3 percent (See Table 3-8). On the other hand, if we classify them based on the thresholds in relation to the number of employees<sup>2</sup>, the share of micro-sized enterprises among the interviewees is much lower (12 percent) As a corollary, the shares of small and middle-sized enterprises are higher, and this is especially true for middle-sized enterprises.

#### 3) Established year

Median year when the 49 fledged enterprises were established is 1988. Established during the period between 2005 and 2010, the mean establishment year of the 12 unfledged

<sup>1</sup> For convenience, we refer to them as unfledged SMEs (enterprises, businesses, or interviewees) in this chapter. In the same way, we refer to the others as fledged SMEs (enterprises, businesses or interviewees).

<sup>2</sup> The definition of SMEs in Turkey is according to the number of employees as well as annual turnover or balance sheet total. Please read section 1.2 for more information.



SMEs is 2008. Many of them seem to have started businesses before an average Turkish enterprise did.

#### 4) Certification

36 out of the fledged SMEs (73 percent) have got ISO or other certifications.<sup>3</sup> Two are in the process of applying for one. Narrowing down the focus to the manufacturing SMEs, 34 (79 percent) have got at least one.

None of unfledged enterprises, which have yet to develop a product and/or service, has got one.

#### 5) Export Experience

According to the European Commission, 26.2 percent of SMEs in Turkey export their products and/or services directly<sup>4</sup>. Although this figure is not comparable with the result of our survey, we seems to have interviewed a disproportionate number of exporting SMEs; among the 49 fledged businesses, 35 (71 percent) have exported their products and/or services directly or indirectly. 33 out of 43 manufacturing SMEs have. 19 of them (44 percent) build up 20 percent or more of their sales abroad.

As might be expected, none of the unfledged SMEs have exported.

### 5.1.2 Results

#### (1) Whether to have received consultation

40 out of the 49 fledged businesses (82 percent) have hired consultants, and some have done so multiple times. They are the most likely to ask for advice to get certified according to ISO and CE marking; one third of consultation cases (21 cases) are for the purpose and 41 percent of the respondents did. Typical consulting areas such as business management, marketing, production management, human resources management, and information management collectively account for 54 percent only. (47 percent of the respondents did).

Half of the unfledged enterprises have hired consultants to ask for advice either on business start-up or specific technological issues.

#### 1) Difference in Consultation Experience according to Sectors

Although the number of interviewees is small, our survey shows that enterprises in some sectors seem to be more likely to hire consultants; all that producing electric machines

<sup>3</sup> Most cases are for getting ISO certificates. Some did so to obtain CE marking.

<sup>4</sup> Source: European Commission. SBA Fact Sheet 2009 Turkey.

or rubber and plastic products have received consultation, whereas only two out of five producing furniture have done so.

## 2) Difference in Consultation Experience according to Enterprise Sizes

Larger enterprises are more likely to hire consultants; four out of six micro businesses (67 percent), 18 out of 25 small businesses (72 percent), and all (18) middle-sized businesses have.

Another finding is that they receive consultation to solve a variety of problems as their sizes become larger; smaller businesses tend to hire consultants almost only for getting ISO certificates, while larger businesses do so to ask advice on business management, marketing, production management, and etc.

## 3) Difference in Consultation Experience according to Export Experience

Exporting enterprises are more likely to hire consultants; 33 out of 35 (94 percent) of them have done so whereas 8 out of 14 (57 percent) non-exporting businesses have.

## 4) Difference in Consultation Experience according to Established Years

Not surprisingly, older enterprises are more likely to have hired consultants; 25 out of 27 (93 percent) which started their business in 1988 or before have done so whereas 16 out of 22 (73 percent) which started later than 1988 have.

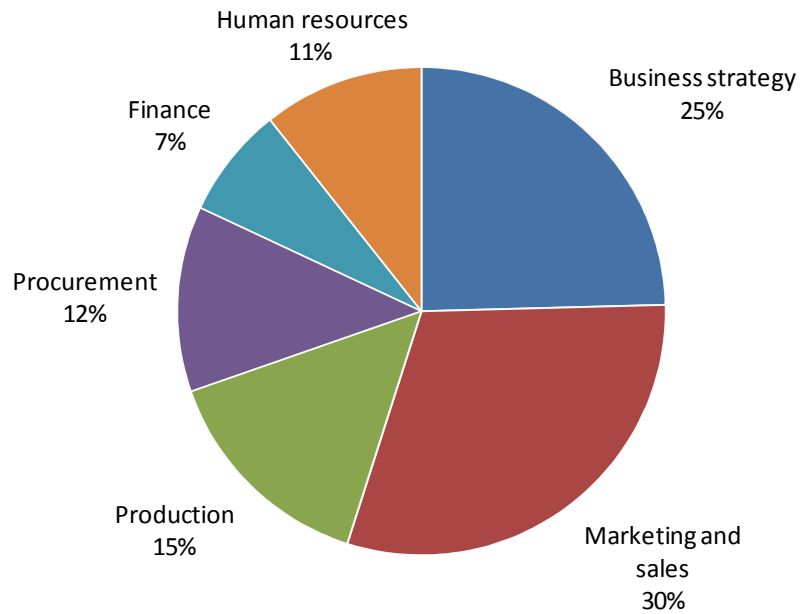
## (2) Problems

Figure 5-1 classifies problems the 49 fledged businesses listed. They name marketing and sales most often. Business strategy comes next, followed by production management, procurement, and human resources management. Note that problems in business strategy here include those related to R&D, investment and other issues which narrowly-defined business strategy does not cover.<sup>5</sup> Meanwhile, fewer enterprises name finance which seems to be the most critical issue for SMEs.<sup>6</sup> A possible reason is that, however serious their financial problems are, they think whether they can get loans is almost out of their control, in other words, it is up to lending institutions.

Many unfledged enterprises also voiced concerns about marketing and sales; they feel uneasy about how to win customers and/or how to distribute them.

<sup>5</sup> For example, although product development is related not only to business strategy but also to marketing and production management, it is classified as an issue in business strategy because whether it succeeds or not affects a lot SMEs whose product lineup is limited.

<sup>6</sup> Interviewees of TAYSAD and TGSD listed finance as the most serious problem for SMEs.



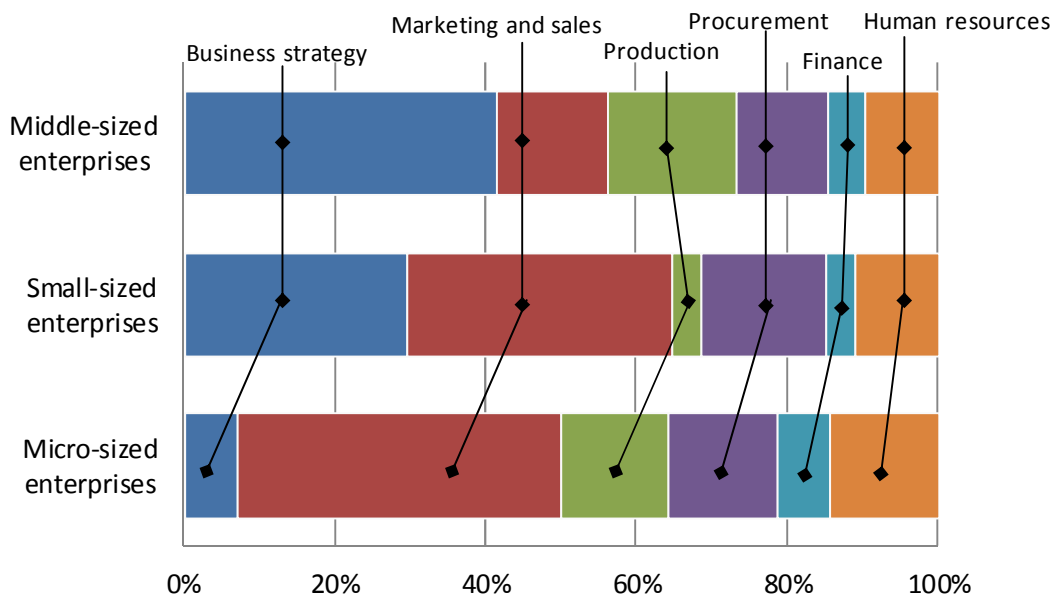
**Figure 5-1 Problems Reported by the 49 Enterprises**

1) Difference in Problems according to Sectors

Manufacturing enterprises seem to have sector-specific problems, although the composition of problems which the 43 fledged manufacturing businesses list is quite similar to that shown in Figure 5-1. Comparing 12 SMEs in metal processing with ten SMEs in machine production, the former tend to worry about either of three areas, business strategy, procurement and marketing and sales, while the latter tend to be anxious for marketing and sales.

2) Difference in Problems according to Enterprise Sizes

Differences are the most salient when comparing problems of micro-sized enterprises with those of small and middle-sized enterprises; as shown in Figure 5-2, marketing and sales is the most common problem among micro-sized enterprises. As the size becomes larger, on the other hand, more and more enterprises are concerned about business strategy. In other words, smaller enterprises are more concerned about near-term sale revenues rather than business strategies which are inherently long-term.



Source : Prepared by JICA Study Team

**Figure 5-2 Comparison of Problems Listed by Micro-sized Enterprises and those by Small and Medium-sized Enterprises**

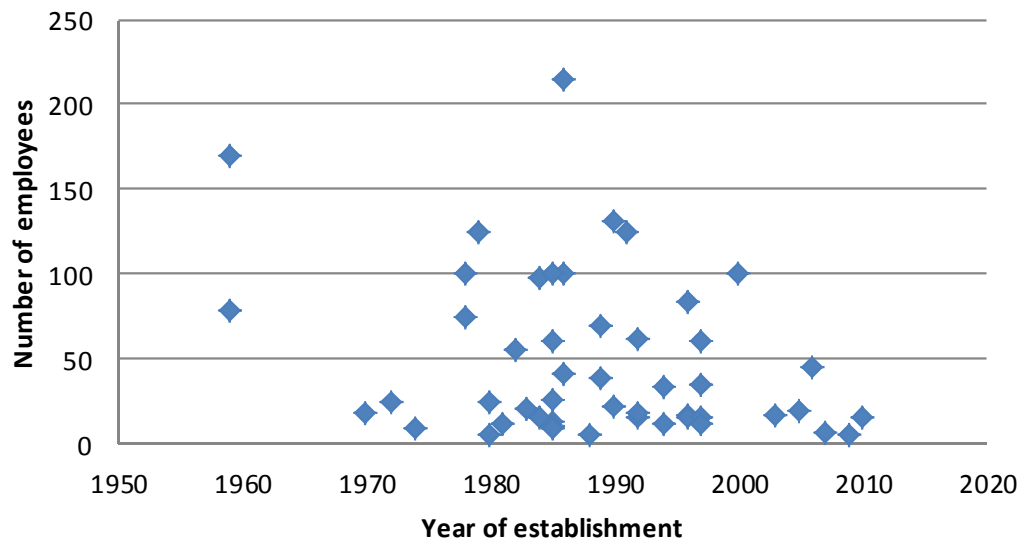
### 3) Difference in Problems according to Established Years

When older enterprises (which were established in 1988 or before) and new ones (which were established after 1989) are compared, the former tends to have difficulty developing business strategies while the latter is troubled about marketing and sales.

On average, SMEs in metal processing started their businesses 6 years earlier than those in machine production, which is consistent with the former's being more concerned about business strategy (see Figure 5-7).

At the same time, Figure 5-8 shows that those with more employees are also more concerned about business strategy. However, Figure 5-3 reveals that older enterprises do not necessarily hire more employees.<sup>7</sup> Thus, it can be said that how old an enterprise is alone explains the changes of its concern to some extent.

<sup>7</sup> The coefficient between them is -0.30.



Source : Prepared by JICA Study Team

**Figure 5-3 Distribution of the Number of Employees by Year of Establishment**

4) Difference in Problems according to Export Experience

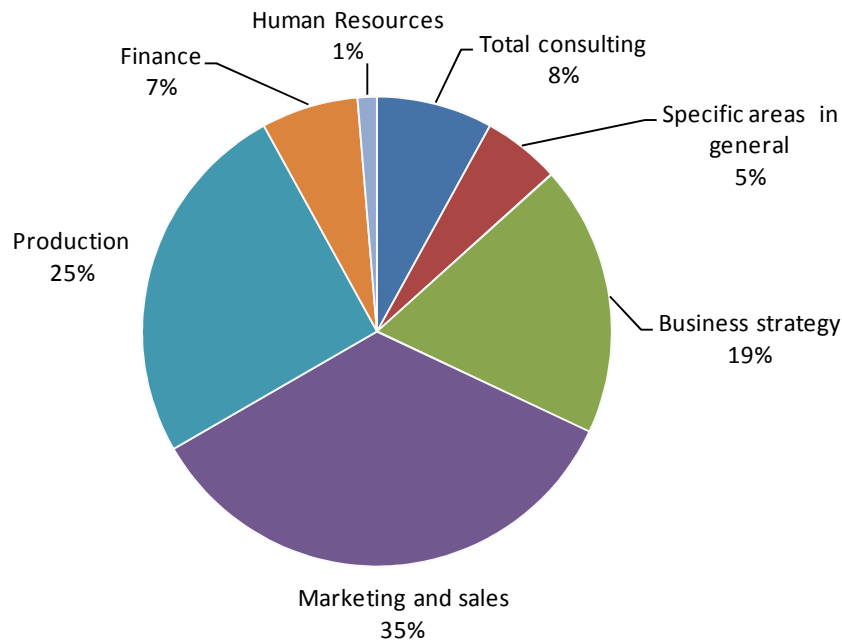
Whether they export or not do not seem to affect a lot what they think are their problems. Suffice it to say that exporting enterprises are more likely to concern about production management and finance than non-exporting ones while the latter considers procurement as their problems more than the former.

(3) Areas SMEs Think They Need Consultation from Now

Figure 5-4 shows in what areas the 49 businesses think they need to receive consultation in the days to come. Here, we classify their responses into seven areas, namely total consulting<sup>8</sup>, specific technologies, business strategy, marketing and sales, production, finance, and human resources management. They list marketing and sales most often, followed by production and business strategy. Total consulting and finance comes after them, but their shares are much smaller.

Unfledged enterprises predominantly list marketing and sales.

<sup>8</sup> No enterprise has ever received total consulting. In asking the question, the JICA Study Team also asked what they think of a consultant like a family doctor. Some showed interest in hiring such consultants, and we classify these responses as their willingness to receive total consulting.



Source : Prepared by JICA Study Team

**Figure 5-4 Areas in which the 49 SMEs Think They Need to Receive Consultation**

1) Difference in Areas of Choice according to Sectors

When enterprises in metal processing and those in machine production are compared in terms of what areas they think they need consultation, the former predominantly lists marketing and sales followed by production, whereas the latter tends to be concerned about business strategy and production. Two in machine production list total consultation.

2) Difference in Areas of Choice according to Enterprise Sizes

When areas SMEs think they need consultation are compared among micro-sized enterprises, small-sized enterprises, and medium-sized enterprises, smaller enterprises list marketing and sales more often, whereas larger enterprises name production and business strategy more frequently. Smaller enterprises are more likely to consider receiving total consultation to be a good idea, although the number of responses is not sufficient enough to conclude so.

3) Difference in Areas of Choice according to Established Years

When old enterprises and new enterprises are compared in terms of areas in which they would like to receive consultation in the days ahead, older enterprises tend to list marketing and sales, production, and finance more often than newer ones, whereas newer ones do total consultation more often.

#### 4) Difference in Areas of Choice according to Export Experience

Exporting enterprises have different views from non-exporting ones on the areas in which they need to receive consultation. 60 percent of non-exporting interviewees think that they need to seek advice on marketing and sales, and 20 percent of them think that they need to receive total consultation. On the other hand, exporting interviewees think production is the area which they need assistance the most, followed by marketing and sales, and business strategy.

#### (4) Ideal Consultants

Their comments on what an ideal consultant is like are mainly about the three elements: capability, performance, and certification. The following summarizes their views on them. Here, we do not separate views of the 49 fledged businesses from those of the 12 unfledged ones.

##### a) Capability

An ideal consultant specializes in something as well as has knowledge covering all basic aspects of general management. He is expected to have hands-on experience either as a consultant or a manager (or an employee) in enterprises. He needs not only to know what are going on in sectors in which his clients are engaged but also to understand the specifics of his clients. He should be able to get and maintain good relationships with his clients.

A consultant with no specific area of expertise can be helpful to SMEs if he has knowledge covering all basic aspects of general management; he can be like a family doctor on the condition that he works for his clients on a long-term basis. By contrast, when a client seeks speedy solutions and problems are clear, a consultant with specific areas of expertise is favorable even if he cannot advise on non-specialized areas at all.

##### b) Performance

A consultant needs to solve problems or improve operations in a shorter time than the case when his client enterprises do all by themselves. Outcomes have to be good enough to make clients feel that they worth the expense or exceed their expectations. It is preferable that he is able to present solutions for pressing problems as well as advise on long-term issues in accordance with their visions. To do so, he needs to point out what clients do not know or recognize and/or propose what they never think much about. He should report progress and outcomes to clients on a regular basis. He must not leak corporate secrets.

##### c) Certification

Whether he is certified or not can be an important criterion of selecting a consultant for SMEs, especially for those who have never hire one, if a national certification of SME consultants is widely regarded as reliable.

Who certifies matters, however; SMEs prefer that multiple institutions compose the certifying body. They are more likely to consider the certification trustworthy if TURKAK is its member organization.

To be certified, a candidate has to have applicable working experience together as well as have enough educational background and knowledge.

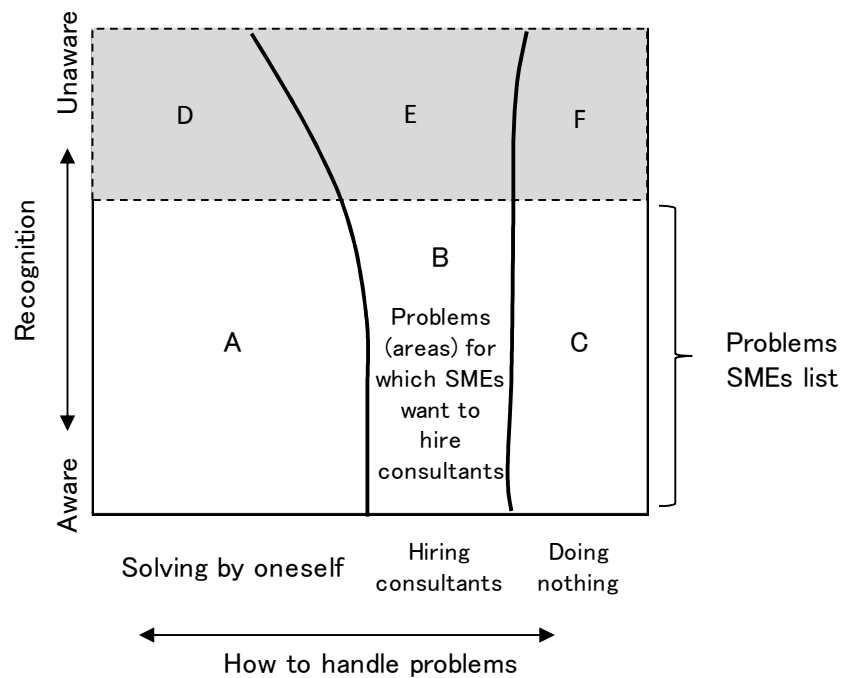
### 5.1.3 Analysis

This section summarizes findings and issues derived from the interviews with SMEs. They should be kept in mind in building a certification system for SME consultants.

- 1) It should be noted that some problems of SMEs are latent. In other words, those listed by SMEs do not necessarily cover all of their problems or areas SME consultants need to be familiar with, although the JICA Study Team asked the following in the interviews.
  - i. Whether they have hired consultants or not. If they have, in what area they have done so.
  - ii. Current issues and problems in management
  - iii. Areas in which they would like to hire consultants in the days to come

Figure 5-5 breaks down problems SMEs have according to two aspects, (1) if SMEs recognize them and (2) how they handle them, namely solving by themselves, hiring consultants, or neglecting them.





Source : Prepared by JICA Study Team

**Figure 5-5 Problems of SMEs**

Current issues and problems they list fall into the areas A, B or C in Figure 5-17. Problems for which they asked for advice from consultants used to correspond to the area B. Those for which they would like to hire consultants fall into the area B. Existing problems which SMEs fail to list fall into the areas D, E, or F. Although SMEs do not feel the need to solve them, consultants could help them to solve some. For example, the JICA Study Team found the following issues which fell in the area E when visiting manufacturing floors.

- Insufficient process control
- Insufficient drawing control
- Inefficient factory layout and flow of materials in process (which lead to low productivity, too much stock, long delivery time)
- Insufficient 5S activities<sup>9</sup>
- Insufficient occupational safety measures
- Intensive time-consuming hand work
- Insufficient mechanization (which leads to low labor productivity)
- Lack of marketing strategies
- Lack of pull strategy

<sup>9</sup> 5S refers to a workplace discipline used to ensure reliable work practices and a clean working environment that uses a list of five Japanese words. They are *Seiri* (separating and categorizing needed and unneeded materials and tools), *Seiton* (arranging tools and other items for ease of use), *Seiso* (maintaining high level of cleanliness), *Seiketsu* (creating a systematic plan to perform the first three steps) and *Shitsuke* (devising methods to turn performing the steps on an ongoing basis into a habit).

- Too much focus on technological issues or neglect of administration
  - Lack of in-house products (causing loss of profitable business opportunities)
  - Long delivery time
- 2) To promote consultation services, there needs to be PR activities (seminars, company visits for study, and etc.) presenting good example cases of consulting services, because problems of smaller enterprises tend to be latent. More latent problems directly link to fewer consulting needs even if finding and solving them with the assistance of consultants can promote their growth.
  - 3) There needs to be a system assisting certified consultants to find clients, because fewer consulting needs are likely to discourage active and would-be consultants from getting certified.
  - 4) Certification system of SME consultants targeting micro-sized enterprises should require knowledge in all aspects of general management including marketing and sales in particular.
  - 5) It is preferable that the certifying body is composed of multiple institutions which have established trust from the public.
  - 6) Certification system of SME consultants need to check not only working experience and knowledge but also attitude, i.e., compliance with business ethics including protecting confidentiality obligation.
  - 7) To enable certified consultants to point out what SMEs do not recognize and/or do what SMEs themselves are not able to do, there needs to be a system, for example obligating them to attend seminars for renewal, which has them learn new management approach and/or deepen knowledge in specific areas on a regular basis.

## **5.2 Questionnaire and Interview Surveys of SME Experts**

### **5.2.1 Survey outline**

#### (1) Preparation

KOSGEB ramped up support for the commerce and service sector in June 2010. As the sector is estimated to have around 3 million companies, ten times as much as the number of manufacturing companies, and many of them just want to get registered with KOSGEB without any expectation for support for the time being, workloads of SME experts for

supporting, including registration, are increasing rapidly<sup>10</sup>. Meanwhile, the workforce has rarely expanded.

In this recognition, questionnaire survey was conducted to find how they handled their jobs and what they thought about support and fostering of SMEs. At the time of collection, then, most of SME experts who answered questionnaire were interviewed, although briefly.

In the following part, general outlines of the questionnaire and interview surveys are shown, followed by statistical analysis of their results and overall conclusions drawn from it.

## (2) Questionnaire and interview survey planning

### 1) Selection of cities and centers to be visited

In consultation with KOSGEB, the Team selected cities and service centers to visited, with view to achieving the following goals.

- i. To obtain response from and interview with as many experts as possible
- ii. To ensure maximum efficiency of questionnaire survey within a limited period of time
- iii. To select service centers in consideration of balance in terms of industry mix and geography

### 2) Survey plan and schedule

Questionnaire and interview surveys of SME experts were conducted as outlined below, including the itinerary and the number of experts surveyed.

**Table 5-2 Responses to SME Expert Surveys, by City and Center**

Date	Service center/city	No. of responses to the questionnaire survey	No. of persons interviewed	Note
December 29	Siteler/Ankara	18	17	One person rejected interview
December 30	OSTIM/Ankara	16	16	
December 31	OSTIM/Ankara	3	3	
January 3	OSTIM/Ankara	11	11	
January 4	Sincan/Ankara	9	9	
January 6	Ikitelli/Istanbul	14	14	
January 7	Ikitelli/Istanbul	10	9	One person absent (sick leave)
January 10	Anadolu Yakasi/Istanbul	12	12	

<sup>10</sup> While the rapid increase in workload was apparent from responses to the questionnaire survey of SME experts ("II Question 1.1 Current Work") as well as the interview survey, it seems to reflect the transition period when KOSGEB has expanded its activity to the commerce and service sector, which may cause temporary overloading. Thus, this factor does not always fit for statistical work and it is not included in the analysis under "5.2.2 Results of Questionnaire Survey."

Date	Service center/city	No. of responses to the questionnaire survey	No. of persons interviewed	Note
January 11	Anadolu Yakasi/Istanbul	6	6	
January 13	Bursa/Bursa	15	15	
January 14	Bursa/Bursa	1	1	
January 17	Kuzey/Izmir	11	11	
January 18	Guney/Izmir	7	7	
January 19	Adana/Adana	11	14	3 contract workers did not respond to the questionnaire survey
Total		144	145	

Source: Prepared by JICA Study Team

### (3) Survey coverage of SME experts

The questionnaire and interview surveys were conducted at the nine large service centers. The following table lists staffing and the number of SME experts of these centers, as well as coverage for interview survey.

**Table 5-3 Summary of Service Centers visited for Questionnaire and Interview Surveys**

Unit: persons

City (in order of visit)	Center name	Total staffing	No. of SME experts	No. interviewed	Coverage (persons interviewed/experts)
Ankara	Siteler	41	28	17	60.7
	OSTIM	53	37	30	81.1
	Sincan	23	9	9	100.0
Istanbul	Ikitelli	36	29	23	79.3
	Anadolu Yakasi	23	18	18	100.0
Bursa	Bursa	24	17	16	94.1
Izmir	Kuzey	15	12	11	91.7
	Guney	10	9	7	77.8
Adana	Adana	17	10	14	140.0 <sup>note</sup>
Others	46centers	259	178	-	-
Total	55centers	501	347	145	41.8

Note: Contract workers (classified as general staff but engaged in the same work as SME expert)

Source: Prepared by JICA Study Team

### (4) Questionnaire survey items

Survey questions are presented in “5.2.2 (1) Summary and analysis by item.” They are presented below with respective graphs summarizing responses and comments.

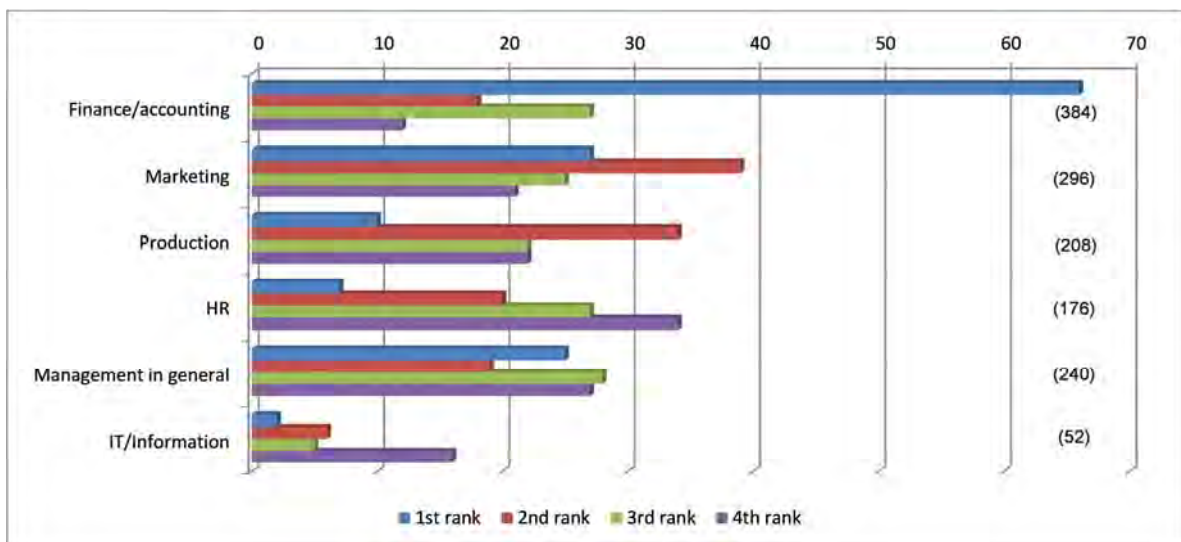
## 5.2.2 Questionnaire survey results

### (1) Summary and analysis by item

The results of analysis are presented below for questions after 2.1. Note that the figures in ( ) denote the total score obtained on the basis of the following scale: 4 points for first place, 3 points for second place, 2 points for third place, and 1 point for fourth place. The scores suggest that respondents are interested most in which item, together with an overall level of interest in each item.

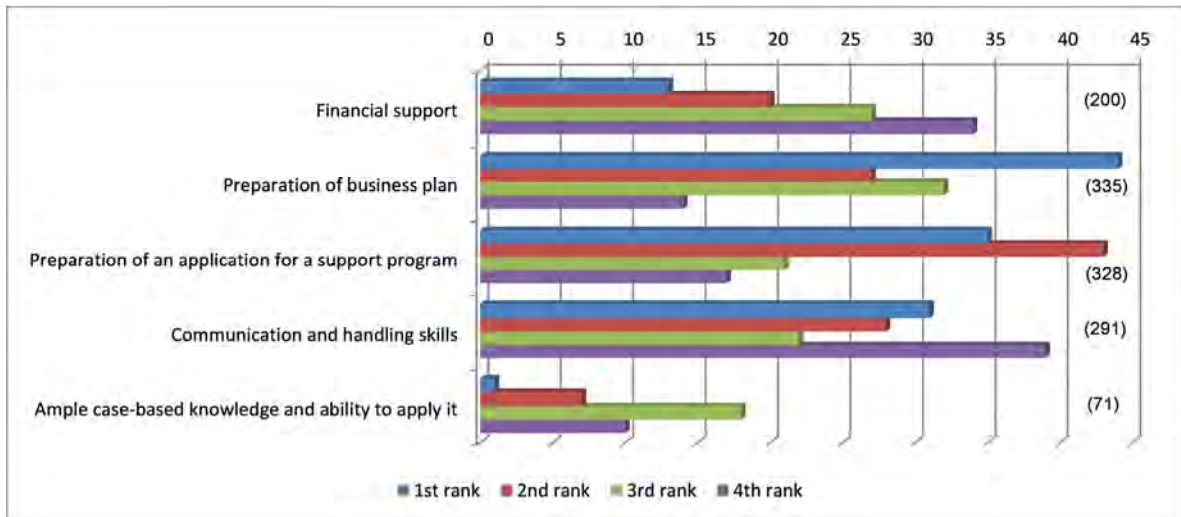
### 2.1 What do you think is a major problem facing SMEs?

(Arranged in order of importance)



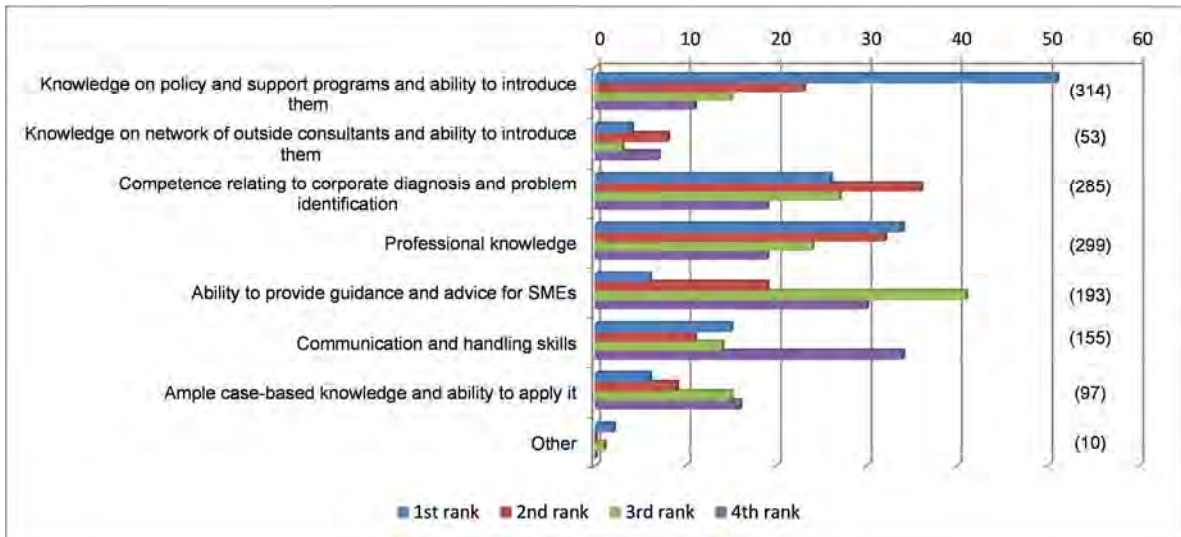
Source: Prepared by JICA Study Team

**2.2 What kind of service do SMEs expect to receive from SME experts?  
(Arranged in order of importance)**



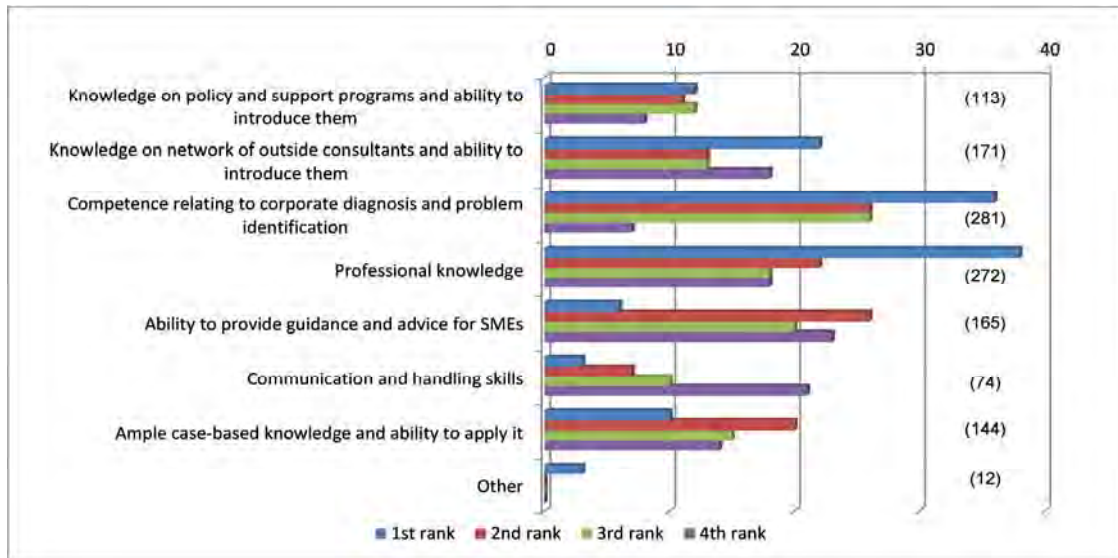
Source: Prepared by JICA Study Team

**2.3 To meet the above expectation, what type of capability do SME experts need to have?  
(Arranged in order of importance, selecting five items)**



Source: Prepared by JICA Study Team

**2.4 What type of capability do you want to develop in future (as you do not have it right now)? (Arranged in order of importance, selecting five items)**



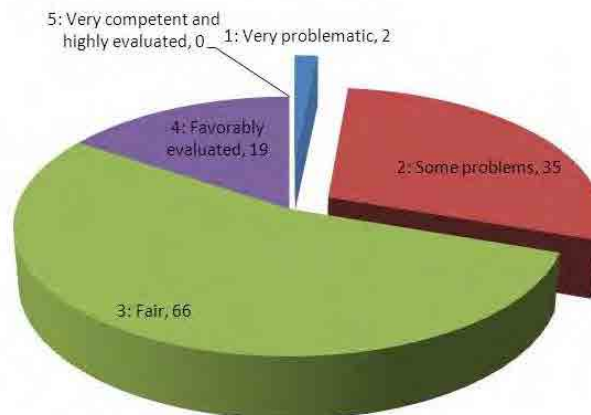
Source: Prepared by JICA Study Team

**3.1 How do you think SMEs generally assess consultants**

**(Legend: 5 - Very competent and highly evaluated; 4 - Favorably evaluated; 3 - Fair; 2 - Some problems; 1 - Very problematic)**

A total of 121 experts responded to this question, while some were reluctant to make assessment due to possibility of creating a wrong impression. They stated various reasons, e.g., “I have no opportunity to work with a consultant,” “I have been effectively restricted from contacting a consultant since June 2010,” or “I do not know how SMEs feel because I am busy doing administrative work and have no time to visit companies.” The results are classified below.

1) Overall distribution



Source: Prepared by JICA Study Team

**“Indicate three major reasons for the above assessment”**

Although respondents were asked to indicate three reasons, some experts cited no reason or one or two reasons only. The relationship between the assessment levels and cited reasons is summarized below.

Assessment level 1

Two experts indicated assessment level 1 and indicated the following reasons.

The government has allowed the consulting industry to expand without establishing competence standards. As a result, some consultants do not possess sufficient knowledge or skills but claim to be capable of providing good consulting service, leading to poor reputation for the consulting industry as a whole. At the same time, companies that receive consulting service have poor understanding of consultants and their service.

Assessment level 2**Table 5-4 Reasons for Low Level of Assessment**

Lack of knowledge (including information)	Insufficient competence	Lack of experience	Lack of knowledge/experience	Total
16	5	3	2	26

Source: Prepared by JICA Study Team

35 experts indicated assessment level 2, and 34 specified reasons (totaling 96). Of total, 26 responses concerned with the lack of knowledge, competence and/or experience (see the above table) as the ground for their decision. Then, 13 responses were related to the consultant’s attitude prioritizing his own interest.

Assessment level 3

66 experts indicated level 3, and of total, 52 specified diverse reasons (totaling 135), which are roughly classified as shown in the table below. In particular, reasons relating to the consultant’s ability and attitude were most frequently cited, namely 55 (around 40% of the total), suggesting the strong need for competence and assessment standards for SME consultants.



**Table 5-5 Reasons for Assessment Level 3**

Reasons relating to the consulting industry and its support system		
Consultant system	Unclear definitions of consulting service and consultants, and the lack of recognition as professional service	4
Reasons relating to consultants		
Consulting ability and attitude	Insufficient professional knowledge (in terms of width and depth)	14
	Lack of the ability to guide problem solving	10
	Lack of fair service and guidance for client companies	10
	Lack of information and understanding of client companies	6
	Lack of communication with client companies	5
	Poor information and misinformation	5
	Lack of experience	5
Consultant's attitude and philosophy	Lack of confidence of the client in the consultant	12
	Preoccupation with profit making for their own benefit	8
	Charging of an exorbitant consulting fee	6
	Existence of poor grade of consultant	5
	Lack of philosophy, e.g., excessive commitment at the areas outside of their expertise	4
Reasons relating to SME managers		
Attitude	To treat the consultant as a handyman	5
	To demand immediate results and set excessively high expectation for consultants	8
Recognition and understanding	Failure to understand the consultant and its service	7
	Inability to evaluate the consultant and its service quality	7
	Lack of access to consulting service	3
Other		
Positive evaluation		11

Source: Prepared by JICA Study Team

#### Assessment level 4

19 experts indicated assessment level 4, and 12 specified reasons. Positive reasons are summarized as follows.

- Ability to discover or see what the client cannot
- Sufficient knowledge and experience to give adequate advice
- Ability to provide objective view in a timely manner
- Serving as supplemental management resources

#### 2) Geographical characteristics of assessment by SMEs

Assessment by SMEs, as estimated by experts, is classified according to the center's location.

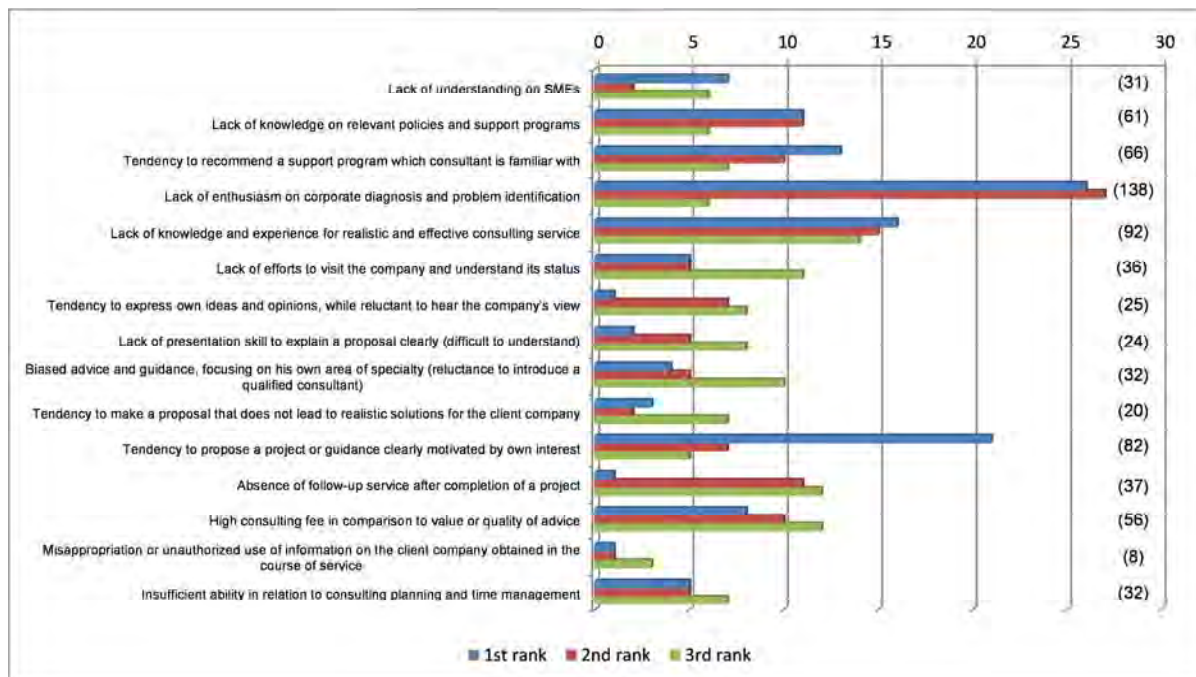
**Table 5-6 Breakdown of Assessment Results by Center's Location**

City	Center name	No. of experts interviewed	Level 1	Level 2	Level 3	Level 4	Not assessed
Ankara	Siteler	18	0	2	9	2	5
	OSTIM	30	0	4	14	4	8
	Sincan	9	0	1	3	4	1
Istanbul	Ikitelli	24	0	11	10	2	1
	Anadolu Yakasi	18	1	6	9	0	2
Bursa	Bursa	16	1	4	7	2	2
Izmir	Kuzey	11	0	3	5	2	1
	Guney	7	0	1	2	2	2
Adana	Adana	11	0	3	7	1	0
Total		144	2	35	66	19	22

Note: No expert gave level 5 assessment.

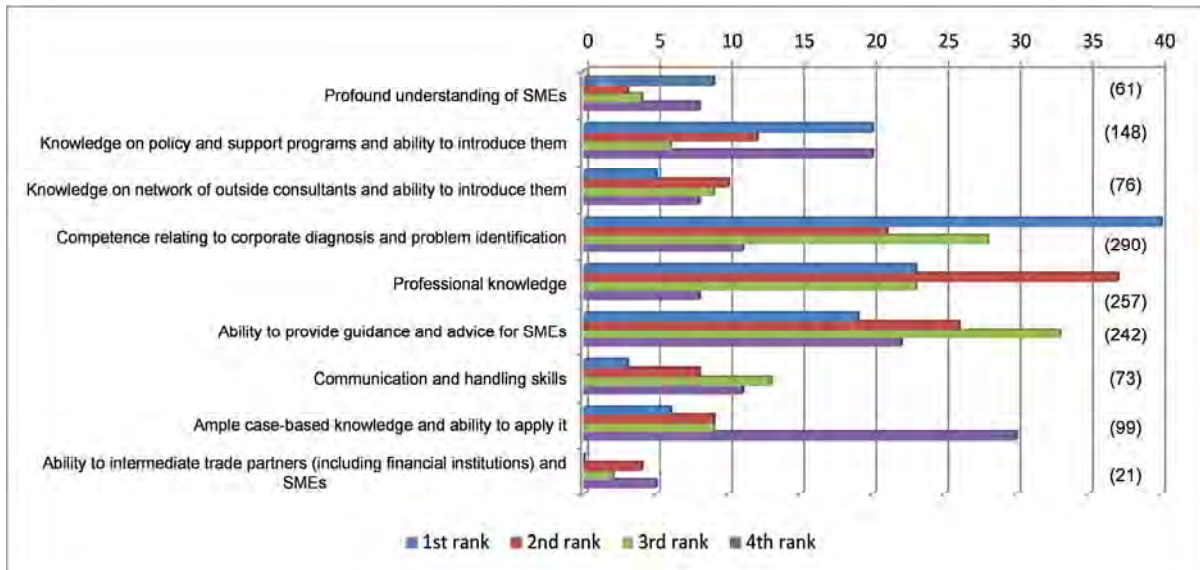
Source: Prepared by JICA Study Team

### 3.2 In what aspect are SMEs dissatisfied most with consultants? (Arranged in order of importance, selecting eight items)



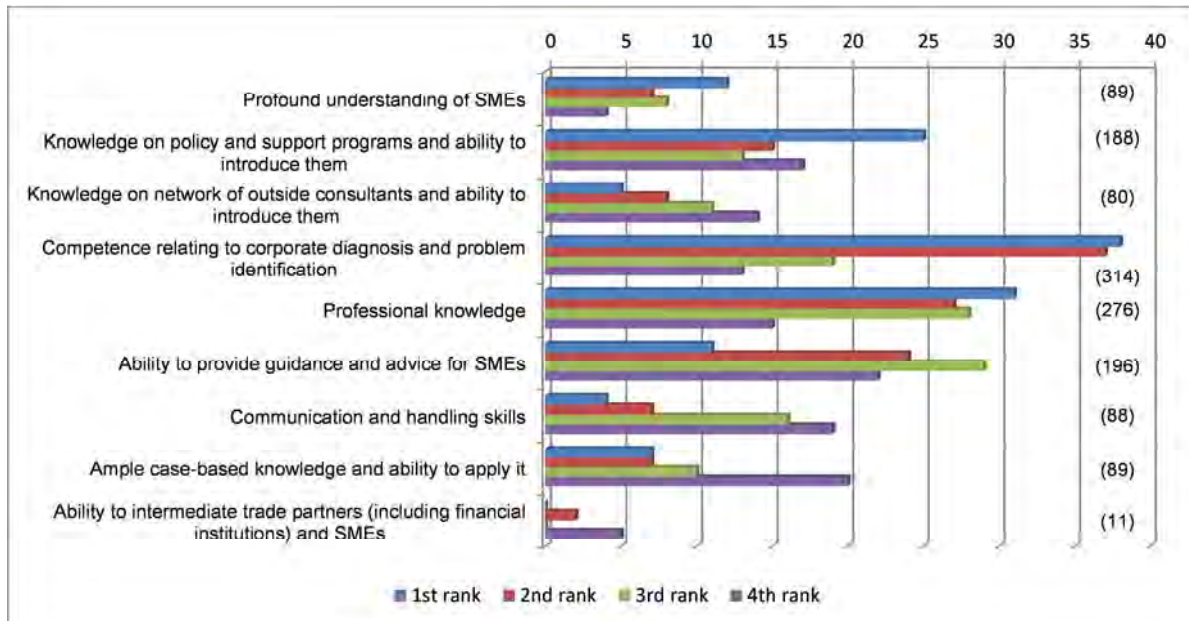
Source: Prepared by JICA Study Team

**3.3 What type of capability do SMEs want from consultants?  
(Arranged in order of importance, selecting five items)**



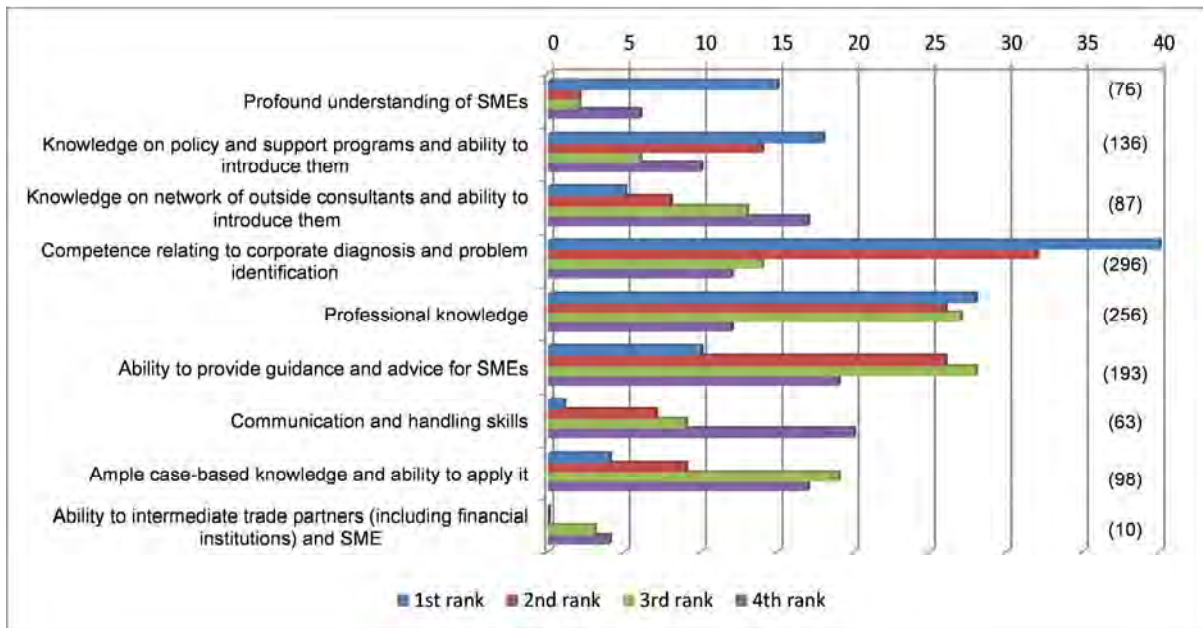
Source: Prepared by JICA Study Team

**3.4 What type of capability do consultants need to have, as seen from SME expert's perspectives?  
(Arranged in order of importance, selecting five items)**



Source: Prepared by JICA Study Team

### 3.5 What type of capability do you think is most deficient among currently active consultants? (Arranged in order of importance, selecting five items)



Source: Prepared by JICA Study Team

### 5.2.3 Identification and Characterization of Issues

In this section, issues relating to development of competent and assessment standards for SME consultants are identified and analyzed on the basis of the results of the questionnaire and interview surveys of KOSGEB experts.

#### (1) Issues relating to stakeholders in the field of SME consulting

Issues relating to three key stakeholders concerning government support programs, namely KOSGEB, SMEs, and consultants, are briefly discussed below.

##### 1) Issues relating to KOSGEB

Issues relating to KOSGEB can be roughly classified into the following five categories.

##### a. Issues relating to concern about continuity and consistency of headquarters' policy

While headquarters of KOSGEB seem to clearly announce its policy, some experts express, from perspectives of field workers, concern about uncertainty because the central policy has been changed rapidly a several times in the past.

##### b. Issues relating to the rapid increase in workload

As pointed out earlier, KOSGEB has expanded its support to the commerce and service sector, which consists of a large number of companies, estimated to be around ten times larger than the manufacturing sector.

Since 2009, an increasingly number of companies representing the commerce and service sector wants to get registered with KOSGEB although many do not have any specific expectation or plan for the time being, and the number of applications grows rapidly.

The registration procedures are handled by SME experts at each service center. The application is checked to see if there is any error or omission in 20 – 30 entry items. Each expert has to deal with a large number of companies that have to be registered on the database, ranging between 500 and 2,000. Many experts question as to why they, highly educated, have to perform such simple and mechanical task.

In particular, financial support programs involves a seasonal surge in workload, but their key task – determination of creditworthiness – is handled by banks that provide loans for SMEs, whereas KOSGEB experts are required to check if each applicant meets the definition of SMEs. Some feel that it is not worth doing for experts.

- c. Issues concerning the weakening relationship with SMEs due to a heavy workload at office

Judging from comments by various experts, each expert is required to handle as many as 2,000 companies on the database, of which 100 – 150 companies use KOSGEB's service actively. However, the increase in workload at office causes the decrease in the number of visit to client companies, together with time available for person-to-person consultation. Some centers are virtually banning experts from visiting SMEs. As a result, experts are generally losing motivation, while expressing concern about companies that are less accessible to consulting service.

- d. Issues relating to a gap between the dream of working as SME expert and the actual working conditions

Many experts have joined KOSGEB with a clear intent to help SMEs and their growth by using professional knowledge learned at university and through previous work experience. They are worried about their future because, if they continue to be engaged in simple, routine desk work, they will not be able to have opportunity to apply their knowledge or gain experience that is useful for improvement of SME support service. Also, some experts are uncertain about how they continue self-development efforts.

- e. Issues relating to the lack of competence as SME expert

In the course of the interview survey, some experts stated that they already possess knowledge and skills required for their present and future work, while others felt that they had to learn more. While they talked about themselves or KOSGEB experts in general, experts in their 20s and 30s seemed to recognize some deficiency (including the lack of

certain knowledge and skills that constitute the overall knowledge base) or feel that they should learn further. On the other hand, some think that they are engaged in the type of work (office work) that is not intended for the expert, while not being sure about what knowledge and skills they should learn for their future career. In this connection, some experts relate the uncertainty and competence issues to the lack of adequate training.

The above issues should be properly addressed in development of the competence standard for SME consultants, their assessment system, and cooperation with KOSGEB experts.

## 2) Issues relating to consultants

In this category, issues should be addressed from the following three perspectives.

### a. Consultants themselves

#### i) Consulting ability

Many experts think that SME consultants do not have sufficient competence relating to corporate diagnosis and problem identification, which is what SMEs complain about most, followed by the lack of professional knowledge and the inability to provide effective guidance and advice.

#### ii) Attitude toward consulting activity

Some experts emphasize that there are cases where consultants demand an exorbitant fee by taking advantage of knowledge on the SME side, e.g., pretending that preparation of an application for KOSGEB's support program is difficult. Also, some consultants give insufficient or incorrect information on a support program and SMEs bring a complaint to KOSGEB. Furthermore, some consultants tout obsolete consulting techniques and solutions to SMEs, without consideration of individual companies and their unique operating conditions. Others seem to neglect follow-up activity once they have got paid for the initial consulting fee. Although they are not always correct, the attitude should be considered as an important issue.

### b. Issues relating to the client's attitude

#### i) Lack of proper understanding about consulting service

Some SMEs view consultants as a handyman to handle administrative work or a tool to obtain government support, rather than an adviser having professional knowledge on operation and management of SMEs. Some do not feel the need for consulting service because they believe that they know better than consultants. Many companies do not understand as to what they can and should expect and gain from consulting service.

At the same time, SMEs tend to simply prefer a low consulting fee or demand immediate results from consulting service. These attitudes do not help achieve the desired goal of fostering consultants capable of providing high quality service.

ii) Undue lack of confidence in consultants

Some SMEs mistrust consultants because of their unfavorable experience or a bad rumor. This makes it difficult for the consulting industry to explore potential needs and results in preventing the industry from further development.

c. Consulting market in general

As there is no formal definition of consultants or no standard relating to consulting service, anyone can claim to be a consultant. The situation leads to poor reputation for consultants. Also, presence of consultants who conduct business in a deceitful manner or who cannot meet expectation of client companies receives much attention in recent years, further limiting opportunity for competent consultants having high morals and discouraging first-time users from hiring consultants. Consequently, competent consultants opt to work for mid-sized and large enterprises that can afford to hire them and have a clear management goal.

3) Issues relating to SMEs

a. Issues attributable to SMEs

i) Lack of commitment to improvement of the management base

In fact, competent consultants are most needed by small enterprises and microenterprises that lack resources because they can provide a powerful impetus for long-term improvement of operation and management. However, some owners of SMEs, especially who are generally less-educated, are only interested in short-term profit making and do not want to accept the consultant's advice or make necessary reforms.

ii) Resistance to information disclosure

Many small enterprises are family operated and do not like an outsider, including a consultant, to know their operating conditions. When they have to hire a consultant, they cannot benefit fully from consulting service because they try to conceal vital information.

iii) Lack of respect or expectation for consultants

As pointed out earlier, there are company owners who are indifferent to consulting service or do not understand a consultant and his service because of overconfidence in their own ability. In this connection, the competence standard for SME consultants

should include the ability to motivate such self-righteous owner toward improvement of management or to persuade him to accept the results of management analysis.

b. Issues relating to management resources

In many cases, small enterprises cannot improve operation and management without the consultant's (or the SME expert's) advice or continuous follow-up service, partly because their managers do not have basic knowledge and skills related to management or market conditions nor resources (especially an organization and personnel) to take necessary action on a sustainable basis. Furthermore, financial difficulty is always a major challenge.

(2) Needs analysis

1) Needs for consultants from perspectives of KOSGEB's expert

As discussed above, many SME experts at KOSGEB are concerned about consultants and their service quality (including attitude). Nevertheless, there are potential needs for private consultants, which may be worth considering.

a. Need to substitute KOSGEB experts

Recently, KOSGEB experts are virtually restricted from visiting SMEs for consultation and thus do not have time to perform corporate diagnosis or discover problems. On the other hand, it is widely pointed out that consultants should be responsible for such service, so that they can substitute KOSGEB experts, many of them were substantially interested in SMEs management and provided consulting service if time permitted.

b. Need to complement KOSGEB expert's function

If workload at KOSGEB increases at the current pace, SME experts will be largely excluded from providing direct service for SMEs, including information service relating to support programs and response to inquiry by SMEs. Some argue that private consultants can correctly understand support programs and assume such function, in addition, an application has been fairly simplified. However, there are opinions that consultants may charge an expensive fee and KOSGEB experts should be responsible for disseminating information on support programs, while KOSGEB help SMEs to complete necessary application process and accepts such application.

c. Need to work as partner with KOSBEG experts

While KOSBEG experts generally think that they should be responsible for performing corporate diagnosis and identifying the needs for public support, it is widely believed that any consulting service should proceed in two steps, i.e., general diagnosis and problem identification/solution development. As SMEs generally cannot afford to hire multiple



consultants for different steps, private consultants may work together with KOEBEG experts in order to assist the problem identification process.

2) Needs from perspectives of SMEs

a. Existing needs

Some of SMEs that use KOSGEB's service want to rely on experts for their knowledge and experience, e.g., they ask a visiting expert to photograph and analyze their operations. This is partly because KOSGEB experts are government employees and are reliable. However, such strong need does not only reflect the fact that many SMEs are dissatisfied with private consultants in the area of corporate diagnosis and problem identification, as judged from the analysis of responses to question 3.2 ("What are SMEs dissatisfied most about consultants?") of the questionnaire survey, but also imply needs of comprehensive consultation.

b. Potential needs

Many experts admit that SMEs have potential needs for private consulting service, provided that the consulting industry and individual consultants regain confidence. This means not only exclusion of consultants who conduct business in a deceitful manner, but the improvement of consulting skills to meet the needs of SMEs, including corporate diagnosis and problem identification.

(3) Issues relating to KOSGEB's consulting scheme

1) Issues relating to the scheme itself

The noteworthy comment has been expressed by experts that KOSGEB's support programs are all linked to financial support, creating a risk of collusion of a consultant with a client company. Recipient companies can receive subsidy to cover portions of the project cost by submitting written evidence. However, the process seems to be deficient in terms of effectiveness and verifiability. In any consulting activity, including corporate diagnosis and technical guidance, effectiveness needs to be verified throughout the process according to specific rules.

2) Issues relating to prerequisites (quality requirements) to use of private consultants

First of all, consultants are required to have the willingness and ability to establish good relationship with SMEs. Then, they should understand available KOSGEB support programs and obtain accurate and latest information on them, while KOSGEB should maintain a mechanism to encourage such practice.

(4) Desirable images of consultant and the consultant certification system

They should be considered separately. General images have been obtained from the analysis of survey results, as summarized below.

## 1) Desirable image of consultant

A desirable image of consultant consists of two elements, basic quality requirements for consultants in general and those for SME consultants. Key points in these requirements are listed below.

- a. Basic quality and competence requirements for consultants in general
  - Good personality and morals, including punctuality, honesty, and confidentiality
  - Planning capability to communicate the scope of service and conditions (fee) accurately
  - Communication skill to talk with SME managers and staff members at the level of their eyes
  - Ability to persuade the client with logic and proper expression
  - Leadership and follow-up capability to motivate the client
- b. Basic quality and competence requirements for SME consultants
  - In addition to one or more areas of specialty, broad knowledge and experience relating to SME management in general
  - Proper understanding of SME support programs of KOSGEB and other public organizations, and the ability to make use of them effectively
  - Attitude to attach importance to what is happening, seen and felt (3G: Genba, Genbutu, Genjitu in Japanese), rather than others' opinions and documents
  - Ability to provide advice and proposals that take into account the current state of individual SMEs
  - Ability to develop action plans that can be implemented by SMEs on a sustainable basis, together with management and Kaizen tools

## 2) Desirable image of the consultant certification system

While the consultant certification system warrants sustainable growth of the consultant community which is expected to be able to support SMEs, its desirable image should be established from two standpoints, namely contribution to SME promotion and sustainability of certification.

- a. Contribution to SME promotion
  - To demonstrate the ability to meet diverse needs of SMEs in the dynamically changing business environment
  - To demonstrate familiarity with SME support programs of government and public organizations
  - To demonstrate the ability to act as key management resources, in addition to the ability to perform corporate diagnosis
  - To demonstrate trustworthiness as partner for SMEs

- b. Key factors for ensuring sustainability of consultant certification itself
  - Becoming the certified consultant should be socially recognized.
  - Quality requirements and test content are widely recognized and agree with general socioeconomic trends.
  - The certification system should incorporate a mechanism to foster competent and trustworthy consultants and exclude inadequate ones (by means of training, monitoring, penalty, etc.)
  - There is opportunity for certified consultants to conduct activities that require their knowledge and skills.
  - An effective network of stakeholders is established.

### **5.3 Questionnaire and Interview Surveys of Consultants**

#### **5.3.1 Outline**

##### (1) Consultants surveyed

As part of the basic research and study for the establishment of the SME consultant system, anonymous questionnaire survey of consultants who actively provide service for SMEs was conducted between January 3 and 19, 2011. The survey population consists of consultants belonging to or registered with the following consulting service organizations, including those registered under the former KOSGEB system.

- KOSGEB registered consultants under the old system (438)
- ABİGEM consultants (50)
- PRODER registered consultants (35)
- YDD registered consultants (205)
- VGM consultants (45)

The survey was carried out by sending and collecting the questionnaire by e-mail, together with direct delivery and collection of the questionnaire in the form of interview. Response was received from 78 consultants.

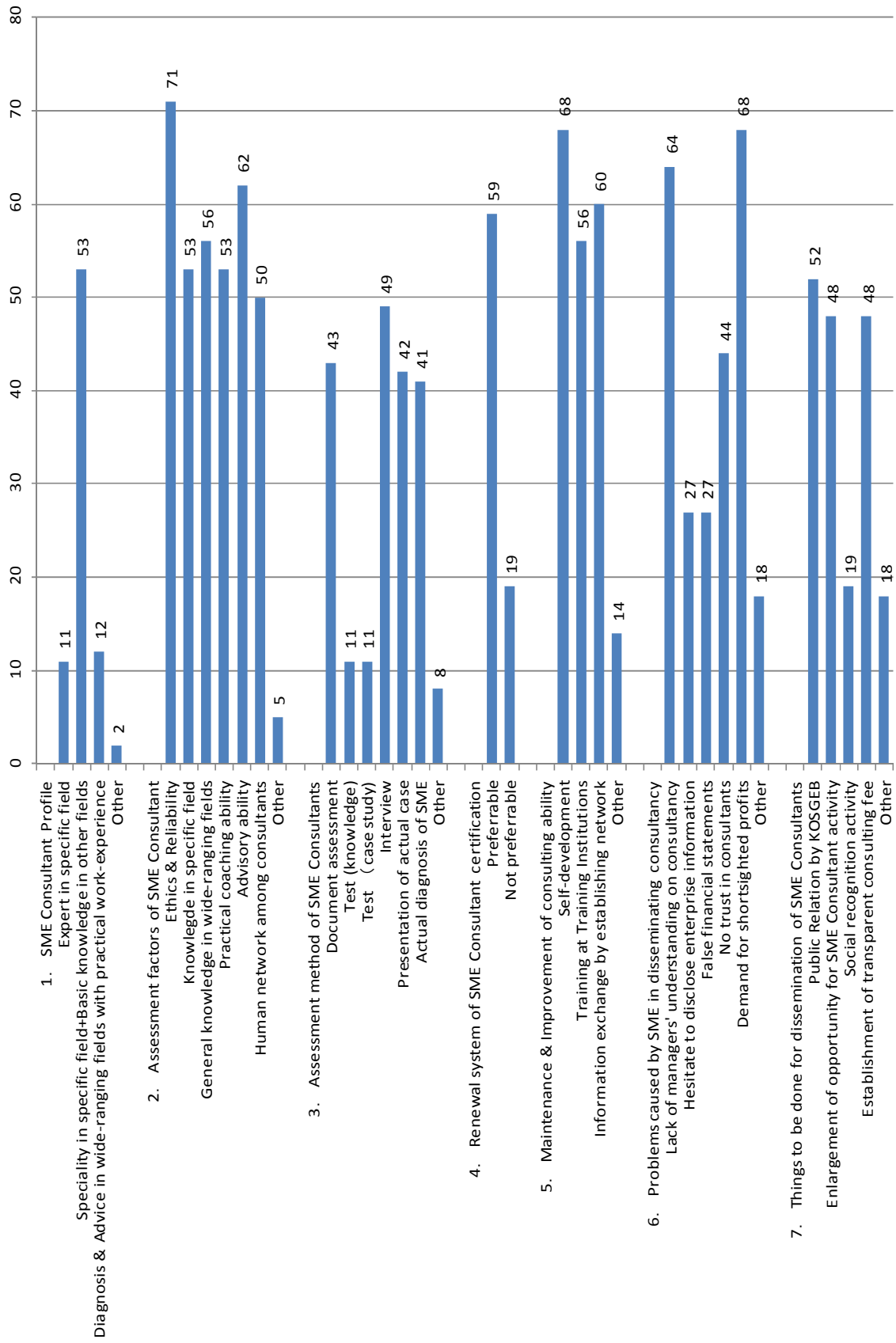
##### (2) Questionnaire questions

First question is about a desirable image of SME consultant in terms of profiles, followed by assessment factors and method, actions required to expand the market for SME consultants, and things needed to improve KOSGEB's consulting service.

### 5.3.2 Analysis of Responses

Responses to questions are analyzed as follows (Figure 5-6).

- (1) As for desirable profiles of SME consultants, 53 respondents (67.9% of the total) chose “the person having ability to give an overall and basic diagnosis and advice to SMEs based on both specialty in a specific field and basic knowledge in other fields.”
- (2) As for assessment factors, 71 respondents (91.0%) cited “ethics and reliability.” This suggests that, in building the quality assurance system for KOSGEB consultants, an assessment system to assure “ethics and reliability” of individual consultants will be needed in relation to the development of the SME consultant standard.
- (3) As for the assessment method, 49 consultants (62.8) preferred “interview,” whereas only 11 respondents (14.1%) cited the test (knowledge or case study).
- (4) 59 respondents (75.6%) think that the renewal system is needed.



Source: Questionnaire for Consultants by JICA Study Team

Figure 5-6 Respondents' Distribution to Questionnaire for Consultants (78 persons)

- (5) As an effective way to maintain and improve consultancy ability, 68 respondents (87.2%) cited “self-development” and 60 (76.9%) “information exchange by establishing a network.”
- (6) As for problems of SMEs that obstruct dissemination of consulting service, 68 respondents (87.2%) cited “demand for short-sighted profits” and 64 (82.1%) “lack of managers’ understanding on its management problems (with belief that there is no problem).”
- (7) As the way to expand the market for SME consultant, 52 respondents (66.7%) chose “public relation by government (KOSGEB) and 48 (61.5%) “enlargement of opportunity for SME consultant’s activity” and “establishment of a transparent and reasonable consulting fee.” Comments made by interviewed consultants include: “consulting quality and fee varies greatly among companies;” and “there is no standard for consulting fee in the country, and consultants can establish a fee system on their own. To win confidence of SMEs in consulting service, it is important to establish a transparent fee.
- (8) Finally, the questionnaire asked consultants as to what they wanted KOSGEB to improve its consulting service. Responses are related to the following areas: 1) the SME consultant certification system; 2) the SME consulting service process; and 3) matters relating to SMEs, which are summarized as follows.
  - 1) SME consultant certification system
    - Development of consultant-related standards
    - Development of assessment standards including work ethics
    - Implementation of consultant training activity
    - Establishment of consulting fee standard
  - 2) SME consulting service process
    - Distribution of a textbook defining the consulting process to consultants
    - Submission of consulting reports by consultants to KOSGEB for recording
    - Selection and use of successful cases from submitted consulting reports for promotion of consulting service to SMEs
    - KOSGEB’s service to introduce qualified consultants to SMEs in a fair manner
  - 3) SMEs
    - Advertisement and promotional activities to help SMEs to understand the value and importance of consulting service
    - Training of specialists within KOSGEB to conduct survey to identify the needs of SMEs

### 5.3.3 Overall analysis

#### (1) Issues facing SMEs and consulting service

From the consultant's perspectives, SMEs are facing diverse issues that straddle over a wide range of fields. For instance, consultants interviewed during the survey are specialized in broad areas of management, including business administration, production management, quality control, human resource management, marketing, IT, finance and accounting, and business law.

Also, some consultants are specialized in "organizational management" and "work safety." As pointed out by SME support organizations<sup>11</sup>, this reflects major characteristics of companies in Turkey, i.e., small size and family-dominated, autocratic management. A consultant specialized in organizational management has rendered service to 10 companies by applying knowledge on law relating to business succession and SWOT analysis. Organizational management means the establishment of a work system jointly driven by managers and workers, instead of relying on an owner/manager. As a result, the consultant is expected to possess and apply broad knowledge, including management strategy, human resource management, production management, and marketing.

Thus, in consideration of the characteristics of SMEs in the country (dominantly small-scale and family operation), consultants should be capable of pinpointing problems and giving practicable advice by applying broad management knowledge and experience, if they are to support sustainable growth of SMEs.

#### (2) Needs for consulting service

In the questionnaire survey of consultants, problems relating to SMEs that impede dissemination of consulting service have been identified as follows.

- Demand for shortsighted profits: 68 respondents (87.2%)
- Lack of managers' understanding on management problems: 64 (82.1%)
- Lack of trust in consultants: 44 (56.4%)

<sup>11</sup> For instance, according to Turkish Clothing Manufacturers Association (TGSD: Türkiye Giyim Sanayicileri Derneği), "industries in Turkey are dominated by small and family operated companies and organizational management is a major issue. It is often the case that, when the president is absence due to a business trip, the company cannot function properly, e.g., the manager who is supposed to take charge cannot make a pricing decision. Many companies are not operated as a self-propelled system. They should become a modern business organization. Similarly, the Istanbul Chamber of Commerce indicates: "A major problem facing SMEs is that they are predominantly family operated and lack professionalism. The president tries to do everything by himself, i.e., a ship's captain cannot be in the engine room. Without proper delegation of power and authority, there is no organizational management or systematic operation."

In this connection, the following comments were made by interviewed consultants: “It is important to make SMEs recognize management problems and usefulness of consulting service to solve them;” “Many SME managers do not have practical knowledge on production management and need focused education and training.”

It is important to make consulting service and its value known to microenterprises that represent large potential needs as the dominant part of the SME sector in the country.

At the same time, many consultants view the lack of work ethics on the consultant side as a major obstacle to increased use of consulting service by SMEs

Pricing of consulting fees is a major problem for SMEs: “The consulting fee varies greatly among consultants, somewhat discouraging SMEs from trusting consulting service as a fair business;” and “microenterprises cannot simply afford to receive consulting service.”

Judging from these opinions, it is important to establish the code of conduct for SME consultants and a transparent consulting fee standard, together with a subsidy standard relating to the consulting fee, targeting microenterprises<sup>12</sup>.

### (3) Desirable form of the consulting scheme

Figure 5-7 presents a conceptual image of the process flow relating to promotion and development of the consulting industry and market. Notably, a middle section marked by a rectangular frame (solid line) represents a desirable form of the consulting scheme as suggested by many consultants in the course of the interview survey.

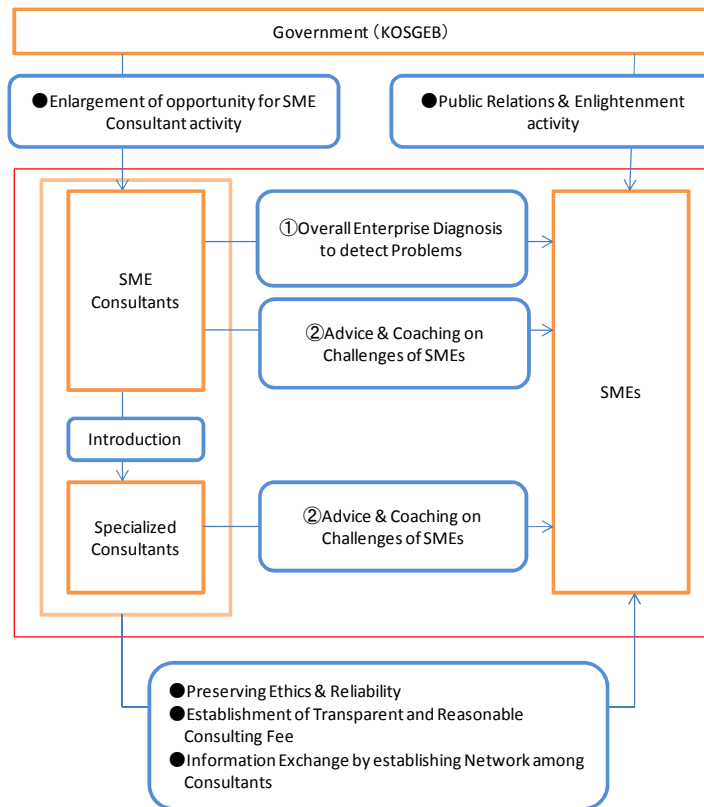
As discussed earlier, consultants registered with PRODER, which emphasizes “work ethics and specialty,” state as follows: “As it is often the case that corporate diagnosis reveals a problem in a different field than the one specified in the company’s application. In response, PRODER’s consultants usually perform corporate diagnosis on a client company and sign a consulting contract on a theme that addresses an issue identified as a result of diagnosis.”

On the other hand, a consultant registered with KOSGEB under the former system (specialized in business administration and finance) explained his experience as follows: “I performed corporate diagnosis on a company before signing a contract on KOSGEB’s consulting service and found that the major issue was related to production management. I notified this to the company and told that I was not qualified to perform consulting service. I performed corporate diagnosis prior to the consulting contract because I thought it was an appropriate idea. It was not part of KOSGEB’s procedures. I think KOSGEB needs to

<sup>12</sup> The percentage of public support for the consulting fee under KOSGEB’s Consulting Service Support Program is 50% for companies located in regions I and II, and 60% for those in regions III and IV.



perform preliminary diagnosis (screening) before starting consulting service.” Another KOSGEB consultant (specialized in quality control and work safety) stated as follows: “In implementing KOSGEB’s consulting service, corporate diagnosis should be carried out in advance in order to identify an issue clearly.”



Source: Prepared by JICA Study Team

**Figure 5-7 Desirable Consulting Scheme**

In the course of daily consulting activity, many consultants encounter an issue different from their specialty. In response, some consultants may choose to act against a desirable code of conduct. A consultant testified as follows: “There are consultants who pretend that they know everything and give inadequate or wrong advice on a field other than their own specialty.” A faculty member of Sabancı University in Istanbul, which offers a MBA program emphasizing practical education, suggests as follows: “To provide effective consulting service for SMEs, it is important to ensure good matching between the consultant and the client company. For this purpose, KOSGEB may have to perform preliminary diagnosis and then introduce a consultant suitable for the client.”

The above opinions suggest the need for general diagnosis/screening to identify an issue facing a client company so that consulting service meets the needs of SMEs.

## (4) A desirable image of SME consultant and the consultant certification system

From the questionnaire survey, general profiles of SME consultants are depicted as follows.

- Person having ability to give an overall and basic diagnosis and advice to SMEs based on both specialty in a specific field and basic knowledge in other fields: 53 respondents (67.9%)
- Person having ability to give diagnosis and advice in wide-ranging fields based on his/her practical work-experience, not having any field of specialty: 12 (15.4%)
- Expert having highly sophisticated knowledge and experience in a specific field: 11 (14.1%)
- Other: 2 (2.6%)

68% of respondents favor the ability to give diagnosis and advice in broad fields, while being specialized in a certain field, while 83% recognizes the need for broad knowledge.

The responses and comments seem to reflect the fact that consultants tend to be specialized in a field, where they have acquired expertise through experience, and they seem to realize their own limitation in terms of the ability to provide appropriate consulting service for SMEs. As a result, they conceive a generalist having basic knowledge and experience in diverse fields (as well as specialty) as a desirable image of SME consultant.

By using such broad knowledge and experience, SME consultants are expected to conduct service step by step, from preliminary diagnosis to problem identification, and guidance and advice. In the process, they may encounter an issue that requires expertise in a specific field outside their specialty. In this case, a qualified consultant should be found and hired by using a personal network of the SME consultant or a formal network to be established in future.

The interviewed consultants suggest that a formal certification system be introduced to ensure that SME consultants meet the qualification requirements, as shown in the desirable profiles. Furthermore, a high percentage of respondents (75.6%) feel that the certification system should include the renewal process because knowledge and skills required for consultants change over time. In addition, the renewal process<sup>13</sup> is essential in establishing and maintaining public confidence in the consultant system.

<sup>13</sup> The SME Management Consultant system in Japan requires renewal in every five years, under the conditions: 1) the applicant must receive training to learn new knowledge; and 2) the applicant has been engaged in professional work for a certain period of time in order to prove that he maintains sufficient professional capability.

## **Chapter 6**

# **Discussion on the Basis of Development of Final Proposals for Improvement of KOSGEB's Consulting Service Quality**

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## **Chapter 6 Discussion on the Basis of Development of Final Proposals for Improvement of KOSGEB's Consulting Service Quality**

### **6.1 SME Consulting Service in Turkey: On the basis of Fact-finding Surveys**

This section marshals findings of the fact-finding surveys discussed in Chapter 5 according to four themes, namely 1) SMEs' priority issues and their needs for SME consultants, 2) portrait of desirable SME consultants, 3) workflow of SME consultation, and 4) nature of consultant assessment and registration system.

#### **6.1.1 SMEs' priority issues and needs for SME consultants**

In the future, as did in the past, a large number of SMEs of all sizes feel like hiring consultants for the purpose of receiving support in specific fields such as marketing and sales expansion. It is noteworthy, however, that not a few SMEs, especially microenterprises, indicate a willingness to receive comprehensive consultations, that is consultations for improvement of business management as a whole.

Note that SMEs' needs for consulting service or market size of SME consulting should not be estimated from SMEs' responses alone. As discussed in 5.1, some of their problems remain unnoticed or untreated by SME owners. Government organizations engaged in SME promotion should play an active role in addressing them, and consultants with a fresh set of eyes should be able to help SMEs to find and solve them.

Small and micro-sized enterprises are more likely to have such latent problems as they tend to be ill-organized and get caught up in day-to-day operational problems. Although some specific fields were cited more often as prospective consultation fields of choice, not a few microenterprises are actually willing to receive comprehensive consultations in the future. Thus, there are sizable potential needs for comprehensive consultations among an enormous number of resource-poor small enterprises and microenterprises.

#### **6.1.2 Profiles of desirable SME consultants**

Regarding the quality and competence which SME consultants need to have, all the three stakeholders surveyed, namely 1) SMEs, which want advice on both short and long-term issues, 2) SME experts, who are in a position to listen to complaints about consultants and 3) consultants themselves share a common view: an ideal SME consultant possess high knowledge

and skills in his areas of expertise as well as knowledge and working experience regarding all basic aspects of management and business environments facing SMEs.

### **6.1.3 Workflow of SME consultation**

Many SME experts and consultants surveyed point out the importance of checkups aiming at identifying problems given at the initial stage of SME consultation. Checkups (examinations for identifying problems and priorities made from objective and broad perspectives) are indispensable for providing consulting service as SMEs often have wrong ideas of what should be their priorities and/or how to solve problems. Their requests should not always be received on faith.

### **6.1.4 The consultant qualification system (assessment and registration)**

As discussed in Chapter 4, KOSGEB has done away with its in-house consultant registration system and several other organizations register consultants according to their own standards. Consultants are usually registered as specialists in a variety of fields. Yet, there is no consultant serving SMEs and microenterprises only. The fact-finding surveys reveal that the absence of a consultant qualification system on a national level causes inconveniences and problems.

Among others, companies which receive consultations want a reliable consulting qualification system that assures competence of consultants. It is no wonder that companies need reliable predictors of consultants' competence.

A consultant surveyed proposes the establishment of a qualification system requiring extensive knowledge and experience, which is consistent with the idea of how SME consultant should be presented in 6.1.2.

The need for a qualification system that assesses and assures qualifications of consultants is widely recognized in Turkey.

## **6.2 SME Promotion and Consultants**

### **6.2.1 Role of SME consultants and market characteristics**

In comparison to large enterprises, many SMEs do not have sufficient information on technology and market conditions and, as a result, they are less likely to be enthusiastic about improving management or upgrading technological bases. Even if they are interested, they often

lack knowledge or management resources required to take such actions. Most SMEs, with exception to a handful of far-sighted companies, are left behind the global innovation trend and do not enjoy benefits from market globalization. While their financial bases are vulnerable, their access to financial services is limited. In order for SMEs to overcome difficulties and improve their performance in terms of labor productivity and value added, and thereby to contribute more to the country's economic growth, it is necessary to enhance their management capability.

In their doing so, SME consultants are expected to play a role in helping SMEs to make use of outside resources such as know-how, information, and funds. In other words, they can help SMEs to enhance management capacity or the ability to use new technology and knowledge for expanding businesses.

In comparison to the market for the other consultants, the market for SME consultants have the following characteristics.

- Demand for consultants as an instrument to make up for scarce management resources is potentially strong but remains latent. The government sector needs to vitalize the market of SME consulting, for example, by subsidizing SME consultations as a part of public SME support programs. From the perspective of SME consultants, consultations as a part of public support programs constitute a major source of job opportunities. Looking at the situation from a different angle, SME consultants are a driving force of SME promotion efforts at national level.
- There is stronger demand for freelance consultants than for consulting firms.

### **6.2.2 Rationale for a SME consultant qualification system and desirable profiles of SME consultants**

Based on the market characteristics discussed in 6.2.1, the rationale for the SME consultant qualification system and desirable profiles of SME consultants are identified as follows.

#### **(1) Rationale for the SME consultant qualification system**

In perfect competition, competent consultants win more contracts while less competent ones have to go out of the market.

However, the market of SME consultations, in which a large proportion of consulting work is a part of public support programs, should not be governed by the market principle alone. In the real world, while public funds as well as SMEs' financial resources have to be spent effectively, SMEs do not necessarily have ability to evaluate consultants and there is

always some space for incompetent and/or vicious consultants. Therefore, the government needs to maintain a system to evaluate their competence and experience and thereby to guarantee the quality of SME consultants.

The development and operation of a viable qualification system not only assures effective public spending but also enables the cultivation of potential demand for SME consultations, which will eventually lead to the achievement SME promotion, a national goal .

(2) Desirable profiles of SME consultants

As it is often the case in which SMEs do not recognize their problems and priorities correctly, fresh eyes enabling objective observation of how they are doing overall as well as accurate problem identification is needed, especially at the initial stage of consultations. Both Identifying and advising on problems require the ability to analyze SMEs with knowledge and experience relating to broad aspects of management.

SME consultants are expected to fulfill the following two functions.

- (a) Advisers acting as close partners for SME owners who support their growth.
- (b) Coordinators who look for and find qualified experts and organizations to work with if need arises for the purpose of providing holistic and consistent support to deal with various management issues.

SME consultants as advisors have to possess all-around capability, including the ability to analyze how SMEs are doing from a holistic view as well as to cope with diverse problems in a flexible manner. In other words, they should be generalists on SME management.

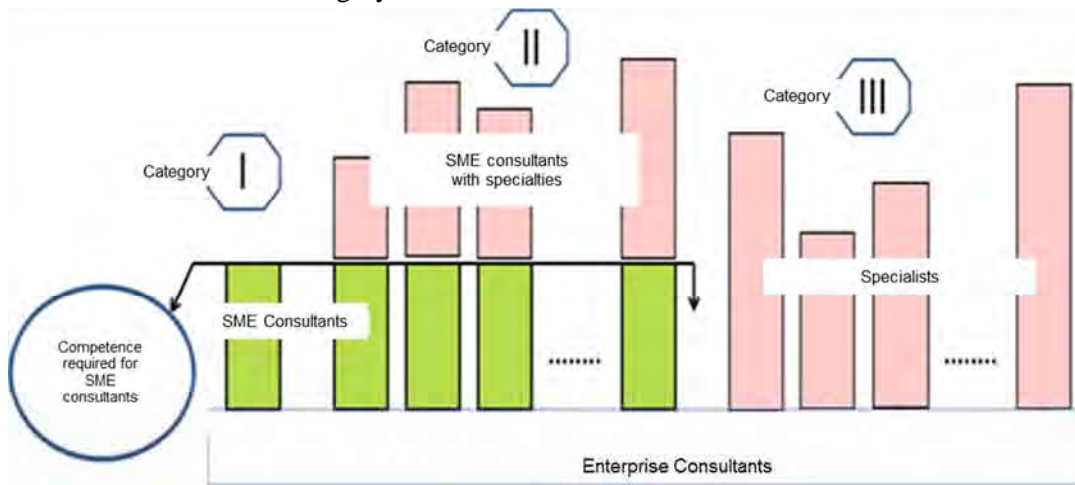
## **6.3 Basis for Discussions and Trials for Developing Final Proposals Aiming at Improving KOSGEB's Consulting Service**

### **6.3.1 SME consultant as a specialist in SME management**

SMEs share common difficulties and constraints different from large enterprises. As a draft for further discussions, the JICA Study Team proposes to introduce a new concept of SME consultants that a SME consultant is a specialist in SMEs (in other words, a specialist with conversance with all basic aspects of SME operation and management) as opposed to a specialist in specific fields of management.

Figure 6-1 classifies consultants into three categories. As discussed earlier, most of enterprise consultants in Turkey are experts in certain fields, and they are grouped into Category III. Category-I consultants shows the image of newly defined SME consultants. Category-II consultants represent those who have, together with expertise in specific fields, knowledge and skills relating to all basic fields of SME management, thus meeting requirements for SME consultants.

SMEs, SME experts, and consultants surveyed in the fact-finding surveys regard consultants who fall in Category II as ideal SME consultants.



Source: Prepared by JICA Study Team

**Figure 6-1 Three Categories of Enterprise Consultants**

### 6.3.2 SME Consultant Qualification System

The JICA Study Team has prepared a draft proposal on a SME consultant qualification system based on the assumption that KOSGEB will establish one which is consistent with the new concept of SME consultants discussed in 6.3.1. Note that the qualification system here covers individuals, not consulting firms.

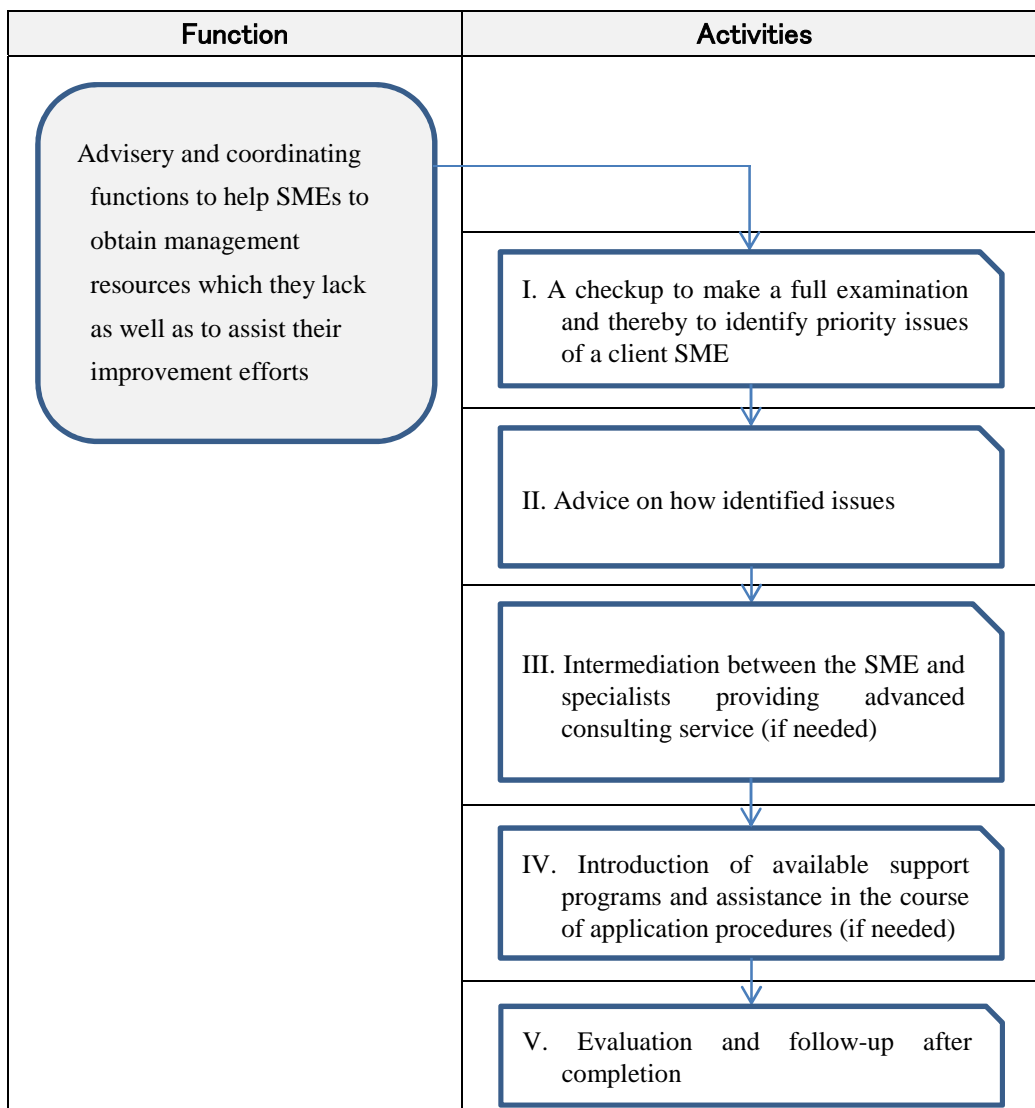
As the public organization supporting SMEs, KOSGEB is responsible for securing a number of consultants with assured competence sufficient enough to meet large potential demand for SME consultations. Making a SME consultant certification a requirement for working as a consultant in KOSGEB's support programs provides a significant incentive for not only active consultants but would-be consultants as well, and thereby encourages the growth of consultant pool. Therefore, the JICA Study Team makes it the basis of proposals to make the new system an integral element of KOSGEB's support programs.



### 6.3.3 Flow of SME consulting

The third element that forms the draft proposal is to start SME consultations with checkups by SME consultants which aim at making full examinations to identify problems.

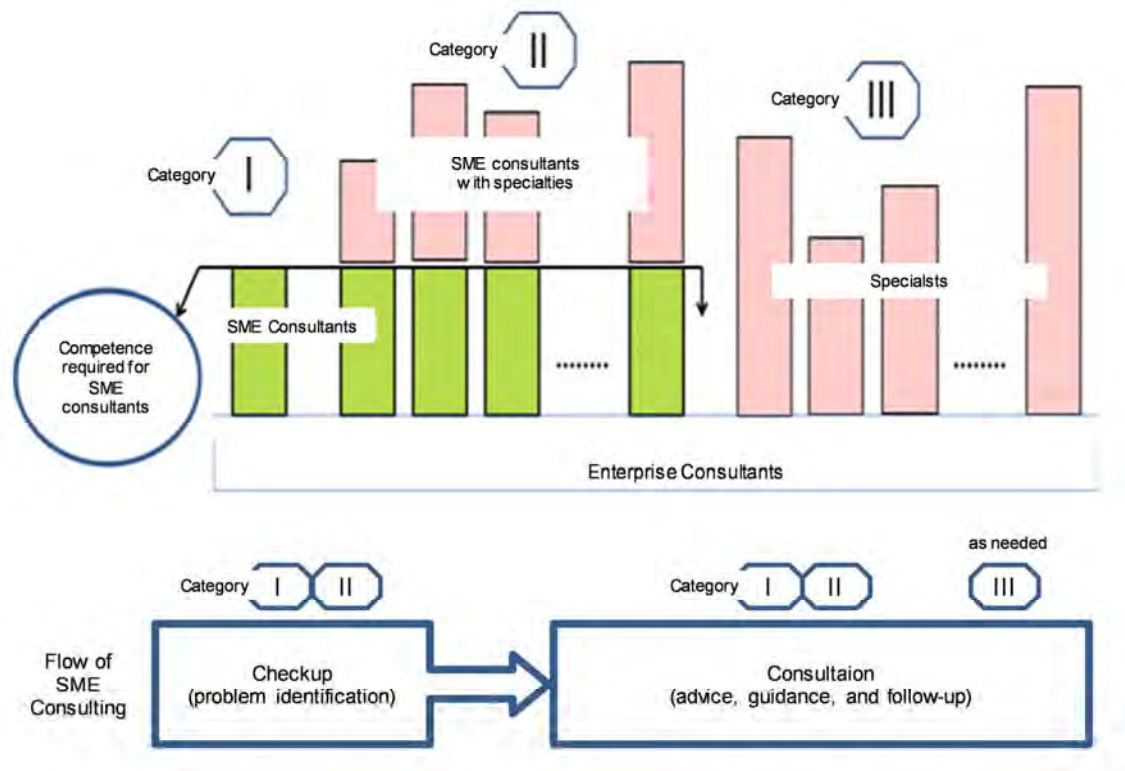
Figure 6-2 summarizes a SME consulting process which the JICA Study Team proposes as the basis for discussions and trials in pilot projects. It is composed of five steps or activities.



Source: Prepared by JICA Study Team

**Figure 6-2 Five Steps of SME Consulting**

According to the three categories of enterprise consultants shown in Figure 6-1, Figure 6-5 summarizes the relationship between each category of consultants and the flow of the SME consulting process listed in Figure 6-3



Source: Prepared by JICA Study Team

**Figure 6-3 Management Consultant for SME Consulting**

### 6.3.4 SME consultant standard and the assessment process

The JICA Study Team believes that the following three categories should be established for assessment of competence in developing a competence standard for SME consultants: 1) ability; 2) knowledge; and 3) attitudes and behavior; applicants who are up to par are certified as SME consultants.

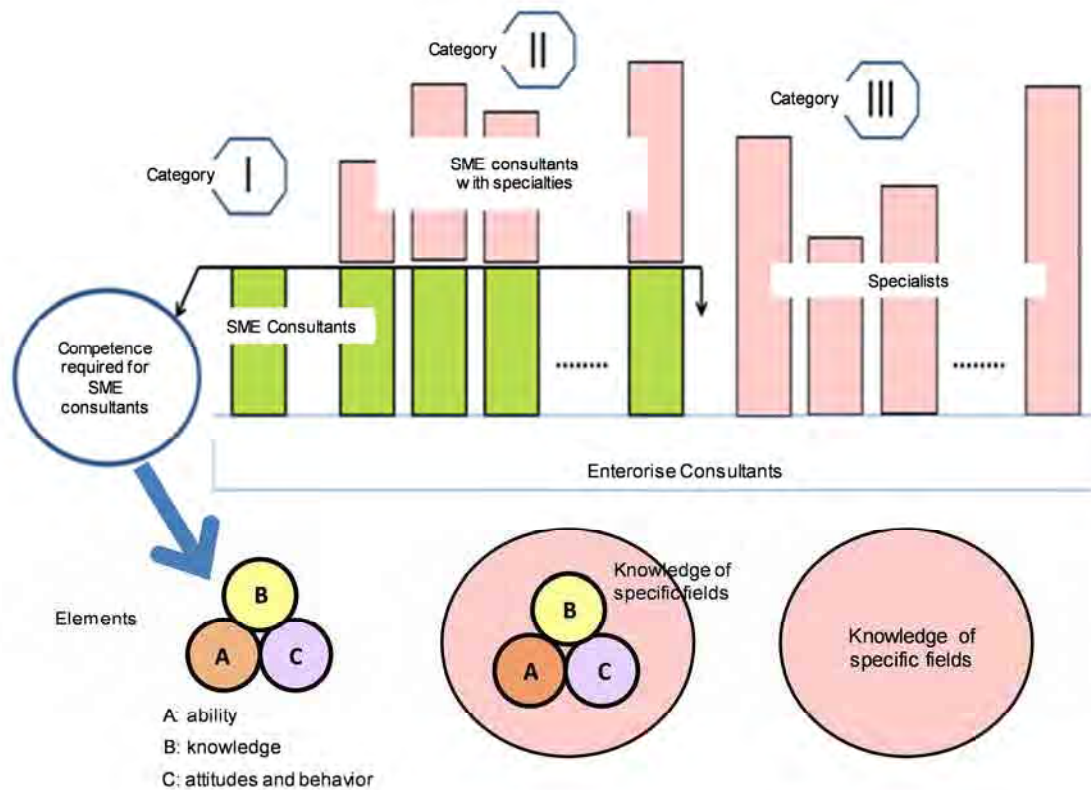
Ability here refers to competence required for implementing each step of the SME consulting. Its core is the art of project management, i.e., the ability to execute tasks and activities from the start to the end for the interest of client companies.

Knowledge means the familiarity to or conversance with basics of all management fields and the ability to apply it into practice.

SME consulting needs close collaboration among consultants, SME owners, their employees, staff in SME support institutions, and specialists. Therefore, quality requirements for SME consultants in terms of attitudes and behavior should be the personality to maintain

good relationship with related parties and win their confidence, communication skills, persuasiveness, and presentation skills.

Figure 6-4 shows the relationship between the profiles of enterprise consultants in three categories and competence requirements for SME consultants.



Source: Prepared by JICA Study Team

**Figure 6-4 Relation between the Profiles of Management Consultants by Category and Competence Requirements**

The means of assessment should be composed of: 1) documentary examination; 2) written examination; and 3) practical test. Ability is evaluated through the practical skill test. Knowledge is evaluated on the basis of written examination. Attitudes and behavior are primarily evaluated through the practical skill test. Educational background and past track records of consultations (experience and results) which are measured in the documentary examination serve as reference for all the three elements.

Table 6-1 lists the competence and quality requirements for each step of the SME consulting, together with respective assessment methods.

**Table 6-1 Competence and Quality Requirements for SME Consultants and Assessment Methods**

Activity I: A checkup to make a full examination and thereby to identify priority issues of a client SME

Ability	Knowledge	Attitudes/behavior	Assessment method		
			Document	Written	Practical
Project management			<input type="radio"/>		<input type="radio"/>
Information collection			<input type="radio"/>		<input type="radio"/>
Problem analysis and agenda setting			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Knowledge on basic areas in SME management and ability to use it in practice		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		Hands-on approach; stress on actuals			<input type="radio"/>
		Personality to win the client's confidence, communication skills, persuasiveness, and presentation skills	<input type="radio"/>		<input type="radio"/>
		Work ethics	<input type="radio"/>		<input type="radio"/>

Activity II: Advice on how identified issues

Ability	Knowledge	Attitude/behavior	Assessment method		
			Document	Written	Practical
Project management			<input type="radio"/>		<input type="radio"/>
Consulting skills and leadership to support improvement efforts until achieving results			<input type="radio"/>		<input type="radio"/>
	Knowledge on basic areas in SME management and ability to use it in practice		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		Personality to win the client's confidence, communication skills, persuasiveness, and presentation skills	<input type="radio"/>		<input type="radio"/>
		Work ethics	<input type="radio"/>		<input type="radio"/>

Activity III: Intermediation between the SME and specialists providing advanced consulting service (if needed)

Ability	Knowledge	Attitude/behavior	Assessment method		
			Document	Written	Practical
Ability to bridge the client and specialists from the viewpoint of the client			<input type="radio"/>		
Synergetic collaboration with specialists			<input type="radio"/>		<input type="radio"/>
	Basic knowledge of specific fields		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		Personality to win the client's confidence, communication skills, persuasiveness, and presentation skills	<input type="radio"/>		<input type="radio"/>
		Work ethics	<input type="radio"/>		<input type="radio"/>

Activity IV: Introduction of available support programs and assistance in the course of application procedures (if needed)

Ability	Knowledge	Attitude/behavior	Assessment method		
			Document	Written	Practical
Synergetic collaboration with related organizations and support programs			<input type="radio"/>		
Ability to assist application procedures			<input type="radio"/>		
	knowledge of SME support policies and support programs (public and private sectors)		<input type="radio"/>	<input type="radio"/>	
	Knowledge of how to apply for support programs		<input type="radio"/>	<input type="radio"/>	
		Personality to win the client's confidence, communication skills, persuasiveness, and presentation skills	<input type="radio"/>		<input type="radio"/>
		Work ethics	<input type="radio"/>		<input type="radio"/>

Activity V: Evaluation and follow-up after completion

Ability	Knowledge	Attitude/behavior	Assessment method		
			Document	Written	Practical
Project management			<input type="radio"/>		<input type="radio"/>
Consulting skills and leadership to support improvement efforts until achieving results			<input type="radio"/>		<input type="radio"/>
Assessment			<input type="radio"/>		<input type="radio"/>
Strategic planning					<input type="radio"/>
	Knowledge on basic areas in SME management and ability to use it in practice		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		Personality to win the client's confidence, communication skills, persuasiveness, and presentation skills	<input type="radio"/>		<input type="radio"/>
		Work ethics	<input type="radio"/>		<input type="radio"/>

Source: Prepared by JICA Study Team



**Chapter 7**  
**Pilot Project**

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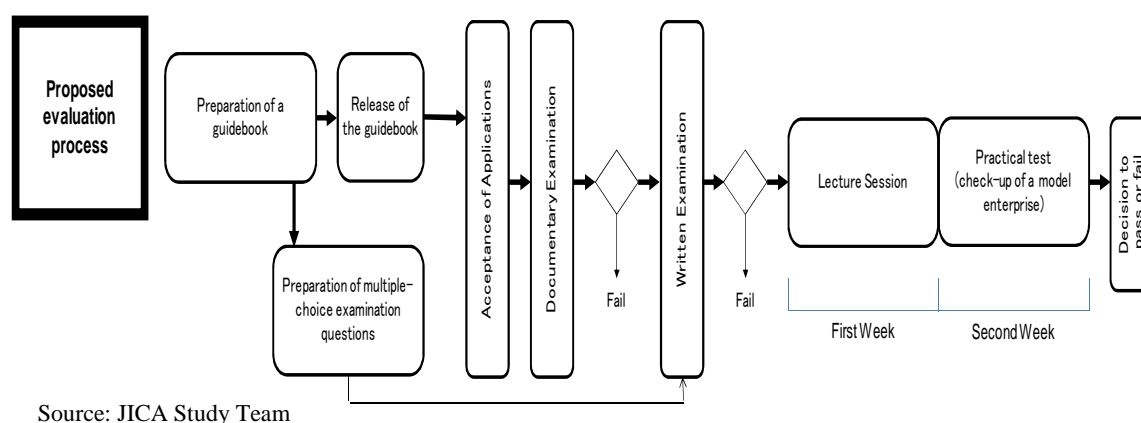
## Chapter 7 Pilot Project

### 7.1 Objective of the Pilot Projects

The objective of the pilot projects is to learn lessons and reflect them on final recommendations; they tested the process evaluating one's competence as a SME consultant according to the ability which the JICA Study Team believes is required for SME consultants and assessment methods which are shown in Table 6-1.

### 7.2 Provisionally Proposed Evaluation Process

Figure 7-1 shows the procedures necessary to evaluate ability of would-be certified SME consultants which the JICA Study Team considers to be appropriate for a new certification system. The following section discusses its essence of the provisional proposal.



**Figure 7-1 Evaluation Process of Would-be SME Consultants Proposed for a New Certification System**

#### 7.2.1 Purpose of Each Evaluation Step

Table 7-1 shows steps of evaluation and a purpose at each step.

**Table 7-1 Steps of Evaluation and Purposes**

Step	Purpose	Overview
Documentary Examination*	To evaluate applicants' ability, knowledge, and attitudes and behavior	<ul style="list-style-type: none"> <li>To grade educational background and career experience (especially that as consultants and/or instructors) according to a predetermined scoring criteria</li> <li>To be fair, to use an application form and to require documentation</li> </ul>

Step	Purpose	Overview
Written Examination*	To evaluate applicants' level of theoretical knowledge	<ul style="list-style-type: none"> <li>● To set multiple-choice questions in five major areas in business management</li> </ul>
Practical Test	To evaluate applicants' competence in terms of their ability to apply knowledge to practice, communication skills, and attitudes and behavior, etc.	<ul style="list-style-type: none"> <li>● To see how well they check up a model enterprise and grade them according to a predetermined scoring criteria; a group of applicants visits a model enterprise to identify its weaknesses, discusses what actions it should take, and give a presentation about their analysis.</li> </ul>

\* Only successful applicants go to the next step.

Source: JICA Study Team

At first, the JICA Study Team had proposed separating the certification of SME consultants working for enterprises in manufacturing and that of SME consultants for enterprises in trade and services as knowledge required for consultants were different between the two categories. After discussions with KOSGEB, however, the JICA Study Team withdrew the proposal.

## 7.2.2 For Ensuring Sustainability

To make a new qualification system sustainable, it is necessary not only to tailor it for Turkish contexts but also to ensure fairness and viability. Screening procedures which are too much burden on both an organizer (a testing/evaluation agency) and applicants is undesirable.

## 7.2.3 Documentary Examination

Documentary examinations aim to evaluate applicants' ability, knowledge and attitudes and behavior based on their past track records. To set documentary examinations, it is necessary to predetermine scoring criteria such as evaluation items (including requisite background), point allocation, and a cutoff point.

## 7.2.4 Study Guide

The concept of generalist-type SME consultants, which is what SME consultants should be like the JICA Study Team proposes, is new to Turkey.

A way to help them to acquire new knowledge is to hold lecture sessions for them. However, it is difficult for a majority of applicants to attend a long-term lecture session.

The JICA Study Team proposes the alternative, distribution of a study guide, on the premise that self-study suffices for acquiring knowledge. Applicants need something which shows the scope and depth of knowledge they need to acquire. A guide book can serve as such.

Note that the guide book is NOT a textbook with in-depth explanations and examples. Together with some tips, it just lists concepts, theories, topics, and etc. in major areas of business management which are essential for doing standard consultation activities. The study guide alone does not suffice for gaining new knowledge. The JICA Study Team assumes that a testing/evaluation agency will set up a committee preparing such a study guide and revising it on a regular basis.

### **7.2.5 Written Examination**

Written examinations aim to see if applicants have a broad range of knowledge necessary for SME consultants. Questions should be changed every year. To be fair, it is desirable to conduct in-class examinations.

To pass, applicants have to obtain not only an average score higher than a cutoff average score but also scores higher than a common minimum-required score in ALL areas in the examinations. The JICA Study Team proposes setting the latter condition, for SME consultants need to be generalist-type.

### **7.2.6 Lecture Session**

Lecture sessions aim to provide applicants with an opportunity to:

- Learn and/or review essentials which are yet unsuitable as exam subjects, such as knowledge on laws and regulations, SME promotion policy and SME support measures, information technology, consulting skills, and business ethics
- Overview and/or review core areas in which written examinations are set, and thereby recognize what to learn more to lessen the gaps between their area(s) of expertise and the others in terms of the width and depth of knowledge
- Build up networks with other consultants with various expertise

### **7.2.7 Practical Test (Check-up of a Model Enterprise)**

In practical tests, the final step of the evaluation process, applicants visit model enterprises for check-ups.

Instructors-cum-evaluators accompany and guide them while evaluating their ability as SME consultants including how much knowledge they have, how well they apply it to practice, how well they observe and analyze their model enterprise, and how well they articulate their ideas to communicate with and influence managers.

After presentations, instructors-cum-evaluators discuss pass-fail grading of each applicant based on predetermined criteria.

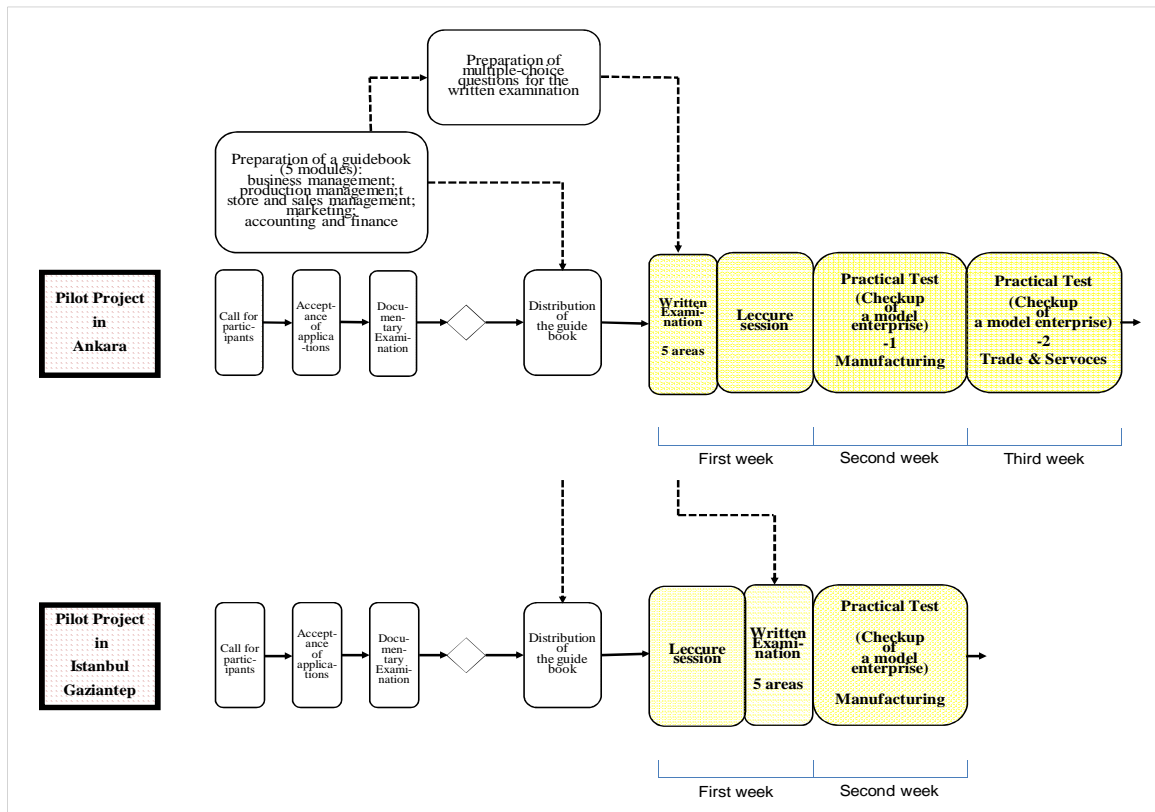
### 7.3 Plan of the Pilot Projects

The JICA Study Team picked three cities, namely Ankara, Istanbul, and Gaziantep, as pilot project sites according to the request from KOSGEB. Table 7-2 shows the schedule. Figure 7-2 shows the processes tried in the three cities.

**Table 7-2 Schedule of the Pilot Projects**

Project Sites	From	To
Ankara	Oct 17, 2011	Nov 4, 2011
Istanbul	Nov 21, 2011	Dec 3, 2011
Gaziantep	Dec 12, 2011	Dec 24, 2011

Source: JICA Study Team



Source: JICA Study Team

**Figure 7-2 Plans of Pilot Projects**

## 7.4 Changes from the Proposed Evaluation Process

Ideally, the pilot projects should have tried the evaluation procedures shown in Figure 7-1. Due to practical constraints, however, some changes were necessary.

### 7.4.1 Non Implementation of Pass-fail Assessment at Each Step

In the pilot projects, no participants were excluded in the middle, that is, all of them went through a whole process irrespective of their scores in documentary and/or written examinations.

### 7.4.2 Number of Model Enterprises to be Analyzed by a Group of Applicants

Taking into account time and monetary costs necessary to organize a practical test, the JICA Study Team proposes that a group of applicants check-up a model enterprise in an evaluation process (see Figure 7-1).

However, the JICA Study Team designed a practical test session of two-week long for the pilot project in Ankara so that a group of applicants would check up two model enterprises, one in manufacturing and the other in services.

## **7.5 Role Allocation with KOSGEB and Turkish Experts**

The JICA Study Team asked not only KOSGEB but Turkish experts for cooperation in the pilot projects.

## **7.6 Preparation**

### **7.6.1 Call for Participants**

It was not easy to secure a sufficient number of participants for the pilot projects composed of daylong programs for two to three weeks. Eventually, however, 18 to 20 participants (including SME experts) at each site, numbers suitable for splitting them up into two groups in a practical test, were finally secured. As already described, KOSGEB and the JICA Study Team decided to keep them to the end of the evaluation procedures irrespective of their scores in documentary and written examinations.

### **7.6.2 Preparation of an Application Form and Evaluation Criteria of the Documentary Examination**

Table 7-3 shows the evaluation criteria of the documentary examination, which were determined after discussions with KOSGEB. A bachelor's degree and experience as a consultant are set as the requisites for passing it. Certifications and exam scores of foreign languages to be considered are listed. The cutoff point is set as 60.

**Table 7-3 Evaluation Criteria of the Documentary Examination**

Item	Criteria	Point
<b>Educational Background</b>		<b>20</b>
(*) Bachelor's degree	14 points if holding one or more degrees (degree certificates required)	14
Master's degree	17 points if holding one or more degrees (degree certificates required)	17
Doctoral degree	20 points if holding one or more degrees (degree certificates required)	20
<b>Job Experience at Enterprises</b>		<b>16</b>
Years of Experience (*1)	1 point/year, up to 8 points (documentation required)	8
Years in Management Positions	2 points/year, up to 8 points (documentation required)	8
<b>Consulting Experience</b>		<b>38</b>
(*) Years of Experience	3 points/case, up to 21 points (documentation required)	21
List of Success Cases	6 points if a case is presented 12 points if two cases are presented 17 points if three or more cases are presented (client reference required)	17
<b>Certification</b>		<b>8</b>
Certification and Professional Licenses (*2)	3 points if holding a certificate/license 6 points if holding two certificates/licenses 8 points if holding three or more certificates/licenses (documentation required)	8
<b>Training</b>		<b>8</b>
Relevant Training Received	1 point /50 hours of training, up to 4 points (certificate[s] required) (*3)	4
Experience as a Lecturer	4 points if ever lectured	4
<b>Foreign Language Proficiency</b>		<b>4</b>
Test Scores (*4)	4 points if getting required scores in KPDS, TOEIC, TOEFL, or IELTS	4
<b>Statement on Motivation and Self-assessment</b>		<b>6</b>
What brought the applicant to SME consultation (motivation)	3 points if solid and sound reasoning based on applicant's experience is presented	3
5-scale self-assessment in business ethics, trustworthiness, planning ability, initiative, and kindness	3 points if self-assessment of the five elements are reported	3
<b>Total</b>		<b>100</b>

(\*) Reject if 0 point, irrespective their total points

\*1: Years including years in managerial positions

\*2: Points are given for holders of the following certifications/licenses which are well recognized in the SME consultancy field.

- Certification as an auditor of ISO9001, ISO14001, ISO18001 or ISO22002
- Certification as a CMC (Certified Management Consultant)
- Registration as an ABIGEM consultant
- Registration as a VGM consultant

\*3: Counted as a 10-hour training if an evidence of training does not show its length.

\*4: 4 points if getting the scores below

KPDS 70 or over; TOEIC (990+SW); 775 or over; TOEIC (990) 600 or over;

TOEFL (IBT) 65 or over; TOEFL (CBT) 155; TOEFL (PBT) 470; IELTS 6 or over

Score equivalence based on YÜKSEKÖĞRETİM KURUMU (YÖK)

Source: JICA Study Team

### 7.6.3 Preparation of a Study Guide

The JICA Study Team prepared a draft study guide covering five major areas in management, drawing on the examinations in the past and other related documents of the SME consultant registration system in Japan. The five areas are business management, production management, store and sales management, marketing, and accounting and finance, each of which composes a module in the study guide. Guiding principles for preparation are as follows:

- The guide book is neither an academic book on management nor a business textbook written in a comprehensive and systematic manner.
- The guide book covers minimum-required knowledge in the five areas SME consultants need to apply in practice.
- The guidebook includes advice on what to study as necessary

As already described, Turkish experts revised it to make it in line with Turkish contexts. After repeated exchanges of ideas and revisions, the JICA Study Team finalized it.

### 7.6.4 Preparation of Examination Questions

Using past examinations in the Japanese SME consultant registration system as a guide, the JICA Study Team had also prepared a pool of multiple-choice questions for written examinations, which were reviewed and revised by KOSGEB and the Turkish experts.

### 7.6.5 Lecture Session

Table 7-4 shows subjects and instructors in the lecture sessions.

**Table 7-4 List of Subjects and Instructors of Lecture Sessions**

Subject	Instructor
Business management	A Turkish expert and a JICA expert
Production management	A Turkish expert and a JICA expert
Store and Sales management	A Turkish expert and a JICA expert
Marketing	A Turkish expert and a JICA expert
Accounting and finance	A Turkish expert and a JICA expert
Information technology	A Turkish expert
Laws and regulations related to SMEs	A Turkish expert
SME promotion policy and measures	KOSGEB
Business ethics	KOSGEB and a JICA expert
Consulting skills	A Turkish expert

Source: JICA Study Team



For each of the five areas covered in the study guide, a team of a Turkish expert and a JICA expert served as instructors; Turkish experts gave an outline of concepts and theories in the study guide while Japanese experts supplemented it by showing case examples, adding in-depth explanations about specific topics or giving exercise questions.

### **7.6.6 Schedule**

Regarding the schedule, note that:

- To see the extent to which lectures help participants to acquire necessary knowledge, (i.e., the effect of lectures to exam scores), a written examination was set before lectures in Ankara while it was set after lectures in Istanbul and Gaziantep.
- More hours were devoted to two areas, production management and accounting and finance as the former were broader in scope than the others, and the latter were expected to be new to most participants.
- In Ankara, the length of time spent for the check-ups of model enterprises in trade and services were shorter than that spent for the check-ups of model enterprises in manufacturing as Saturdays during the pilot project fell on national holidays and were unavailable.

### **7.6.7 Selection of Model Enterprises**

KOSGEB looked for model enterprises according to the following criteria the JICA Study Team had set.

- (1) Criteria in picking model enterprises in manufacturing
  - The president highly-motivated and willing to have his enterprise checked up
  - Able to take in 12 to 15 visitors (participants plus instructors-cum-evaluators) for two-day check-up
  - Willing to show/disclose financial, production and sales information (acceptable even if some documents are unavailable or defective)
  - 50 to 100 employees
  - Have been in business for three years or more
- (2) Criteria in picking model enterprises in trade services
  - The president highly-motivated and willing to have his enterprise checked-up
  - Able to take in 12 to 15 visitors (participants plus instructors-cum-evaluators) for two-day check-up

- Willing to show/disclose financial, production and sales information (acceptable even if some documents are unavailable or defective)
- 20 to 50 employees
- Have been in business for three years or more
- Producing, processing, and/or packaging in parallel with retailing (ex. A bakery selling at retail)

### **7.6.8 Preparation of a Practical Test Manual**

In a practical test, a group of participants interviews the president and managers of model enterprises, observes work sites and employees, and thereby gets to the strengths and weaknesses and considers what actions for improvement to propose. Then, they prepare reports and make presentations in front of the president or other representatives from the enterprise. While guiding them, instructors-cum-evaluators observe their efforts (their interviews and discussions) and products (their report and presentation) to evaluate their ability as a SME consultant one by one. Although it is a test, it also serves as the practice of checkups for participants.

Given that this kind of test is new to Turkey, the JICA Study Team prepared a manual intended for instructors-cum-evaluators.

The JICA Study Team proposes fixing methods of analysis used in checkups of the practical tests. It is true that there is no universal way of business consulting; every consultant in the world does it in a way which he thinks is best. If they check-up model enterprises in any way they want in a screening process, however, it is difficult to guide and evaluate applicants in a fair manner, especially in a limited period of time. The pilot projects made applicants use two kinds of measures for analysis widely used in Japan to visualize how well model enterprises are doing businesses: radar chart analysis and SWOT analysis.

Table 7-5 shows the evaluation criteria which the JICA Study Team set for the pilot projects. Applicants are graded in five levels in listed elements, some of which account for higher shares. Given that the weighted average score is 3.1 if an applicant gets 5 in business ethics and 3 in the other elements, the JICA Study Team set 3.1 as the pass mark.

Table 7-5 Evaluation Criteria

		Practical Test SME Consultant Competence Assessment (draft)					Evaluation Method O:Direct Δ:Indirect	Evaluation	Weight	Point
Category	Evaluation Item	High 5	4	3	2	Low 1				
Ability	Project Management	Can develop work plans and move them forward keeping attentive to priorities and constraints in time and budget; Can achieve consultation objectives as scheduled and follow up clients in a responsible way.	Can develop work plans and move them forward keeping attentive to priorities and budget constraints; Can achieve consultation objectives as scheduled.	Can plan and adjust well; Can achieve consultation objectives as scheduled.	Can plan but cannot adjust plans to situations; Cannot achieve consultation objectives as scheduled.	Cannot develop deliberate work plans; Cannot follow plans.	O	0.1		
	Information Collection	Can collect information efficiently with hypotheses as to problems and solutions in mind.	Can collect information for find problems and set agendas efficiently.	Can collect information necessary for problem finding and agenda setting.	Collect information for problem finding and agenda setting but in an inefficient (intermittent) manner.	Cannot figure out what information to collect for problem finding and agenda setting; Cannot collect necessary information.	O	0.1		
	Problem Analysis and Agenda Setting	Can organize collected information and figure out what's going on by applying multiple ideas and methodologies depending on clients' needs; Can set logical, realistic, and tailored agendas for solutions as well as setting the order of priority.	Can organize collected information, figure out what's going on and thereby to set agendas for solutions by applying multiple ideas and methodologies depending on clients' needs.	Can organize collected information and figure out what's going on; Can set reasonable agendas for solution.	Can organize collected information and figure out what's going on, but cannot set logical and convincing agendas for solution.	Cannot organize or analyze collected information; Cannot set agendas for solutions.	O	0.15		
	Leadership to support improvement efforts until achieving results	Have excellent coaching skills (can advise and encourage clients using all available techniques until their getting results); Can make clients self-motivated.	Have good coaching skills (can keep encouraging clients until their getting results).	Have fair coaching skills (can keep advising clients until their getting results).	Have some but insufficient coaching skills (try to support and encourage clients but cannot keep doing so until their get results).	Lack coaching skills (cannot convince clients to take actions for improvement).	Δ	0.05		
	Cooperation with Experts in Specific Fields	Can facilitate communication with other experts with same and/or different expertise; Can achieve consulting objectives as scheduled.	Can work with other experts of same and/or different expertise; Can achieve consulting objectives as scheduled.	Can work with other consultants of same and/or different expertise.	Cannot work with other consultant smoothly.	Have never worked with other consultants of same and/or different experts.	O	0.05		
Knowledge	Strategic Planning	Can propose reasonable medium to long term strategic directions considering constraints in managerial resources and internal and/or external changes in environments; Can help clients to develop new strategic plans.	Can propose reasonable medium to long term strategic directions, considering constraints in managerial resources and internal and/or external changes in environments.	Can propose reasonable medium to long term strategic directions.	Can propose unrealistic or unconvincing medium to long term strategic directions only.	Can propose makeshift measures only.	Δ	0.05		
	Strategic collaboration with specialists	Be aware of the interconnectedness among different consulting fields; Have sufficient cross-cutting knowledge necessary for SME consulting.	Be aware of the interconnectedness among different consulting fields; Have basic cross-cutting knowledge.	Be aware of the interconnectedness among different consulting areas and the need of cross-cutting knowledge.	Be aware of the interconnectedness among different consulting fields and the need of cross-cutting knowledge, but not enough.	Have knowledge in a limited area only; Not be aware of the interconnectedness among different consulting areas or the need of cross-cutting knowledge.	O	0.05		
	Hands-on Approach; Stress on Actuals	Attach weight to actuals (observe what is going on by oneself); Can figure out what is going on and what are problems and elicit proposals from facts; Never be caught up in theories, generalities, and/or biases	Attach weight to actuals (observe what is going on by oneself); Can figure out what is going on and what are problems and elicit proposals from facts	Attach weight to actuals (observe what is going on by oneself for proposing actions)	Try to figure out actuals; but Cannot elicit proposals from observations	Be caught up in theories, generalities, and/or biases (lack thorough observation); Tend to lack multilateral point of view in proposals.	O	0.2		
	Personality to win the client's confidence, Persuasiveness, Communication skills, and Presentation skills	Can win the trust of clients and other relevant people with sincere efforts and excellent communication skills; Be confident, logical and persuasive enough to make clients listen to and take actions while eliciting clients' views and true needs at the same time.	Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be confident, logical and persuasive enough to make clients listen to and take actions.	Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be logical and persuasive enough to make clients listen.	Have yet to win the trust of clients though serving for them diligently; Cannot articulate ideas logically enough to persuade clients.	Not understand that he needs to serve clients more diligently and sincerely and thereby win the trust of clients and other relevant people; Needs to improve communication and presentation skills.	O	0.2		
	Business Ethics	Comply to professional ethics, let alone observance of contracts	Comply to professional ethics, let alone observance of contracts	Comply to professional ethics, let alone observance of contracts	Comply to professional ethics, let alone observance of contracts	Be unprofessional (Not comply to professional ethics, which SME consultants must follow)	O	0.05	Weighted average score	

Source: JICA Study Team

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### **7.6.9 Preliminary Visits to Model Enterprises and a Meeting with instructors-cum-evaluators on the Practical Tests**

In advance of the practical tests, the JICA Study Team and the Turkish experts serving as instructors-cum-evaluators visited model enterprises to conduct preliminary surveys and ask them to disclose necessary documents for practical tests.

#### **7.6.10 Practical Tests**

The first day started with an orientation. Then, participants split up into two groups to make a preliminary analysis of their model enterprise based on provided documents as well as information in the basic survey form filled by instructors-cum-evaluators in charge. Activities of the first day also included allotting roles and checking a list of questions whose results were used to figure out weak areas of the model enterprise by radar chart analysis.

They visited a model enterprise twice and discussed findings to prepare a checkup report. On the final day, they made a presentation for the model enterprise.

#### **7.6.11 Questionnaire surveys**

To find what to make changes, the JICA Study Team conducted questionnaire surveys of participants and model enterprises respectively.

## **7.7 Result of the Pilot Projects**

### **7.7.1 Participants**

In total, 64 persons registered for the pilot projects. Table 7-6 shows the composition of the registrants by pilot project site. 35 of them (54.7%) are consultants and eleven (17.2%) are SME Experts<sup>1</sup>. Note that only active consultants are classified into consultants; those who used to be consultants are not.

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<sup>1</sup> Expected registrants are consultants plus a few SME consultants. However, the actual composition of registrants turned out to be different especially in Ankara. In Ankara, not so much time was available for calling for participants. In Istanbul and Gaziantep, the number of those who were interested was over the maximum enrollment limit at each site.

**Table 7-6 Composition of the Registrants**

	Ankara	Istanbul	Gaziantep	Total	Composition
<b>Private consultant</b>	<b>6</b>	<b>15</b>	<b>8</b>	<b>29</b>	<b>45.3%</b> <b>54.7%</b>
<b>VGM consultant</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>4</b>	
<b>ABIGEM consultant</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	
Lecturer at universities	2	1	3	6	9.4%
<b>KOSGEB SME expert</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>11</b>	<b>17.2%</b>
Other government officials	4	0	0	4	6.3%
Others	3	0	5	8	12.5%
Total	20	22	22	64	100.0%

Source: Prepared by JICA Study Team

## 7.7.2 Documentary Examination

### (1) Grading Result

Among the registrants but SME experts, 45 of them (including 33 consultants) turned in applications<sup>2</sup>. The average total score of all applicants is 62.4. The average of consultants only is 70.5 while that of non-consultants is 40.0. Comparing average scores earned by consultants at each site, the average in Istanbul is the highest at 76.5; it is 71.0 in Ankara and 60.3 in Gaziantep.

The acceptability criteria the JICA Study Team proposes is to meet three conditions, namely 1) holding a bachelor's or higher degree, 2) having (at least a year of) consulting experience, and 3) earning 60 points or more. 29 out of 45 applicants have met them all, and they are all consultants.

### (2) Analysis

The JICA Study Team proposes allocating many points to educational background and consulting experience (years of experience and the number of success cases), that is, 20 points to the former and 38 points in total for the latter. Thus, even without the conditions 1) and 2), almost all applicants would need to meet them to meet the requisite 3). On top of that, successful applicants need either 1) to earn many points for years of consulting experience and the number of success cases or 2) to get points for (years of) job experience at enterprises and/or experiences in managerial positions in order to make up for the shortage of points gained for consulting experience. The acceptability criteria proposed by the JICA Study Team leave open a possibility for non-consultants with consulting experience to pass, and it would appear that a lot of such persons are present in Turkey.

<sup>2</sup> KOSGEB graded the applications. It did not disclose scores of SME experts.

### 7.7.3 Written Examination

#### (1) Grading Result

In Ankara, 19 out of 20 registrants including 8 consultants took a written examination held on the first day of each pilot project, and 16 of them including 7 consultants took questions in all the five areas. In Istanbul and Gaziantep, written examinations were held in the afternoon of the 6th day after finishing all lectures; in Istanbul, all the 22 registrants including 17 consultants took tests in the five areas; in Gaziantep, 20 out of 22 including nine consultants did so<sup>3</sup>.

Table 7-7 summarizes them. The upper rows of the latter table show score summaries of all test-takers by pilot project site. The middle rows are the score summary combining the results in Istanbul and Gaziantep where the written examinations were set after lectures. Differences in average from the result in Ankara are also presented. The lowest rows show the score summary combining the results at three sites. For comparison

In Ankara, the mean of five-area averages is 44.7 and the mean of the lowest scores is 29.0; in Istanbul, the former is 50.1 and the latter is 33.7; In Gaziantep, the former 47.1, and the latter 30.4. When the results in Istanbul and Gaziantep are combined, the former is 48.7, the latter is 32.1. In comparison with the result in Ankara where the written examination was held before lectures, the mean of five-area averages is higher by 4.0<sup>4</sup>, while the mean of the lowest scores is higher by 3.1. If the results in three sites are combined, the former is 47.6, and the latter is 31.3.

<sup>3</sup> In response to the complaints by some participants in Ankara and Istanbul that texts of the written examination were confusing, the JICA Study Team asked the Turkish experts again to review them before conducting a written examination in Gaziantep. They informed that there were no serious flaws as a whole. Yet, they pointed out that some problems were too difficult and that some other problems did not fit in with the reality in Turkey very well. To make the results in three sites comparable, however, the JICA Study Team did not make drastic corrections; translation was corrected if needed, but the contents of problems remained same.

<sup>4</sup> In each area, 20 questions were asked, and five points were allocated to each. Thus, the rise of five-area averages by 4.0 means that average answers in the two sites correctly answered four more questions in total.

**Table 7-7 Summary Result of the Written Examination (All Test-Takers)**

		BM	PM	SSM	M	AF	Five-Area Average	Lowest Score
Ankara	Test-takers	19	19	19	19	16	16	16
	Average	60.6	36.6	48.2	34.5	41.2	44.7	29.0
	S/D*	15.7	13.6	12.2	10.6	10.7	8.7	8.4
	Highest	89	68	65	50	62	59.7	40
	Lowest	31	15	15	10	27	27.5	10
	Median	63	33	50	35	40	45.6	30
Istanbul	Test-takers	22	22	22	22	22	22	22
	Average	63.9	45.0	54.1	38.2	49.4	50.1	33.7
	S/D*	12.2	12.0	9.4	11.7	10.5	6.4	9.7
	Highest	85	63	70	60	71	62.3	57
	Lowest	42	26	35	15	28	37.6	15
	Median	63	43	55	38	50	50.4	30
Gaziantep	Test-takers	20	20	20	20	20	20	20
	Average	57.6	40.6	50.0	36.5	50.6	47.1	30.4
	S/D*	12.1	8.2	11.1	12.7	16.2	6.6	11.4
	Highest	83	57	75	60	72	62.3	55
	Lowest	38	28	25	10	4	34.0	4
	Median	56	43	50	35	54	46.8	31
Istanbul and Gaziantep Combined	Test-takers	42	42	42	42	42	42	42
	Average	60.9	42.9	52.1	37.4	50.0	48.7	32.1
	S/D*	12.5	10.6	10.4	12.2	13.5	6.7	10.7
	Highest	85	63	75	60	71.75	62.3	57
	Lowest	38	26	25	10	4	34	4
	Median	60.5	42.5	50	35	51	48.45	30
Difference in Average from Ankara		0.3	6.3	3.9	2.9	8.8	4.0	3.1

		BM	PM	SSM	M	AF	Five-Area Average	Lowest Score
All Sites Combined	Test-takers	61	61	61	61	58	58	58
	Average	60.8	41.0	50.9	36.5	47.6	47.6	31.3
	S/D*	13.6	12.0	11.1	11.8	13.4	7.5	10.2
	Highest	89	68	75	60	72	62	57
	Lowest	31	15	15	10	4	28	4
	Median	62	40	50	35	49	48	30

BM: Business Management, PM: Production Management, SSM: Store and Sales Management, M: Marketing, AF: Accounting and Finance

\*S/D refers to standard deviation.

Source: JICA Study Team

Like Table 7-7, Table 7-8 summarizes scores of consultants only. For comparison, the averages of non-consultants are also presented at the bottom. In Ankara, the mean of five-area averages is 50.8, and the mean of the lowest scores is 33.3; in Istanbul, the former is 50.2 and the latter is 33.4; in Gaziantep, the former is 49.3 and the latter is 33.4. Contrary to expectations, the mean of five-area averages is the highest in Ankara. The mean of the lowest scores by site is almost same. When all the results at three sites are combined, the mean of each area is: 63.8 in business management; 43.3 in production management; 53.2 in store and sales management; 39.4 in marketing; and 50.6 in accounting and finance. The mean of five-area averages is 50.1, and the mean of the lowest scores is 33.4. The mean of five-area averages of non-consultants is 44.2, lower by 5.9 than that of consultants, but the mean of the lowest scores is same as that of consultants.

**Table 7-8 Summary Result of the Written Examination (Consultants only)**

		BM	PM	SSM	M	AF	Five-Area Average	Lowest Score
Ankara	Test-takers	8	8	8	8	7	7	7
	Average	71.8	41.3	50.6	40.0	49.0	50.8	33.3
	S/D*	10.1	14.3	6.8	8.7	11.3	6.0	5.1
	Highest	89	68	60	50	62	60	40
	Lowest	55	25	40	25	27	41	25
	Median	71	35	53	43	50	50	33
Istanbul	Test-takers	17	17	17	17	17	17	17
	Average	62.8	45.2	53.8	37.9	51.3	50.2	33.4
	S/D*	12.6	12.1	10.1	11.5	9.4	6.3	9.1
	Highest	85	63	70	60	71	62	54
	Lowest	42	26	35	15	39	38	15



		BM	PM	SSM	M	AF	Five-Area Average	Lowest Score
	Median	63	43	55	40	50	51	30
Gaziantep	Test-takers	9	9	9	9	9	9	9
	Average	58.4	41.4	54.4	41.7	50.6	49.3	33.4
	S/D*	10.7	8.1	10.7	9.4	12.7	5.2	4.7
	Highest	76	52	75	55	68	59	42
	Lowest	38	30	45	25	33	39	25
	Median	59	43	50	45	49	49	33

Istanbul & Gaziantep Combined	Test-takers	26	26	26	26	26	26	26
	Average	61.3	43.9	54.0	39.2	51.1	49.9	33.4
	S/D*	12.2	11.0	10.3	11.0	10.6	6.0	7.9
	Highest	85	63	75	60	71	62	54
	Lowest	38	26	35	15	33	38	15
	Median	61	43	50	40	50	50	33
Difference in Average from Ankara		-10.5	2.6	3.4	-0.8	2.1	-0.9	0.1

All Sites Combined	Test-takers	34	34	34	34	33	33	33
	Average	63.8	43.3	53.2	39.4	50.6	50.1	33.4
	S/D*	12.5	11.9	9.7	10.5	10.8	6.0	7.4
	Highest	89	68	75	60	71	62	54
	Lowest	38	25	35	15	27	38	15
	Median	64	43	50	40	50	50	33

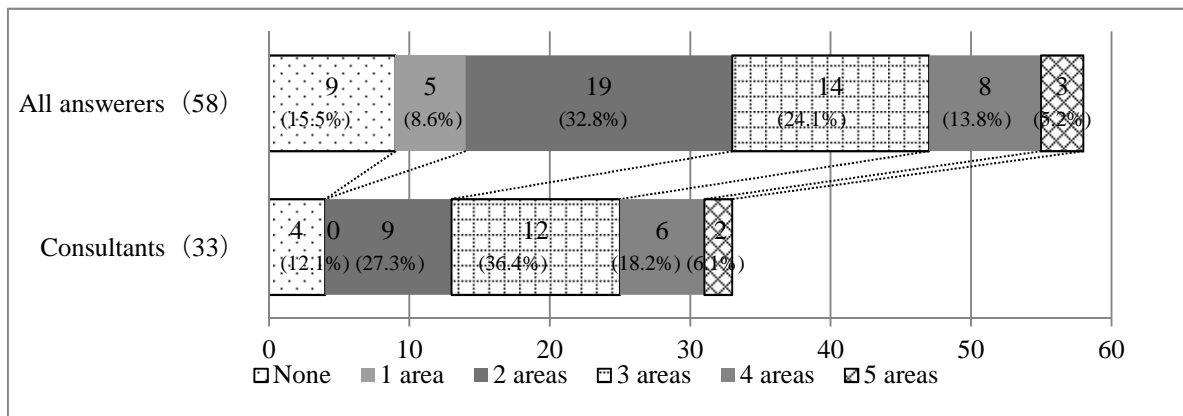
&lt;Non-consultants&gt;

Average of Non-Consultants (All Sites Combined)	57.8	39.0	47.4	33.4	43.5	44.2	33.4
Difference in Average from Consultants	-6.0	-4.3	-5.8	-6.0	-7.1	-5.9	0.0

Source: Prepared by JICA Study Team

As described in 7.2.5, the JICA Study Team proposes setting acceptability criteria both in five-area averages and in the lowest score among the five areas. Among 58 test-takers including 33 consultants who had taken tests in all the five areas, three including two

consultants have scored above-average points in all areas; eight including six consultants have done so in four areas; 14 including twelve consultants have done so in three areas; 19 including nine consultants have done so in two areas. Five non-consultants have scored above-average points in an area, and nine test-takers including four consultants have gotten above-average points in no areas (see Figure 7-3). The highest score in each area is gotten by those who have earned the above-averages in four or five areas, which indicates that, in relative terms, consultants with good knowledge not only in their areas of expertise but also in the other areas are existent in Turkey. Among the four consultants who have not scored above-average points in any areas, three had turned in applications for the documentary examination and all the three have passed it<sup>5</sup>



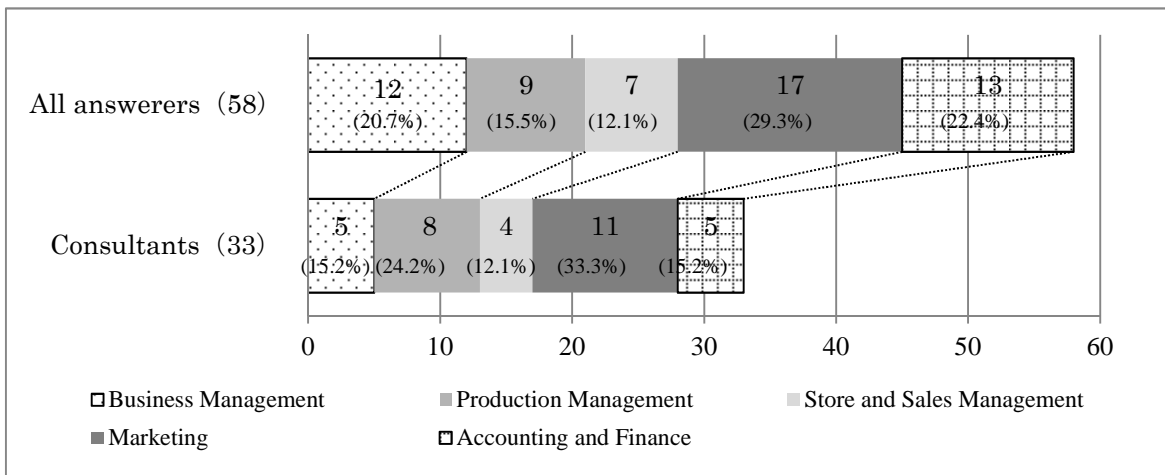
Source: Prepared by JICA Study Team

**Figure 7-3 Number of Areas which Test-Takers Have Scored Above-Average Points**

Given that a common minimum-required score is set, the mean score of each area should be close. In the pilot projects, however, the difference between the mean in business management and that in marketing is over points both among all test-takers and among consultants only. As a result, looking at exam scores does not tell in which area a test-taker has done most poorly, but comparing standard scores of the five areas reveals that. As shown in Figure 7-4, the largest number of test-takers (17 of them including 11 consultants) has done most poorly in marketing. The JICA Study Team had expected that a large proportion of test-takers would do most poorly either in production management or accounting and finance; nine including eight consultants have done most poorly in production management, while 13 including five consultants have done poorly in accounting and finance<sup>6</sup>.

<sup>5</sup> Their points in the documentary examination are 88, 76 and 72.

<sup>6</sup> Note that the exam scores in production management and accounting and finance rose by statistically significant points in Istanbul and Gaziantep where the written examination was held after lecture sessions. It is possible that lecture sessions worked.



Source: Prepared by JICA Study Team

**Figure 7-4 Distribution of Areas in which Test-Takers Have Recorded the Lowest Standard Scores**

Table 7-9 summarizes the result of hypothetical pass-fail simulations. The box on the left side shows pass-fail results of all test-takers, while the one on the right shows pass-fail results where consultants are concerned.

**Table 7-9 Pass-Fail Simulation of the Written Examination**

		(58 participants)			(33 Consultants)		
		Pass Average Score			Pass Average Score		
		40	50	60	40	50	60
Pass Lowest Score	20	<b>48</b>	<b>22</b>	<b>2</b>	<b>31</b>	<b>17</b>	<b>1</b>
	30	<b>37</b>	<b>20</b>	<b>2</b>	<b>26</b>	<b>15</b>	<b>1</b>
	40	<b>12</b>	<b>10</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>1</b>
	50	-	<b>3</b>	<b>1</b>	-	<b>1</b>	<b>0</b>
	60	-	-	<b>0</b>	-	-	<b>0</b>

Source: Prepared by JICA Study Team

(1) Analysis of the Result

There was not much time left until the start of the pilot project in Ankara when KOSGEB and the JICA Study Team started calling for participants. As a result, few participants seem to have prepared much for the written examination. One can interpret that it shows the level of knowledge Turkish consultants exploit on a daily basis.

As described in 7.2.6, a purpose of lecture sessions in the pilot projects is to provide an opportunity to recognize what to learn more for participants. Though lectures just outlined

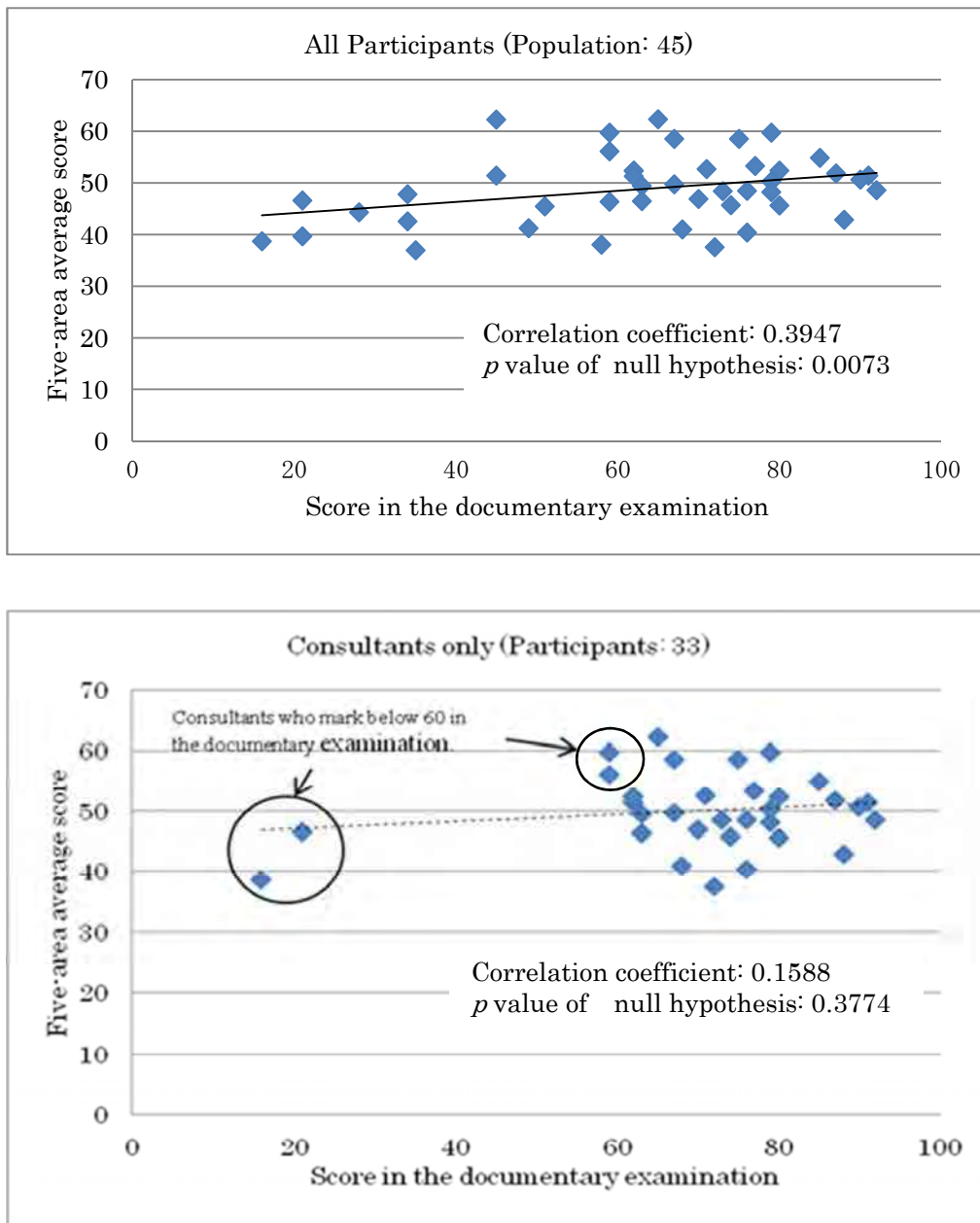
basics needed for SME consultants in limited hours, the JICA Study Team had hoped that test-takers in Istanbul and Gaziantep, where the written examination was held after the lecture sessions, would do better than the counterparts in Ankara, namely the JICA Study Team had hoped that they would mark higher scores. However, no large gaps in scores were observed. Yet, comparing mean scores of all test-takers in Ankara with the corresponding scores when the results in Istanbul and Gaziantep are combined, the gaps of average scores in two areas to which longer hours were allocated, namely in accounting and finance and in production management, are large enough to be statistically significant; the gap in the former is 8.8 points, and that of the latter is 6.3 points<sup>7,8</sup>. These gaps might be attributed to leaning in the lecture sessions. Where the results of consultants are concerned, however, no statistically significant rises in averages are observed. Probably, a week-long lecture session is not long enough for consultants who already have knowledge higher than that of the other people.

The result of the written examination shows that setting a written examination is necessary to assess knowledge levels of consultants. Figure 7-5 shows scatter diagrams showing the relation between scores in the documentary examination and five-area averages in the written examination. The upper table plots scores of all test-takers, whereas the lower table plots those of consultants only. Among all the test-takers, the correlation coefficient is 0.3947, showing some correlation. The  $p$  value of null hypothesis test is 0.007, which means that the correlation is meaningful at 1% significance level. That is, participants with higher scores in the documentary examination are more likely to mark higher scores in the written examination although the tendency is not so strong. On the other hand, there is no statistically significant correlation where consultants are concerned. The correlation coefficient is 0.1588, which is too low to assume correlative relation. Furthermore, the null hypothesis is not rejected; the  $p$  value is 0.3774. Even if the data of four consultants whose scores in the documentary examination are below 60 are excluded, there is still no correlation. No correlation either when the data of two consultants whose scores in the documentary examination are pretty low. Judging from these results only, scores in the documentary examination provide an indirect measure of whether applicants have a greater deal of knowledge needed for SME consultants insofar as the population includes people other than consultants. However, they do not if the population is composed of consultants only. Although a large proportion of points are allocated to consulting experience in the documentary examination, long consulting experience does not necessarily ensure good knowledge in broad areas, either. That is, scores in the documentary examination alone cannot vouch for consultants' equipped with a wide range of knowledge.

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<sup>7</sup> The difference of average in accounting and finance is significant at the 5% level. That in production management is at the 10% level.

<sup>8</sup> The differences might be just because participants in Istanbul and Gaziantep knew better about production management 産 and accounting and finance.



Source: Prepared by JICA Study Team

**Figure 7-5 Relation between Scores in the Documentary Examination and Five-Area Averages in the Written Examination (Scatter Diagrams)**

Table 7-10 shows individual results of the pass-fail simulations. The table puts individual five-area averages in descending order and shows whether they pass or not under multiple acceptability criteria. On the whole, one is more likely to pass if his five-area average is higher. Yet, if he has an area with a low score, he fails when the pass lowest score is set high. For example, the participant I19 is in the 15th place with the five-area average of 52.3, which is above the average of all the participants. It is higher than that of consultants,

too. He earns above-average in four areas. However, he fails if the passing lowest score is set at 30 or over, for his score in production management is as low as 26 points. When the acceptability criteria are five-area average at 40 and the passing lowest score at 30, 37 out of 58 test-takers pass. Five-area averages of 23 of them are lower than the participant I19<sup>9</sup>.

It is not a problem to set acceptability criteria in advance if rough estimation of exam results is possible; as written examinations are set and graded again and again, preparing exam questions with certain expected average scores in mind will become possible. However, if guessing average scores in advance is difficult, it might be a good idea to determine them after grading them.

As far as the written examination set in the pilot projects is concerned, the JICA Study Team does not consider it desirable to set passing five-area average at 40 or below, because both the five-area averages of all participants (47.6) and that of consultants (50.1) are higher than that. It should be also avoided to pass those who have earned above-average in no or few areas, providing that the written examination aims to assess whether test-takers have minimum-required knowledge in the major five areas in management.

For example, when the acceptability criteria are set at 40 for five-area average and 20 for the lowest score, the participant I6 passes even though none of his scores are above-average. Raising the passing five-area average to 30, successful participants still include three persons who have marked above-average only in one area; eleven of them have earned above-averages just in two areas. With the pass five-area average at 50 and pass lowest score at 40, successful test-takers get above-average at least in three areas. In this case, however, only 17.2% among all test-takers or 10 participants pass; where only participating consultants are concerned, 21.2% or seven pass. If these pass rates are too low, the pass lowest score has to be lowered to 30 or 20. In each case, the pass rate almost doubles but two participants who have marked below-average in three areas pass. It increases successful test-takers only by two to lower the pass lowest point from 30 to 20. If passing those who have earned less than 30 in any area is acceptable, it is worth considering letting them through and then evaluating how well they analyze model enterprises from cross cutting perspectives in the practical test.

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<sup>9</sup> Among those who pass, the lowest five-area average is 42.9, lower by 9.4 than that of I19's.

**Table 7-10 Pass-Fail Simulations (Details)**

		Acceptability Criteria					Five-area Ave. Lowest Score					Number of Test-Takers:58									
		BM	PM	SSM	M	AC	40 20	40 30	40 40	50 20	50 30	50 40	50 50	60 20	60 30	60 40	60 50	60 60			
		Mean (all)	60.9	42.9	52.1	37.4	50.0	Number of Successful Test-Takers													
		Mean (consultants)	63.8	43.3	53.2	39.4	50.6	48	37	12	22	20	10	3	2	2	2	1	0		
I	17 *	75	56	65	45	71	P	P	P	P	P	P	P	F	P	P	P	F	F		
G	16	74	57	65	60	55	P	P	P	P	P	P	P	P	P	P	P	P	F		
I	3 *	54	58	65	60	62	P	P	P	P	P	P	P	P	F	F	F	F	F		
A	14 *	84	68	40	45	62	P	P	P	P	P	P	F	F	F	F	F	F	F		
I	12 *	63	63	65	45	57	P	P	P	P	P	P	P	F	F	F	F	F	F		
G	7 *	64	42	75	45	67	P	P	P	P	P	P	F	F	F	F	F	F	F		
I	10	57	59	60	60	57	P	P	P	P	P	P	P	F	F	F	F	F	F		
I	18	84	57	60	35	50	P	P	F	P	P	F	F	F	F	F	F	F	F		
A	11 *	89	50	40	40	62	P	P	P	P	P	P	F	F	F	F	F	F	F		
A	13 *	68	57	60	35	54	P	P	F	P	P	P	F	F	F	F	F	F	F		
I	1 *	73	63	55	35	41	P	P	F	P	P	F	F	F	F	F	F	F	F		
I	5 *	77	42	40	40	64	P	P	P	P	P	P	F	F	F	F	F	F	F		
G	4 *	56	32	70	45	59	P	P	F	P	P	F	F	F	F	F	F	F	F		
G	12 *	69	49	60	35	49	P	P	F	P	P	F	F	F	F	F	F	F	F		
I	19 *	85	26	55	55	41	P	F	F	P	F	F	F	F	F	F	F	F	F		
G	3 *	63	48	50	30	68	P	P	F	P	P	F	F	F	F	F	F	F	F		
A	3	73	60	50	40	34	P	P	F	P	P	F	F	F	F	F	F	F	F		
I	2 *	73	40	55	30	59	P	P	F	P	P	F	F	F	F	F	F	F	F		
I	14 *	55	35	70	50	47	P	P	F	P	P	P	F	F	F	F	F	F	F		
I	11 *	80	43	55	25	50	P	F	F	P	F	F	F	F	F	F	F	F	F		
G	14	68	47	45	45	47	P	P	P	P	P	P	F	F	F	F	F	F	F		
I	16 *	58	59	45	30	59	P	P	F	P	P	F	F	F	F	F	F	F	F		
A	2	53	41	65	50	40	P	P	P	F	F	F	F	F	F	F	F	F	F		
A	8 *	73	30	55	50	41	P	P	F	F	F	F	F	F	F	F	F	F	F		
G	22 *	76	43	45	50	33	P	P	F	F	F	F	F	F	F	F	F	F	F		
I	20 *	54	48	70	30	41	P	P	F	F	F	F	F	F	F	F	F	F	F		
I	9 *	66	57	35	45	39	P	P	F	F	F	F	F	F	F	F	F	F	F		
G	1 *	53	47	50	55	37	P	P	F	F	F	F	F	F	F	F	F	F	F		
A	6 *	55	33	55	50	48	P	P	F	F	F	F	F	F	F	F	F	F	F		
G	8	83	43	50	35	28	P	F	F	F	F	F	F	F	F	F	F	F	F		
G	15	38	45	45	35	72	P	P	F	F	F	F	F	F	F	F	F	F	F		
I	7 *	66	27	45	45	52	P	F	F	F	F	F	F	F	F	F	F	F	F		
I	8	72	37	50	25	51	P	F	F	F	F	F	F	F	F	F	F	F	F		
G	20 *	59	52	45	40	37	P	P	F	F	F	F	F	F	F	F	F	F	F		
I	13 *	42	45	50	40	55	P	P	F	F	F	F	F	F	F	F	F	F	F		
G	17	53	37	50	35	57	P	P	F	F	F	F	F	F	F	F	F	F	F		
G	19 *	38	30	50	50	61	P	P	F	F	F	F	F	F	F	F	F	F	F		
A	20 *	68	30	50	30	50	P	P	F	F	F	F	F	F	F	F	F	F	F		
A	10	73	30	60	25	39	P	F	F	F	F	F	F	F	F	F	F	F	F		
G	13	48	37	55	15	71	F	F	F	F	F	F	F	F	F	F	F	F	F		
G	9	50	36	50	30	56	P	P	F	F	F	F	F	F	F	F	F	F	F		
I	21	62	40	45	45	28	P	F	F	F	F	F	F	F	F	F	F	F	F		
I	4 *	43	42	50	30	49	P	P	F	F	F	F	F	F	F	F	F	F	F		
I	15	62	30	60	30	31	P	P	F	F	F	F	F	F	F	F	F	F	F		
G	2	41	31	40	30	64	P	P	F	F	F	F	F	F	F	F	F	F	F		
A	17 *	73	25	55	25	27	P	F	F	F	F	F	F	F	F	F	F	F	F		
A	16	49	38	50	25	42	P	F	F	F	F	F	F	F	F	F	F	F	F		
G	5	54	28	50	20	52	P	F	F	F	F	F	F	F	F	F	F	F	F		
I	6 *	57	36	45	25	39	P	F	F	F	F	F	F	F	F	F	F	F	F		
A	19	63	27	50	30	28	F	F	F	F	F	F	F	F	F	F	F	F	F		
G	6 *	48	30	45	25	46	F	F	F	F	F	F	F	F	F	F	F	F	F		
G	11	62	31	35	10	52	F	F	F	F	F	F	F	F	F	F	F	F	F		
I	22 *	47	28	50	15	48	F	F	F	F	F	F	F	F	F	F	F	F	F		
A	9	47	21	50	35	32	F	F	F	F	F	F	F	F	F	F	F	F	F		
A	7	33	41	35	35	33	F	F	F	F	F	F	F	F	F	F	F	F	F		
G	18	55	46	25	40	4	F	F	F	F	F	F	F	F	F	F	F	F	F		
A	4	60	40	15	10	37	F	F	F	F	F	F	F	F	F	F	F	F	F		
A	18	31	15	25	35	32	F	F	F	F	F	F	F	F	F	F	F	F	F		

Asterisks indicate that the relevant participants are consultants.  
 BM: Business Management, PM: Production Management, SSM: Store and Sales Management, M: Marketing,  
 AF: Accounting and Finance  
 P: Pass, F: Fail  
 Source: Prepared by JICA Study Team

#### 7.7.4 Practical Test

##### (1) Grading Result

In Total, 56 registrants including 32 consultants participated in practical tests; in Ankara, 15 registrants including 7 consultants; in Istanbul 22 of them including 7 consultants; in Gaziantep, 19 including 8 consultants. In each site, participants were split into two groups, which checked up separate model enterprises. In Ankara, participants checked up two model enterprises, one in manufacturing and the other in trade and services, but the group composition remained unchanged<sup>10</sup>. Assessment of individual participants was finalized at a meeting held after the practical test at each site. In grading performances, benchmark points were set at three except on business ethics<sup>11</sup>; if instructors-cum-evaluators think of an element of a participant as superior (inferior), the point of the element was raised (lowered).

53 participants passed and three participants, one per site, failed. One of unsuccessful participants is a consultant. Two of the unsuccessful participants, one in Ankara and the other in Gaziantep, failed due to lack of communication skills necessary for consultants; they seldom said anything in interviews and discussions. The other unsuccessful participant failed by getting low marks for stress on hands-on approach (3G) and cooperation with other experts. She seemed a talented consultant. Adhering to her specialty area, however, she was not willing to observe and analyze an enterprise from multiple perspectives.

#### 7.7.5 Overall Analysis

As shown in Figure 7-1, the JICA Study Team proposes dropping those who fail to earn a cutoff score at each step of the three evaluation process, namely documentary examination, written examination and practical test. Yet, in the pilot projects, all participating registrants went through the three steps irrespective of their scores in the documentary and/or written examinations as long as they showed up. Sections 7.7.2 to 7.7.4 cover the results and analysis of the whole participants as well as participating consultants only at each step. This section examines what it would be like when those failing to mark the pass score at each step are dropped.

Among the 64 registrants, 45 (including 32 consultants) turned in their applications and participated in both the written examination and the practical test. Note that 33 consultants turned in applications and took a written examination but that one of them did not show up in the practical test. As described in 7.7.2, among those who turned in applications, 29 passed the documentary examination including one who did not participated in the pilot project. Section 7.7.4 has described that three participants including a consultant had failed the practical test.

<sup>10</sup> Instructors-cum-evaluators changed.

<sup>11</sup> Points for ethics were either one or five.



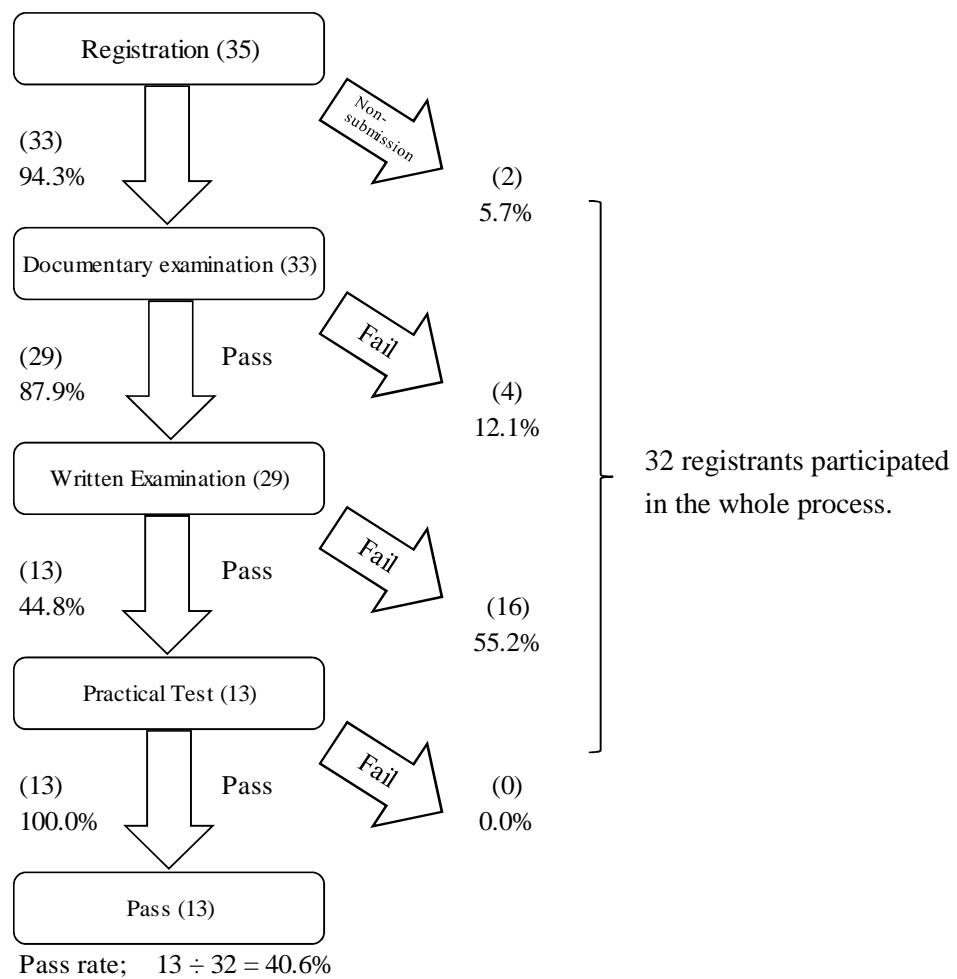
Setting acceptability criteria of the written examination determines the number of successful participants all through the evaluation process.

When acceptability criteria of the written examination are composed of five-area average at 50 and the lowest score at 30, 13 participants pass all the three steps. Figure 7-6 shows the pass-fail progress of participating consultants which are the main subject of the analysis. Not that the pass-fail progress of non-consultants is not considered here, because all non-consultants failed the documentary examinations. When the data of unsuccessful participants in the previous steps are excluded, the pass rate of each step is as follows: documentary examination 87.9%, written examination 44.8%, and practical test 100%<sup>12</sup>. The pass rate all through the process is around 40 percent. With the pass five-area average at 50 and the pass lowest score at 40, five consultants (15.6%) pass all the three steps; with the former at 40 and the latter at 30, 22 (68.8%) pass them all.

In the view of the JICA Study Team, passing 40 to 60 percent of applicants is necessary at the initial stage in light of the need to establish a SME consultant qualification system and to facilitate the use of registered SME consultants. The result of the pilot project shows that it is feasible to pass such rates of applicants in the evaluation process the JICA Study Team proposes. Although there are points to be improved in the details of each step, the validity and operability of the screening process composed of three steps, namely documentary examination, written examination, and practical test were also confirmed.

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<sup>12</sup> A consultant who fails in the practical test does not pass the written examination.



Note: The denominator of the pass/fail rate at each step is the number of participants who pass the previous step(s)  
(The denominator of the pass/fail rate of the documentary examination is 33).

Source: Prepared by JICA Study Team

**Figure 7-6 Pass-Fail Progress of the Participating Consultants  
(when setting the passing five-area average to 50 and the passing  
lowest score of 30 in the Written Examination)<sup>13</sup>**

### 7.7.6 Result and Analysis of the Questionnaire Survey of the Participants<sup>14</sup>

As described in 7.6.11, the JICA Study Team conducted a questionnaire survey of the participants for the purpose of figuring out what to be improved in the evaluation process. In the first section, the survey asked an open question on the study guidebook, lecture session, and written examination both in general and by area. Next, it asked whether they had ever checked

<sup>13</sup> A consultant who did not participate in the practical test while having turned in his application and taken the written examination is eliminated in the written examination with the pass five-area average at 50 and the pass lowest score at 30.

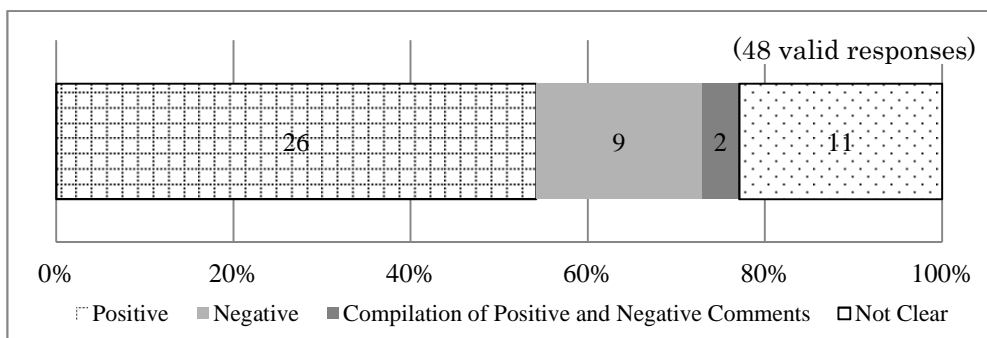
<sup>14</sup> Most of the participants did not seem to know that the pilot projects aimed to test the process to evaluate SME consultants. They answered the survey thinking that they were training programs. Model enterprises were also asked to answer questionnaire surveys, but this report does not describe the result because the number of responses was not large.

up enterprises<sup>15</sup>. Third question was about whether they think they could have demonstrated their consulting skills in the practical test. For those who do not think they could have, it asked why not. Fourth, it asked things needed improving in the practical test. In total, 54 answers were collected. In the first section, not a few respondents either filled in general comments only or filled same comments in all columns. Thus, the JICA Study Team put general comments and area specific comments together and compiled them according to contents<sup>16</sup>. The following section shows the result of the survey together with the observation and views of the JICA Study Team.

#### (1) Guidebook

First section asked whether respondents thought the guidebook which had been distributed to them served the purpose in terms of the composition and exhaustiveness, explaining that 1) it aimed to help experts in specific areas to study areas out of their realm of expertise through self-schooling and 2) it showed the scope of knowledge SME consultants need to have together with key learning points

As shown in Figure 7-7, feedbacks from 26 out of 48 valid responses (54.2%) are positive, such as “good enough” and “well organized”<sup>17</sup>. Meanwhile, nine responses (18.8%) include negative comments like “it does not serve the purpose,” or “it is not good enough.”



Source: Prepared by JICA Study Team

**Figure 7-7 Result of the Questionnaire Survey: on the Guidebook**

Regarding comments on the composition and/or exhaustiveness of the guidebook, 16 respondents (33.3%) think that the guidebook should include hands-on knowledge and case examples as well as theories, concepts and methods; four of them (8.3%) commented “it should be more exhaustive” or “it should be systematically organized”; another four (8.3%) think practice questions are necessary probably with preparation for written examinations in

<sup>15</sup> Most of the respondents seemed to answer thinking checkups here referred to consultation in general, although the question statement defined checkups as analyzing client enterprises in a comprehensive way in order to identify in what areas they have problems as well as to propose how to solve these problems.

<sup>16</sup> As a whole, respondents often made comments on something not asked about (for example, comments on lectures in the columns for answers on the practical test).

<sup>17</sup> Some of those who commented positively also add suggestions for improvement.

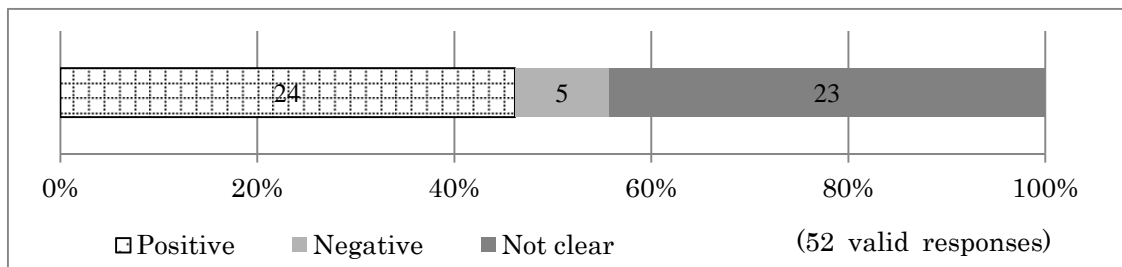
mind; three (6.3%) want more detailed explanation and another three (6.3%) commented that it should cover something more practical for consultation for SMEs. Two (4.2%) answered “it should cover something which matches Turkish contexts”, and another two (4.2%) argued that case studies and/or case study exercises should be included.

As already described, the guidebook shows the scope of knowledge necessary for SME consultants and key learning points. It is 160 pages long. Although it includes items which the JICA Study Team believes are minimum required, it is impossible to explain, in this limited number of pages<sup>18</sup>, every theory and concept in more detail, to show case examples or to feature case studies in a way to satisfy all readers. Assuming that learners study with commercial textbooks and/or specialized books consulting with the guidebook, it lists reference books in each area which were selected by Turkish experts. In the view of the JICA Study Team, preparing a new thick textbook is not necessary as textbooks and specialized books are commercially available. Where contents do not match Turkish contexts are concerned, the JICA Study Team looks forward to revisions by Turkish experts.

## (2) Lecture Session

Second section asked whether participants think the lecture session served them, explaining its three purposes, namely providing them with an opportunity 1) to know their knowledge level on areas outside the realm of expertise and thereby to recognize what to study more, 2) to learn essentials which were not suitable as exam subjects, and 3) to build up networks with other consultants with different expertise; in short, it does not primarily aim to equip them with new knowledge of the five areas in which the written examination is set.

Among 52 valid responses, 24 responses (46.2%) include positive comments such as “the lecture session served the purposes,” or “it was useful for personal development.” Meanwhile, five responses (9.6%) are negative such as “lectures came up short,” or “they were not useful” (see Figure 7-8).



Source: Prepared by JICA Study Team

**Figure 7-8 Result of the Questionnaire Survey: on the Lecture Session**

<sup>18</sup> For example, a standard introductory textbook on marketing, *Marketing: An Introduction (7th Edition)* by Gary Armstrong, Philip Kotler is 700 pages long.

The largest number of respondents (55.8% or 29 respondents) answered “lecture session was too short (relative to the volume of topics covered)” or “there was not enough time<sup>19</sup>.” This is probably because many participants wrongly expected that the pilot projects were training in which they learnt new knowledge. Although the JICA Study Team had prepared lecture materials covering all topics in the guidebook, lectures often had to be finished without mentioning them all, which might increase the feeling that there was not enough time, too. Ten of them (19.2%) answered that they wanted more detailed explanation. 13 respondents (25.0%) commented “topics covered in lectures are too theoretical”, “more case examples should be presented”, or “more exercises are necessary.” These comments also indicate that they think the lecture session was too short, because lecturers would have explained each topic in more detail and would have allocated more time to do exercise if time had permitted. Meanwhile, nine (17.3%) commented that the presentation of case examples and/or exercises were useful, which shows lectures by Japanese experts were rated highly. In the lecture sessions, Turkish experts gave an outline of theories and concepts while Japanese experts showed case examples and gave exercise questions. Yet, Turkish experts also lectured using examples.

In sum, participants think that a lecture session will become better if 1) it is longer, 2) it explains topics more in detail, and 3) it presents more case examples and spends more time in doing exercises. Given that it is a part of evaluation process, however, it is not appropriate to spend a lot of time on lectures. If participants come to the session after studying by themselves with the guidebook and commercial textbooks, lectures can focus on some topics. Or lectures can take the form of questions and answers. If long-term lecture sessions are necessary to learn new knowledge, they should be held separately from the evaluation process.

Three commented on who should become lecturers. Although their views are different, all of them argue that lecturers should have consulting experience.

### (3) Written Examination

In the third section, the questionnaire asked comments if any on what to improve in the written examination, explaining that the JICA Study Team believed that 1) SME consultants needed to have knowledge in broad areas and that 2) setting written examinations were the fairest way to evaluate knowledge levels.

First, no one objects to setting written examinations whereas four respondents agree that it is a fair way. Although setting written examinations are not common in consultant

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<sup>19</sup> Meanwhile, two commented that some lectures had been longer than it should be.

registration systems existent in Turkey, making a written examination a part of evaluation for a new qualification system seems no problem from the perspective of consultants.

The largest number of comments among 52 valid responses is that it was difficult to figure out what problem statements and/or selection statements exactly meant (32 responses, or 73.1%)<sup>20</sup>. Among the respondents who answered so, 19 of them consider translation to be a cause of the lack of clarity; some clearly commented that the quality of translation should be improved (including correct translation of technical terms). As described in 7.6.4, Japanese experts prepared exam questions, the translation of which were reviewed by Turkish experts. Exam questions were brought to completion in a limited time. However, given that Turkish experts reviewed them, the translation should be good enough even if there might be some flaws. Not many respondents complained about the obscurity of wording or translation of the guidebook although the same translators changed a draft in Japanese into Turkish. It follows that there might be some other reasons which no one can clearly point out than translation<sup>21</sup>. Anyway, this kind of problem does not occur in the future when Turkish experts prepare exam questions.

Eleven respondents (21.2%) answered that some questions are about topics not covered in lectures. They complained probably because they thought that written examinations aimed to explore the level of understanding of the participants.

Third largest number of comments (8 responses, or 15.4%) is that more practical questions (such as case studies) should have been set, or that questions which assessed how well consultants could apply knowledge should have been set instead of those which checked whether they knew a certain concepts or whether they had a good memory. Another four respondents commented “some questions asked what consultants did not need to know,” “Exam questions in an area do not assess knowledge levels,” or “They are nothing more than general questions in management” Three answered “ Questions which fit the reality in Turkey should be set,” or “Questions about general problems SMEs in Turkey face may be asked.” They commented so probably because many of exam questions were about basics of each area. Two respondents proposed to set essay questions. They seem to consider questions to assess how well test-takers exploit knowledge to analyze a certain situations to be desirable, but there are limitations on doing so with multiple-choice questions. Essay examinations are widely used in examinations to assess how well test-takers use their knowledge. In fact, all questions in second-stage examinations for qualifying SME consultants in Japan are essay questions. However, the load of grading essay examinations is heavy and ensuring fairness is difficult especially when they are graded by multiple experts. Therefore, the JICA Study

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<sup>20</sup> The 32 comments include those related to the obscurity of wording and/or translation such as “Sentences are too long.”

<sup>21</sup> For example, ways of asking which are common in written examinations in Japan may be uncommon in Turkey. Or the participants in the pilot projects might not have knowledge enough to understand what problem statements and/or selection statements meant.

Team proposes asking multiple-choice questions in the written examination and assessing applied skills in the practical test.

#### (4) Practical Test

The questionnaire asked things to be improved if any in terms of six elements of the practical test, that is 1) the length, 2) the number of members in a group and background of group members, 3) the prescribed scheme of check-up, 4) a list of questions for radar chart analysis, 5) model enterprises, and 6) presentation of checkup result<sup>22</sup>. Then, it asked whether they think they could demonstrate their consulting skills in the practical test. For those who do not think they could have, it asked why not.

##### 1) The Length of the Practical Test

Among 43 valid responses on the length of the practical test, 19 respondents (44.2%) answered that it was appropriate whereas 14 of them (32.6%) considered it to be shorter than it should have been. Four (9.3%) think it was longer than it should have been. Three (6.8%) commented that appropriate lengths depended on what model enterprises were like.

Five and half days (including an orientation) seems to be enough for a practical test in which an enterprise is analyzed as the largest number of respondents considers the length to be appropriate. Just for information, they check-up three enterprises in fifteen days in the training program for Japanese SME consultants. As some participants point out, it is true that how many days are necessary for a checkup depends on what a model enterprise is like. However, instead of changing the length of practical test, model enterprises which can be checked up in a fixed length of period should be chosen.

##### 2) The Number of Members in a Group and Backgrounds of Group Members

24 (51.1%) among 47 valid responses answered that both the number of members per group and backgrounds of group members were reasonable. Meanwhile, 15 respondents (31.9%) commented that the number of members per group were too large. 13 out of the 15 respondents are participants either in Istanbul or in Gaziantep where more than ten participants composed a group.

Initially, the JICA Study Team planned to allocate seven to ten participants to a group. This is primarily because 1) the number of groups per pilot project site was two given the number of experts available and 2) the JICA Study Team wanted around 15 to 20 participants in lectures. In the training for SME consultants in Japan referred to above, up-to six of them compose a group. As was expected, over ten participants per group were too many in light of

<sup>22</sup> Most comments on the presentation is like “Our team prepared a good report,” instead of something the JICA Study Team expected such as “Time allocated for presentation to each participant should be longer” Therefore, the report of the result is omitted

the role allocation among group members as well as the capacity of instructors-cum-evaluators to observe participants. From the view of the JICA Study Team, the acceptable ceiling seems to be up to seven to eight persons per group.

### 3) Prescribed Checkup Method

Among the 35 valid responses on the scheme of check-up, 24 (68.6%) consider it reasonable. However, one of them commented that other methods could be used too. Another respondent not included in the above 24 respondents answered that other analysis methods should be used too. Among the rest, while two answered “fair,” eight did not comment on whether they thought it was reasonable.

Comments not about if it reasonable include the following (one response each): on-site observation is necessary before interviewing; when multiple persons are in charge of an area together, there still need opportunities to interview alone instead of always interviewing together; check-up on the first day should be conducted with the help of instructors; interviewing not only with those in managerial positions but also with other employees is necessary. One respondent commented that he checked up his model enterprise based on his knowledge and experience as no lecture on how to check up enterprises was provided. Two wanted to check up model enterprises under the mentorship of instructors. To promote the facilitation of the practical test, some advice and assistance from instructors are necessary. However, it is a test as part of the evaluation process. Therefore, in the opinion of the JICA Study Team, there are not any problems with leaving the decision of details on how to check up model enterprises to participants as long as they follow the prescribed scheme of checkup.

### 4) A List of Questions for Radar Chart Analysis

23 (68.5%) among 36 valid responses answered that the list of questions prepared for radar chart analysis was reasonable. Meanwhile, eight (22.9%) think it was not. A respondent commented that it was reasonable but could be improved whereas another respondent answered that it was fair. Other comments are: it is impossible to complete a radar chart analysis in a day; and contents of questions are different from what he imagined them to be probably due to translation. Regarding what they think were inappropriate, three commented that they did not fit the reality of SMEs in Turkey. Another three pointed out that the scale of evaluation should be changed (to three-grade scale or ten-grade scale, and etc.)<sup>23</sup>.

Scale of evaluation for the radar chart analysis prepared by the JICA Study is five. Some participants think the number of scale for evaluation should be changed probably because they were often at a loss which grade to give to some evaluation items as the criteria for judgment did not fit the reality of SMEs in Turkey. The JICA Study Team hopes that

<sup>23</sup> Other comments include “Translation should be reviewed,” and “Objective criteria for judgment should be added.”



question items will be revised by Turkish experts so that they fit better the reality of SMEs in Turkey

#### 5) Model Enterprises

The number of valid responses on model enterprises is 44. 24 (50.0%) considers that model enterprises they checked up to be appropriate as model enterprises, whereas 15 (32.6%) does not. A respondent who participated in the pilot project in Ankara answered “One was good but the other was not suited for a model enterprise.”

As reasons why they think they were not appropriate for model enterprises, eight listed the uncooperativeness of their model enterprises, such as “it did not disclose information much.” A respondent cited smallness of his model enterprise. Another respondent pointed out that the model enterprises assigned to his group belonged to a sector which was not so common, that is, few SMEs were in the sector. Other comments are: model enterprises should be chosen after visiting them to confirm whether they are appropriate; and the purpose of the checkup conducted as part of the evaluation process should be well understood by them.

Only one respondent cited the smallness as a reason why he thinks his model enterprise was not appropriate for a model enterprise. In the view of the JICA Study Team, however, multiple model enterprises were actually too small as model enterprises. It is ideal that model enterprises can be analyzed in many aspects from various points of view. To checkup such enterprises well, participants need to use their knowledge in multiple areas, which enables instructors-cum evaluators to evaluate better their ability as SME consultants. Meanwhile, small enterprises have limited resources and sometimes do not have much information to disclose for analysis, both of which often restrict the scope and depth of analysis. As the practical test aims to assess consulting ability, choosing tiny enterprises as model enterprises are undesirable. In addition to checking these criteria, business categories and activities have to be confirmed in advance<sup>24</sup>. Whether top management as well as contact persons are supportive of the practical test has to be confirmed too.

#### 6) Whether Participants Think They Could Demonstrate their Consulting Ability

51 valid responses were collected to the question on how well they think they demonstrated their consulting ability on a scale of one to five. As over 80 percent of respondents think they displayed their ability, most consultants probably do not feel uncomfortable being evaluated in the practical test. More specifically, eleven (21.6%) answered that they thought they had fully demonstrated their ability; 17 (33.3%) thought that they had displayed their ability; 13 (25.5%) thought they had proved themselves more or less.

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<sup>24</sup> A model enterprise chosen as one in trade and services had told that it sold their products at retail. During the practical test, however, it turned out that the volume of retail sales was negligible.

7) Summary

No one gave a negative comment on setting a written examination in the evaluation process and a large part of respondents think they could demonstrate their consulting ability in the practical test. It is safe to conclude that consultants consider the evaluation process composed of a documentary examination, a written examination and a practical test which were tested in the pilot projects to be reasonable.

Participants gave various feedbacks on the guidebook, lectures, written examination and practical test. Many of them can be used as lessons for improvement of the evaluation process, but making a major alternation from the process the JICA Study Team initially proposed is unnecessary taking the purposes of each process and restrictions into account.

## **Chapter 8**

# **Chapter 8 Recommendations for Developing a Qualification System for SME Consultants**

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## Chapter 8 Recommendations for Developing a Qualification System for SME Consultants

This chapter presents recommendations for developing a qualification system for SME consultants, which reflect the results of the pilot projects to the draft proposal.

The purpose of these recommendations is to develop a new qualification system for SME consultants and thereby to improve the quality of the consulting service provided by KOSGEB.

### 8.1 Qualification System for SME Consultants

End states which the establishment of a qualification system for SME consultants should bring about include:

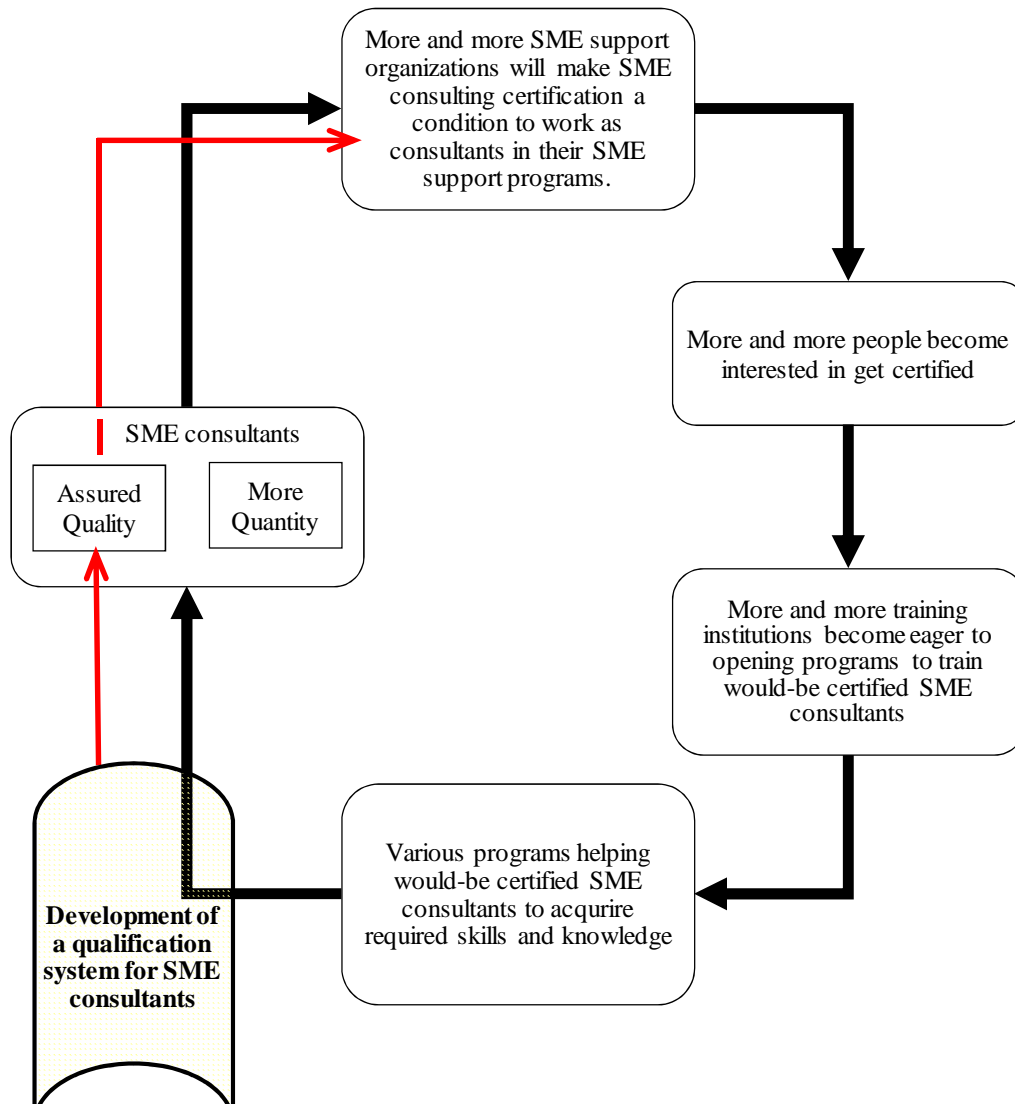
- An institution of authority has set up and disclosed the assessment procedures and principles, namely criteria of what SME consultants have to be able to do as well as a screening process, according to which fair testing and certifying activities are carried out.
- SME consultant certification is required to work as consultants in various SME support programs set by public and private SME support institutions including Small and Medium Enterprise Development Organization (KOSGEB)<sup>1</sup>
- Trust built on the quality of certified SME consultants keeps the demand for them high, which makes SME consultant an attractive profession
- Mechanisms to help them to acquire skills and knowledge necessary to pass the screening process have been put in place in response to an increased number of aspiring certified SME consultants

To achieve them, it is necessary to create a virtuous cycle shown in Figure 8-1.

Developing SMEs is a national goal, and the creation of such a virtuous cycle makes possible qualitative and quantitative expansion of SME consultants who contribute to it.

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<sup>1</sup> Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Başkanlığı



Source: JICA Study Team

**Figure 8-1 Virtuous Cycle a Qualification System for SME Consultants Creates**

To create the virtuous cycle, the JICA Study Team presents recommendations on a new qualification system for SME consultants in the following order.

- Framework of a qualification system for SME consultants
- What SME consultants should be like (the profile of certified SME consultants)
- An occupational standard for SME consultants
- Evaluation procedures in a new certification system
- Evaluation materials
- Training of SME consultants
- Procedures for KOSGEB's consulting support service

## 8.2 Framework of a Qualification System for SME consultants

### 8.2.1 Direction of how to Operate a New Qualification System

This Study had been planned for the purpose of helping KOSGEB to improve its in-house evaluation criteria and evaluation methods in registering SME consultants and proposing a roadmap to develop them into a national qualification system for SME consultants.

Right after the start of the Study, it turned out that KOSGEB had done away with its in-house SME consultant registration system and that it ran a tentative system instead, but the JICA Study Team confirmed that KOSGEB still intended to set new criteria and corresponding evaluation methods together with the JICA Study Team. As initially planned, the JICA Study Team proposed what SME consultants should be like and how to evaluate candidates, and then implemented pilot projects with KOSGEB to test the validity of them.

By the time when preparation for the pilot projects started, KOSGEB determined to develop a new qualification system according to the national vocational qualification system described in Chapter 4. It has started discussing with relevant institutions.

### 8.2.2 Vocational Qualification System

In Turkey, Turkish Accreditation Agency (TÜRKAK)<sup>2</sup> accredits certifying bodies according to international standards. The scope of accreditation includes personnel certification bodies together with product certification bodies, management system certification bodies, and testing and calibration bodies.

Meanwhile, in the track of national vocational qualifications (NVQ) in the United Kingdom, it has become common in the European Union to certify those who meet occupational standards set in the technical and vocational fields. In line with the trend, Vocational Qualifications Authority (MYK)<sup>3</sup> was established in 2006 in Turkey. MYK is an institution to approve occupational standards, and bodies accredited by TÜRKAK test and certify applicants. A key of vocational qualification system is the fairness ensured by third-party assessment made according to prescribed procedures and principles.

Table 8-1 shows the role allocation of MYK, TÜRKAK and other relevant institutions in the national vocational qualification system in Turkey.

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<sup>2</sup> Türk Akreditasyon Kurumu

<sup>3</sup> Mesleki Yeterlilik Kurumu

**Table 8-1 Institutions Related to the National Vocational Qualification System in Turkey**

Institution	Responsibility	Requirement
MYK	<ul style="list-style-type: none"> <li>■ Establishment of occupational standards</li> <li>■ Monitoring of certifying and testing bodies</li> </ul>	
TÜRKAK	<ul style="list-style-type: none"> <li>■ Accreditation of certifying and testing bodies in accordance with ISO17024</li> </ul>	
Certifying and testing bodies	<ul style="list-style-type: none"> <li>■ Administration of tests or monitoring of testing bodies</li> <li>■ Awarding of certification</li> <li>■ Monitoring of training bodies which are accredited by institutions authorized by MYK</li> </ul>	Accreditation by TÜRKAK
Training bodies	<ul style="list-style-type: none"> <li>■ Provision of training programs which help trainees to gain knowledge, skills and other ability required by relevant qualifications</li> </ul>	Accreditation by the institutions authorized by MYK

Source: JICA Study Team

The recommendations for developing an occupational standard of SME consultants which are described below are based on the assumption that it will be developed in line with the framework of MYK's vocational qualification system and that KOSGEB will exchange a protocol with MYK to prepare it.

### 8.3 What SME Consultants should be like (Profile of SME Consultants)

#### 8.3.1 Profile of SME Consultants

In Turkey, the idea that consultants refer to specialists in certain fields takes a firm hold.

To stop using the term "SME consultant" in a vague way, the JICA Study Team proposes to define it as a consultant taking care of all basic aspects of SME management, as opposed to a consultant who advises SMEs only on specific areas.

As described in Chapter 6, SME consultants have to be able to fulfill both advisory and coordinating roles, that is:

(a) Advisory role:

SME consultants are the closest counselors of SMEs who support their development.

(b) Coordinating role:

SME consultants address any kinds of problems facing SMEs from holistic and long-term perspectives. When advanced knowledge and/or techniques are necessary to solve their problems, they look for and find appropriate experts or organizations to work in cooperation with.

Usually, SME consultants give consulting service for SMEs all by themselves and thus they need all-around knowledge and skills (except those of specific technologies in manufacturing) as advisers who address a wide range of problems in a flexible manner to see how SMEs are doing, identify their problems, determine priorities and advise them from comprehensive and impartial points of view. They need to be generalist-consultants with knowledge on all major areas related to SME management to be able to serve SMEs in any sectors too.

If needed, as coordinators, they also have to be able to serve as intermediaries between SMEs and specialist-consultants of various areas as well as introduce suitable support programs available for them.

Note that the JICA Study Team does not argue that all consultants working for SMEs have to be generalist-consultants; advice and guidance by specialist-consultants are often necessary once problems of high priority are identified. Instead, the JICA Study Team argues that observing how SMEs are doing in unbiased ways at the initial stage of consultation is a must for SME consulting and that consultants doing it should be generalist-consultants.

### **8.3.2 Differentiation between SME Consultants and Management Consultants**

In principle, MYK does not allow multiple professions to overlap each other. To prevent overlaps, MYK obliges concerned parties to prepare an occupation map in which similar professions are sorted out before starting the preparation of an occupational standard.

In many countries, there is no clear definition of enterprise consultants. No qualification system for them is put in place either. As a result, consultants with expertise and experience in different areas call themselves management consultants. This situation not only confuses client enterprises but often damages reputation of consultants as a whole. Turkey is no exception. Sharing common awareness that this is a problem, concerned people have hoped that a qualification system of consultants is set in place. In fact, an institution has already applied to MYK for setting an occupational standard of management consultants. To follow the principle of MYK that overlaps between professions are unacceptable, KOSGEB needs to make explicit what SME consultants are by preparing an occupational map of consultants before exchanging a protocol with MYK and start preparation of an occupational standard of SME consultants.



The following sections describe the ideas of the JICA Study Team on this issue.

First section presents the view of the JICA Study Team that SME consultants are different from management consultants as conventionally understood in terms of necessary knowledge and ability. Second section proposes sorting enterprise consultants by specialty according to the idea that SME is an area of specialties.

Final section discusses the case when an occupational standard of management consultants is still necessary even after those of specialized enterprises consultants are set. A proposal of the JICA Study Team is to define management consultants as those who have multiple specialty areas and to set the level of qualification at a level higher than those of specialist consultants.

(1) Difference in Required Ability

In many countries, the term “management consultants” is used vaguely as a collective term which refers to enterprise consultants; those providing professional services for enterprises to help them to solve various problems in management are all called management consultants. They call themselves management consultants, too. While primarily helping SMEs, SME consultants are also considered to be a sort of management consultants.

Areas related to management are wide-ranged, and each area divides into multiple sub-areas. All sectors have specifics. Ideal management consultants address them all. Unfortunately, however, being such consultants are impossible. Every management consultant has areas and/or sectors to specialize in. Major specialized areas include business management, human resources management, production management, finance, information technology and support for the acquisition of ISO certification to name a few. To have areas of expertise is a must for every management consultant who competes with each other.

SME consultants the JICA Study Team proposes are generalist-consultants in the sense that they do not necessarily have to have specialized areas, but that they specialize in SMEs instead. If SME consultants are a kind of management consultants, they are those specializing in SME management as opposed to management consultants specialized in human resources management for example.

Suppose SME consultants are a kind of management consultants, the order of priority in required ability is different between SME consultants and other management consultants. If it is possible to sort knowledge and ability of management consultants into two elements in the light of the scope and depth, the first is deep knowledge and abundant experience in specialized areas just like specialist physicians. The second is wide-ranged knowledge and

experience which enable consultants to identify problems of enterprises whatever areas they fall into, which can be seen in analogy with the ability and experience which are necessary to be family doctors who identify various diseases. As can be seen in the analogy of doctors, having wide-ranged knowledge and ability is a must for SME consultants; having deep knowledge and abundant experience in specific areas comes second for them although having them is of course preferable. On the other hand, having deep knowledge and abundant experience in specific areas is more important for other management consultants and having wide-ranged knowledge and experience is secondary.

(2) Differentiation by Level between SME Consultants and Management Consultants in the National Vocational Qualification System

In the view of the JICA Study Team, it is unsuitable, unnecessary, and impossible to set a common occupational standard among enterprise consultants with different specializations and different client bases.

Knowledge and ability required for all kinds of enterprises overlap only in extremely basic elements. Natural consequence of setting a common occupational standard would be that it becomes virtually useless for all concerned parties, because being certified cannot serve as a sign of good capabilities as consultants.

At the same time, if not impossible, it would take time to reach consensus on it among stakeholders with different expertise in different areas. Spending long time on discussions has to be avoided.

Regarding SME consultants as a kind of management consultants, namely management consultants specializing in SME management, is possible, and yet the competence required for SME consultants are different from that required for other enterprise consultants. Defining SME consultants as an occupation and setting an independent occupational standard for them is reasonable considering specific needs of SMEs.

The recommendations of the JICA Study Team are as follows:

- Defining each enterprise consultant according to specialization and obliging each to add its area of specialization to the title of profession. Examples are financial consultants and production management consultants. Likewise, consultants specializing in SME are defined as and named SME consultants.
- Setting the level of qualifications for these consultants at six in eight-point scale, which is considered equivalent to a bachelor's degree.

The JICA Study Team believes that it suffices if occupational standards for various specialized consultants including SME consultants are established at level six. If there still needs to develop an occupational standard for management consultants, however, the JICA Study Team would like to present the following recommendation.

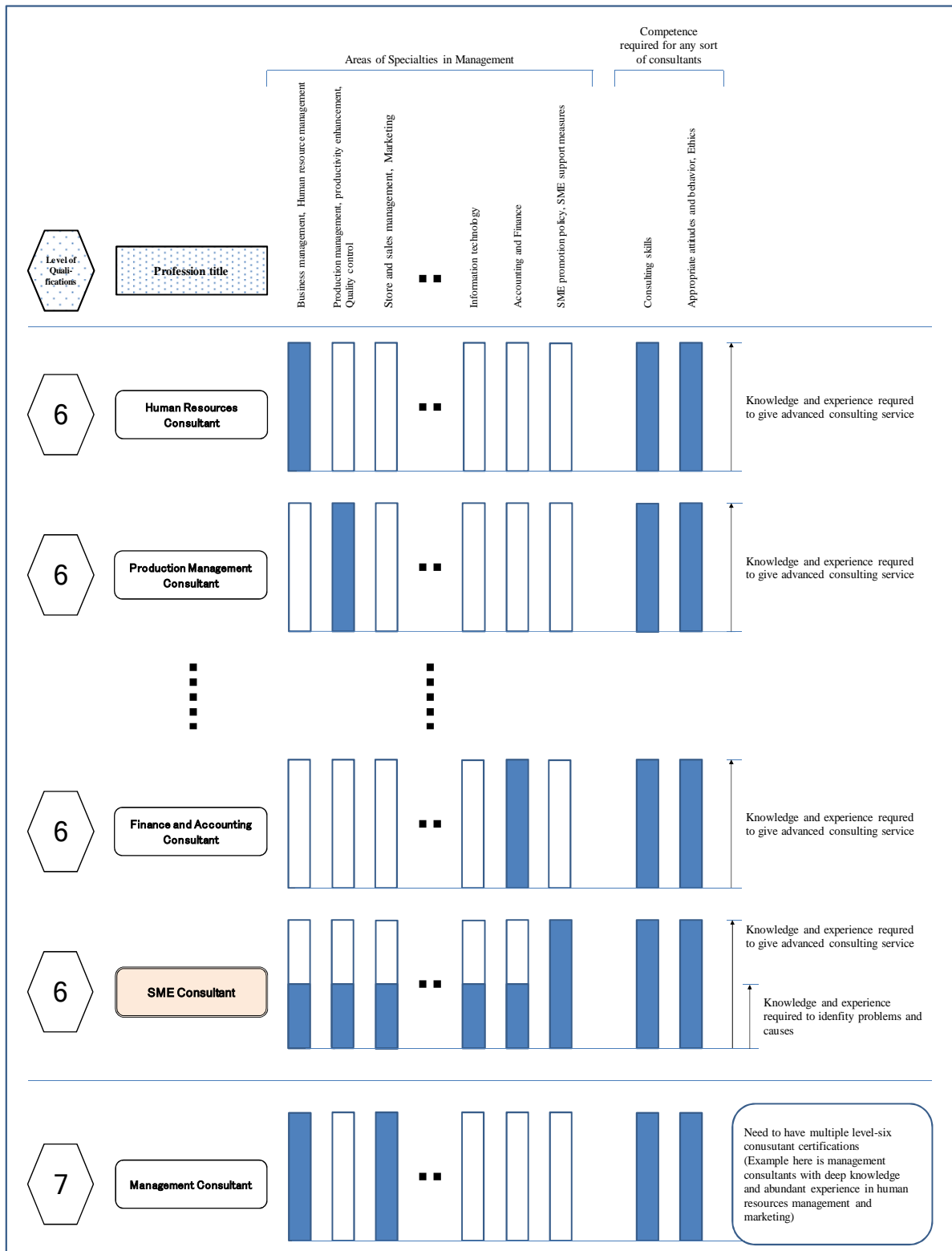
- Defining management consultants as those specialized in multiple fields. That is, making it a condition for getting certified as management consultants to be certified as level-six specialized consultants in multiple fields. Then, set the level of qualification of the profession at level seven, which is considered equivalent to a graduate degree.

By doing so, management consultants at level seven and various specialized consultants at level six can coexist as different professions and establishing an occupational standard of each occupation becomes possible even though they share commonality as consultants.

The JICA Study Team hopes that occupational standards of various consultants including SME consultants will be established in line with the national vocational qualification system. Who will prepare each standard depends on the decision by MYK. The assumption of the JICA Study Team is that KOSGEB, who plays a central role in SME promotion, prepares a level-six occupational standard for SME consultants while concerned institutions prepare other level-six standards for other consultants

YDD, an association which is entitled to accredit Certified Management Consultants (CMC) is a candidate institution to prepare a level-seven occupational standard of management consultants.

Figure 8-2 shows the difference between level-six specialized consultants and level-seven management consultants in terms of the width and depth of knowledge and ability.



Source: JICA Study Team

**Figure 8-2 Difference in the Scope and Depth of Competence between Level-six Specialized Consultants and Level-Seven Management Consultants**

#### **8.4 An Occupational Standard for SME Consultants (Recommendations for KOSGEB)**

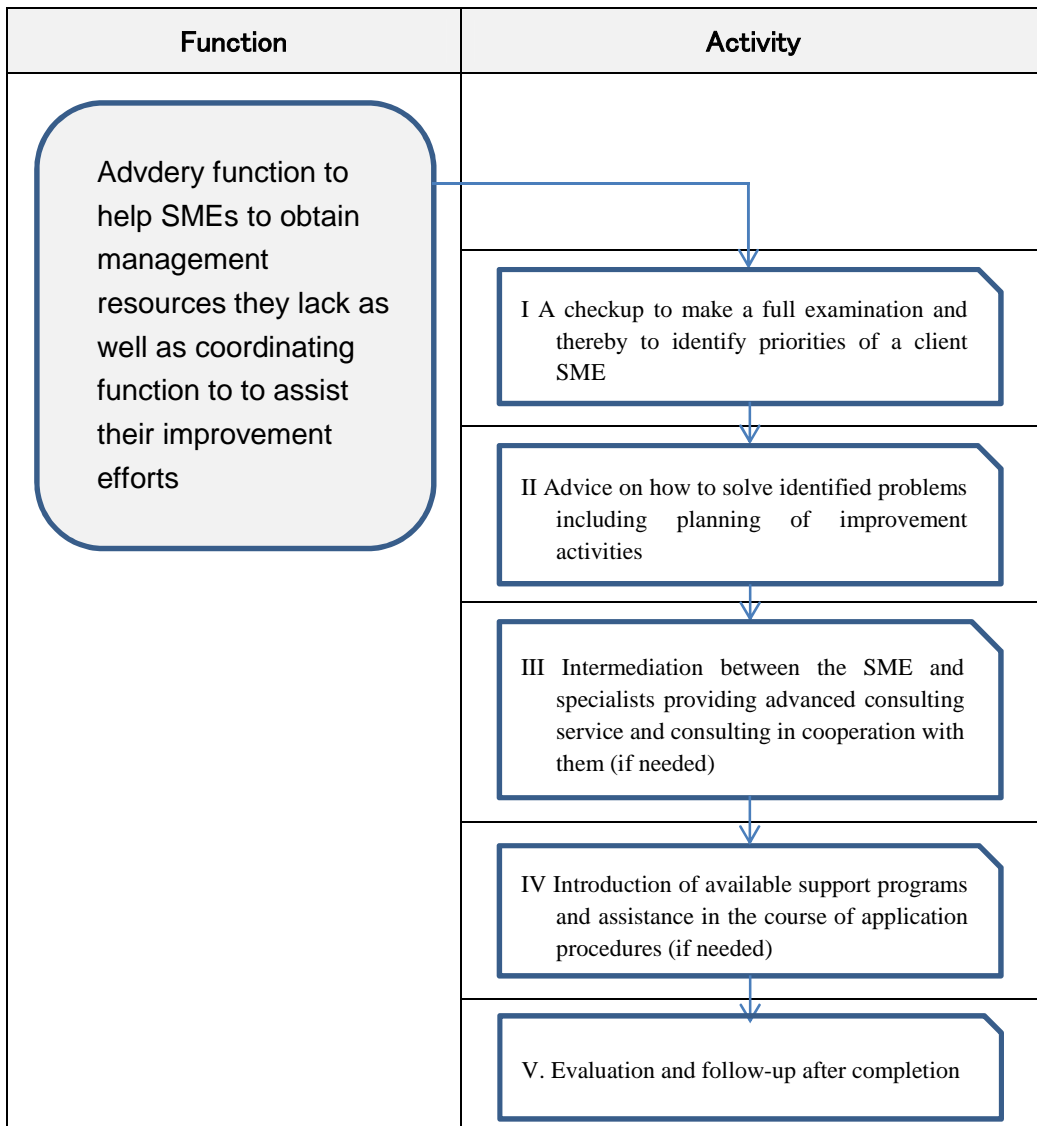
As described in 8.3, the JICA Study Team assumes that KOSGEB will exchange a protocol with MYK to prepare a draft occupational standard for SME consultants. Recommendations in this section are meant for KOSGEB.

An occupational standard set in line with MYK's national occupational standard system is composed of activities, which are then divided into tasks. Ability necessary to perform each task has to be listed.

For occupations performing routines such as welders, machine operators and inspectors, it is possible to divide activities into tasks and then to state required ability for each task either in figures or in terms of "do" or "not do." However, consultants are professions mobilizing all available resources such as knowledge, experience, skills, networks to name a few. In principle, their jobs are atypical; they need to adapt flexibly to circumstances, responding to various requests of clients so that they can eventually offer a sense of satisfaction. An occupational standard which is composed in the same way as those of occupations performing routines does not fit in with such properties of consulting activities.

The proposal of the JICA Study Team described below does not follow the prescribed "Occupational Standards Format." Activities are not divided into tasks; the standard presented here lists elements required for performing each activity in terms of skills, knowledge and attitudes and behavior instead. Then, five-scale evaluation criteria for each element are presented.

Functions of SME consultants divide into five activities as shown in Figure 8-3.



Source: JICA Study Team (Revised from Figure 6-2)

**Figure 8-3 Functions and Activities of SME Consultants**

Table 8-2 shows required components for each activity in terms of skills, knowledge and attitudes and behavior.

**Table 8-2 Competence and Quality Requirements for SME Consultants****Activity I A checkup to make a full examination and thereby to identify priorities of a client SME**

Skills	Knowledge	Attitudes/behavior
Project management ability		
Information collection skills		
Problem analysis and agenda setting ability		
	Knowledge on basic areas in SME management and ability to use it in practice	
	Recognition of the interconnectedness among different areas and cross-cutting knowledge	
		Hands-on approach; stress on actuals
		Personality to win confidence, communication skills, persuasiveness, and presentation skills
		Work ethics

**Activity II Advice on how to solve identified problems including planning of improvement activities**

Skills	Knowledge	Attitudes/behavior
Project management ability		
Consulting skills and leadership to support improvement efforts until achieving results		
	Knowledge on basic areas in SME management and ability to use it in practice	
	Recognition of the interconnectedness among different areas and cross-cutting knowledge	
		Hands-on approach; stress on actuals
		Personality to win confidence, communication skills, persuasiveness, and presentation skills
		Work ethics

**Activity III Intermediation between the SME and specialists providing advanced consulting service and consulting in cooperation with them (if needed)**

Skills	Knowledge	Attitudes/behavior
Ability to bridge a client and specialists from the viewpoint of the client		
Ability to collaborate with specialists synergistically		
	Basic knowledge of specific fields	
		Personality to win confidence, communication skills, persuasiveness, and presentation skills
		Work ethics

**Activity IV Introduction of available support programs and assistance in the course of application procedures (if needed)**

Skills	Knowledge	Attitudes/behavior
Ability to collaborate with related organizations and support programs synergistically		
Ability to assist applications for support programs		
	Knowledge of SME promotion policies and support programs (public and private sectors)	
	Knowledge of how to apply for support programs	
		Personality to win confidence, communication skills, persuasiveness, and presentation skills
		Work ethics



**Activity V Evaluation and follow-up after completion**

Skills	Knowledge	Attitudes/behavior
Project management ability		
Assessment skills		
Consulting skills and leadership to support improvement efforts until achieving its results		
Ability to develop strategic plans		
	Knowledge on basic areas in SME management and ability to use it in practice	
	Recognition of the interconnectedness among different areas and cross-cutting knowledge	
		Hands-on approach; stress on actuals
		Personality to win confidence, communication skill, persuasiveness, and presentation skill
		Work ethics

Source: JICA Study Team: (Revised from Table 6-1)

Table 8-3 shows the scope of knowledge on basic areas in SME management.

**Table 8-3 Scope of Basic Understanding and Knowledge on SME Management**

<b>I Business management (including human resource management)</b>
<p>Management and managers: Quality requirements, leadership, etc.</p> <p>Business activities: Management philosophy (vision), management strategies, business environment analysis (SWOT analysis), management plans (long-term planning, annual planning, management cycle (PDCA)), Kaizen (5S, QC circle activities)</p> <p>Management strategy: Growth strategies (Ansoff's product-market matrix, product portfolio management by BCG) , competitive strategies (five factors in competition by Porter), and industrial clusters</p> <p>Management organization: Management structure (function, matrix, etc.), principles of management structure design, organization life cycle, organizational management (scientific management, human relations, etc.), motivation (Maslow's hierarchy of needs, Herzberg's motivation hygiene theory, etc.)</p> <p>Human resources management: Employment and labor relations (recruitment, assignment and transfer, qualification and authority, job description, working conditions), assessment of employee's performance (management by objectives), remuneration system (system and type, performance evaluation, qualification and salary), education and training, (training method, OJT/Off JT)</p> <p>Ethics: corporate social responsibility, global environment, etc.</p>
<b>II Production management</b>
<p>Product development: Product design, drawings, etc.</p> <p>Production management: Type of production, production planning, scheduling and production control, work management, layout, industrial engineering, visualization, 5S, production information system, etc.</p> <p>Materials procurement, inventory management: material requirements planning, order system, ABC analysis, supplier control, value analysis, etc.</p> <p>Equipment maintenance and quality control (QC): Preventive maintenance, periodical maintenance, capacity utilization rate, techniques (total quality management [TQM], 7 tools for QC, new 7 tools for QC, ISO 9001, 5-why questioning, ECRS [eliminate, combine, rearrange and simplify])</p> <p>Work environment and safety: 4R (refuse, reduce, reuse, recycle), waste management, safety and hygiene measures, etc.</p>
<b>III Store and sales management</b>
<p>Sales distribution information system: Point of sale system, bar codes, customer relationship management, etc.</p> <p>Store facilities: Store function, design (store composition, layout, product display, lighting and coloring)</p> <p>Product purchase and sales: Product management and budgeting (gross margin return on inventory investments, sales volume budget, inventory volume budget, makeup budget, purchase volume budget), commodity composition and product lineups (store concepts), purchase (classification by volume, classification by supplier, transaction conditions), pricing and sales promotion (pricing characteristics in retails, in-store merchandizing )</p> <p>Physical distribution and transport management: functions of logistics and logistics strategies (distribution network etc.)</p>
<b>IV Marketing</b>
<p>Basic concept: Definitions, transition of definitions (product-out, market-in etc.), domain of marketing</p> <p>Goal/Target setting/management: Sales plan, sales target, profit goal, market share, assessment, etc.</p> <p>Marketing strategy: Marketing management process, environment analysis, 4P (product, price, channel/distribution, promotion), consistency with management resources, target marketing, relationship marketing, internet marketing.</p> <p>Market study: Objective of market study, target, type and scope of market study, assessment and measures, marketing information system, consumer behavior, purchasing behavior of organizations, customer satisfaction, etc.</p>
<b>V Accounting and finance</b>
<p>Operating capital management: Equity capital, borrowed capital, short-term capital, long-term capital</p> <p>Financial statements: Balance sheet, profit and loss statement, cash flow statement, etc.</p>

<p>Management analysis: Profitability, efficiency, liquidity, cash-flow analysis: net cash from operating, investing and financing activities</p> <p>Break-even point analysis: fixed cost and variable cost, break-even sales</p> <p>Investment evaluation: Simple interest and compound interest, present value, future value, methods of investment evaluation (net present value method, internal rate of return method, payback period method)</p> <p>Cost accounting: Classification and structure, actual/standard costs</p>
<p><b>VI Legal aspects</b></p>
<p>Corporate activity: Type of incorporation and registration, business startup and permit, license holders, etc.</p> <p>Contract and credit: Type of contract, performance and default, tort, etc.</p> <p>Labor law: Employment and layoff, working hours and salary, work safety and hygiene, and union</p> <p>Tax management and accounting: Reporting of operational results, tax incentive and customs, tax return application, etc.</p> <p>Intellectual property: Patent, utility patent, copyright, trademark, etc.</p> <p>Others: Product liability, consumer protection, international trade, EU directives, etc.</p>
<p><b>VII Information system</b></p>
<p>Information technology: Operating system and application software, database, network, security</p> <p>Information system: Business decision and information, process innovation, information dissemination and decision making routes, etc.</p> <p>Information system plan: Medium-term plan, annual plan, budget management</p> <p>Information management: Rules, storage, updating and risk, outsourcing</p>

Source: JICA Study Team (Modified from Table 6-2)

Table 8-4 shows five-grade evaluation criteria on required capabilities. For all capabilities, score 3 is the level of competence required for SME consultants.

**Table 8-4 Five-level Criteria to Evaluate Skills, Knowledge and Attitudes and Behavior for Certifying SME Consultants**

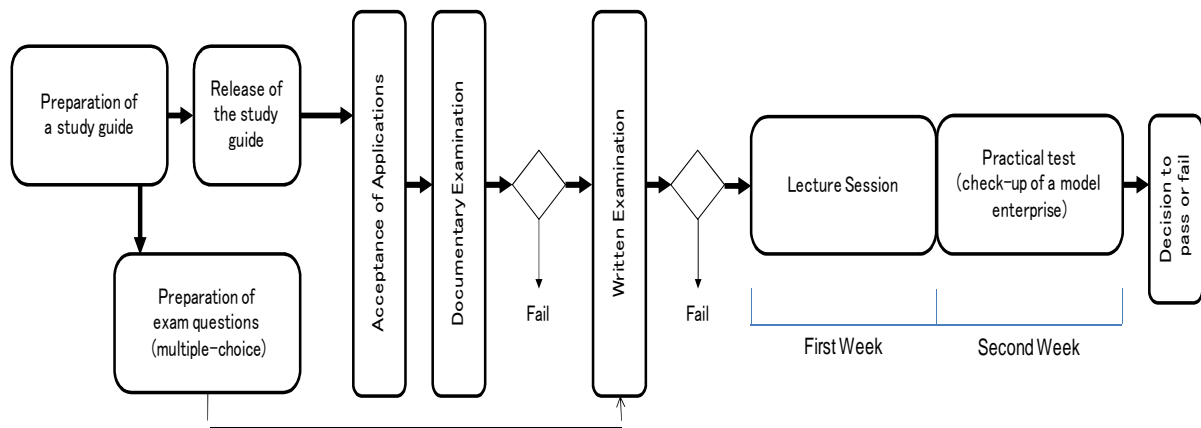
Category	Item	Criteria				
		High ←				→ Low
		5	4	3 level required for SME consultants	2	1
Skills	Project management ability	Can develop work plans and move them forward keeping attentive to time and budget constraints as well as priorities; Can achieve consulting objectives as scheduled and follow up clients in a responsible way	Can develop work plans and move them forward keeping attentive to time and budget constraints; Can achieve consulting objectives as scheduled	<b>Can achieve consulting objectives as scheduled</b>	Cannot adjust plans to situations; Cannot achieve consulting objectives as scheduled	Cannot develop deliberate work plans; Cannot follow plans
	Information Collection Skills	Can collect information efficiently with hypotheses as to problems and solutions in mind	Can collect information efficiently which is necessary to find problems and set agendas	<b>Can collect information necessary to find problems and set agendas</b>	Can collect information necessary to find problems and set agendas but in an inefficient (intermittent) manner.	Cannot figure out what information to collect to find problems and set agenda; Cannot collect necessary information
	Problem analysis and agenda setting ability	Can apply various knowledge and methodologies depending on clients' specifics to organize collected information and figure out what's going on; Can set logical realistic and tailored agendas as well as set priorities	Can apply various knowledge and methodologies depending on clients' specifics to organize collected information, figure out what's going on and set agendas toward solving problems	<b>Can organize collected information and figure out what's going on; Can set reasonable agendas toward solving problems</b>	Can organize collected information and figure out what's going on; but Cannot set logical and convincing agendas toward solving problems	Cannot organize or analyze collected information; Cannot set agendas toward solving problems
	Consulting skills and leadership to support improvement efforts until achieving results	Can advise clients using all available technique to help them until getting results; Can make clients self-motivated for improvement activities	Have consulting skills and leadership to induce clients to take actions and advise them until getting results	<b>Have consulting skills good enough to induce clients to take actions and advise them until getting results</b>	Do not have sufficient consulting skills enough to induce clients to take actions for improvement and/or continue them until getting results.	Do not have consulting skills; Cannot induce clients to take actions to improve at all;
	Ability to bridge a client and specialists from the viewpoint of the client	Can introduce experts who clients are willing to ask advice in a timely manner; Can serve as an intermediary between them to make experts' consulting activities smoother	Can introduce experts who clients are willing to ask advice; Can serve as a coordinator between them to make experts' consulting activities smoother	<b>Can introduce experts who clients are willing to ask for assistance when they need them</b>	Cannot find experts who clients are willing to ask advice even when they need ones to solve specific problems	Cannot find them at all when clients need experts who are able to solve specific problems
	Ability to collaborate with specialists	Can facilitate communication with other experts irrespective of their specialties; Can achieve consulting objectives as scheduled	Can work with other experts irrespective of their specialties; Can serve as a coordinator among experts to achieve consulting objectives as scheduled	<b>Can work with other experts irrespective of their specialties</b>	Can work with other experts but with difficulty due to lack of communication skills and timeliness	Have never worked with other experts; Cannot cooperate with other experts
	Ability to collaborate with related organizations and support programs	Can inform clients of public and private organizations supporting SMEs and their supporting programs; Exhort them to use those meeting the needs of clients as well as help SMEs to use them (ex. going with them to support organizations)	Can inform of public and private organizations supporting SMEs and their supporting programs and, if needed, induce them to use them	<b>Can inform clients of public and private organizations supporting SMEs and their supporting programs</b>	Cannot inform clients of public and private organizations supporting SMEs or their support programs sufficiently; Cannot induce SMEs to visit/use them	Cannot inform clients of public and private organizations supporting SMEs or their support programs at all
	Ability to assist application procedures for support programs	Can prepare and apply for supporting programs on behalf of clients, if needed	Can support and advise clients throughout the process of application procedures for support programs, using information from relevant support organizations	<b>Can support and advise about SMEs' preparing applications for support programs, using information from relevant support organizations</b>	Can pass information and tips for applications from relevant support organizations on to clients; but Cannot support other application procedures	Cannot support or advise about clients' applying for support measures by SME support organizations
	Assessment skills	Can notice and analyze gaps between plans and actuals; Can identify underlying problems; Can propose adjustment of plans, remedies and the order of priorities	Can notice and analyze gaps between plans and actuals; Can identify underlying problems; Can propose remedies	<b>Can notice and analyze gaps between plans and actuals; Can identify underlying problems</b>	Can notice delays in and/or deviations from plans; Cannot identify problems causing them	Cannot notice delays in and/or deviations from plans until it is too late; Cannot identify problems causing gaps between plans and actuals
	Ability to develop strategic plans	Can propose medium to long-term strategic directions considering constraints in managerial resources and internal and/or external changes in environments; Can help clients to develop strategic plans	Can propose medium to long-term strategic directions, considering constraints in managerial resources and internal and/or external changes in environments	<b>Can propose medium to long-term strategic directions</b>	Can propose unrealistic medium to long-term strategic directions only	Can propose makeshift measures only
Knowledge	Knowledge on basic areas in SME management	Have good knowledge extending broad fields required for SME consulting including those outside one's own specialties; Know much about schemes and tools useful for consulting	Have good knowledge extending broad fields required for SME consulting including those outside one's own specialties; Know about basic schemes and tools useful for consulting	<b>Have knowledge extending broad fields required for SME consulting including those outside one's own specialties; Know about some major schemes and tools useful for consulting</b>	Know about fields outside one's own specialties but only shallowly	Know about one's own fields of expertise only
	Recognition of the interconnectedness among different areas and cross-cutting knowledge	Recognize interconnectedness among different consulting fields; Have good cross-cutting knowledge	Recognize interconnectedness among different consulting fields; Have basic cross-cutting knowledge	<b>Recognize interconnectedness among different consulting fields</b>	Recognize interconnectedness among different consulting fields, but not enough	Not recognize interconnectedness among different consulting fields at all
	Basic knowledge of specific fields	Have developed good knowledge in multiple fields enough to handover tasks or cooperate with experts of other fields with no difficulty	Have developed basic knowledge of multiple fields enough to handover tasks or cooperate with experts of other fields with no difficulty	<b>Have developed minimum required knowledge of multiple fields enough to handover tasks or cooperate with experts of other fields with no difficulty</b>	Have developed minimum required knowledge of multiple fields; but Cannot apply it well in practice, for example, when handovering tasks or cooperating with experts of other fields.	Know about one's own fields of expertise only
	Knowledge of SME promotion policies and support programs	Have up-to-date and deep knowledge on SME promotion policies and public/private support programs	Have basic knowledge about SME promotion policies and public and/or private support programs	<b>Know some major SME promotion policies and public and/or private support programs</b>	Do not know much about SME promotion policies or public and/or private support programs enough to explain them to clients.	Do not know about SME promotion policies or public and/or private support programs
	Knowledge of how to apply for support programs	Have sufficient knowledge of how to apply for support programs; Can advise SMEs about it in place of the staff of support organizations	Have sufficient knowledge of how to apply for support programs	<b>Have general knowledge of how to apply for support programs, and Can support SMEs' applying for one if relevant organizations offer tips on how to</b>	Do not know much about how to apply for support programs; Can hardly support SMEs' applying for one even with tips from support organizations	Have never supported SMEs' applying for support programs; Do not know about how to apply for them
Attitudes and Behavior	Hands-on Approach; Stress on Actuals	Attach weight to actuals; confirm what is going on by oneself; Can elicit proposals based on findings and give advice	Attach weight to actuals; confirm what is going on by oneself; Can elicit proposals based on findings	<b>Attach weight to actuals; confirm what is going on by oneself</b>	Try to figure out actuals without being biased by theories and/or generalities; but Cannot elicit proposals based on observation	Be caught up in theories, generalities, and/or biases; Lack multilateral point of view in proposals
	Personality to win confidence, communication skills, persuasiveness and presentation skills	Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be confident, logical and persuasive enough to make clients listen and take actions; Be a good listener enough to elicit clients' views and true needs	Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be confident, logical and persuasive enough to make clients listen to and take actions	<b>Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be logical and persuasive enough to make clients listen to</b>	Have yet to win the trust of clients though trying to be sincere; Cannot articulate ideas logically enough to persuade clients	Lacks sincerity, teamwork, and/or communication skills necessary to win the trust of clients and other relevant people
	Work ethics	Observe professional ethics as well as contracts				Cannot observe professional ethics which SME consultants must follow

Source: JICA Study Team

## 8.5 Evaluation Procedures in a New Certification System

### 8.5.1 Original Proposal on the Evaluation Process to Certify SME Consultants

Figure 8-4 shows elements of assessment procedures which the JICA Study Team had in mind before starting the preparation of the pilot projects.



Source: JICA Study Team (Same as Figure 7-1)

**Figure 8-4 Elements of Proposed Evaluation Procedures to Certify SME Consultants**

Results of the pilot projects testing it is presented in Chapter 7. Although there are findings and lessons for improving the details of each element or step, the JICA Study Team has confirmed the validity and operability of the three-stage evaluation process as well as the effectiveness of intensive and exhaustive learning in lecture sessions.

### 8.5.2 Proposal for Testing and Certifying Bodies on the Evaluation Process in line with the Occupational Standard Framework Regulated by MYK

The pilot projects tested a chain of preparation and implementation of the evaluation process shown in Figure 8-4 in one stretch. Here, the JICA Study Team proposes how to apply it to the framework of occupational standard system regulated by MYK.

MYK prescribes that testing and certifying bodies accredited by TÜRKAK establish processes and tools to evaluate skills, knowledge and attitudes and behavior according to relevant occupational standards authorized by MYK. Proposals here are for testing and certifying bodies of the qualification.

## (1) Evaluation process

Table 8-4 shows five-level criteria to evaluate skills, knowledge and attitudes and behavior for certifying SME consultants. The JICA Study Team proposes that candidates need to have skills, knowledge and attitudes and behavior which are good enough to earn 3 points or more for all the evaluation items. Measures to evaluate them are a set of a documentary examination, a written examination and a practical test.

Table 8-5 shows which steps evaluate which items. While written examinations and practical tests measure some competence directly, others are evaluated indirectly.

**Table 8-5 Evaluation Items and Tools of Evaluation**

Category	Item	Evaluation tools and methods ○direct evaluation △indirect evaluation		
		Documentary examination	Written examination	Practical test
Skills	Project management	△		○
	Information collection	△		○
	Problem analysis and agenda setting	△		○
	Consulting skills and leadership to support improvement efforts until achieving results	△		△
	Ability to bridge the client and specialists from the viewpoint of the client	△		
	Synergetic collaboration with specialists	△		○
	Synergetic collaboration with related organizations and support programs	△		
	Assistance for application procedures	△		
	Assessment	△		
	Strategic planning	△		△
Knowledge	Knowledge on basic areas in SME management and ability to use it in practice		○	
	Recognition of the interconnectedness among different areas and cross-cutting knowledge	△		○
	Basic knowledge of specific fields		○	
	Knowledge of SME promotion policies and support programs (public and private sectors)	△		
	Knowledge for application procedures	△		
Attitudes/behavior	Hands-on approach; stress on actuals	△		○
	Personality to win confidence, communication skills, persuasiveness, and presentation skills	△		○
	Work ethics	△		○

Source: JICA Study Team

The first step of evaluation is a documentary examination, which is followed by a written examination. A practical test is the final step. Decisions to pass or fail are made at each step, and only successful applicants go to the next step. The JICA Study Team proposes to oblige those who have passed a practical test to attend a lecture session, details of which are described later in 8.6.4.

(2) Institutions to Assess Applicants

As shown in Table 8-1, institutions involved with the national occupational standard system regulated by MYK are MYK, which approves and publicizes occupational standards, TÜRKAK, which accredits testing and certifying bodies, testing and certifying bodies, and training bodies which are accredited by bodies authorized by MYK. As the number of people interested in the SME consultant certification increases, non-accredited training institutions will also open training programs to meet various needs of applicants.

Accredited testing and certifying bodies are in charge of testing, namely three-step evaluation composed of a documentary examination, a written examination, and a practical test. Their tasks include setting grading criteria of documentary examinations, preparing (multiple-choice) exam questions, setting pass criteria of written examinations, preparing a manual for implementing practical tests, and setting pass criteria of practical tests.

A principle of occupational standard system regulated by MYK is that it does not matter how applicants have acquired concerned competence. Accordingly, although participation in lecture sessions was mandatory in the pilot projects, it has to be on a voluntary basis. That is, there needs to be a way which enables applicants to get certified without attending lectures sessions.

The JICA Study Team proposes separating the areas covered in the pilot projects into two, namely areas whose lectures are held for applicants who have passed a practical test before giving certifications and those which are set in written examinations. Participation in the lectures in the former has to be mandatory for all successful applicants.

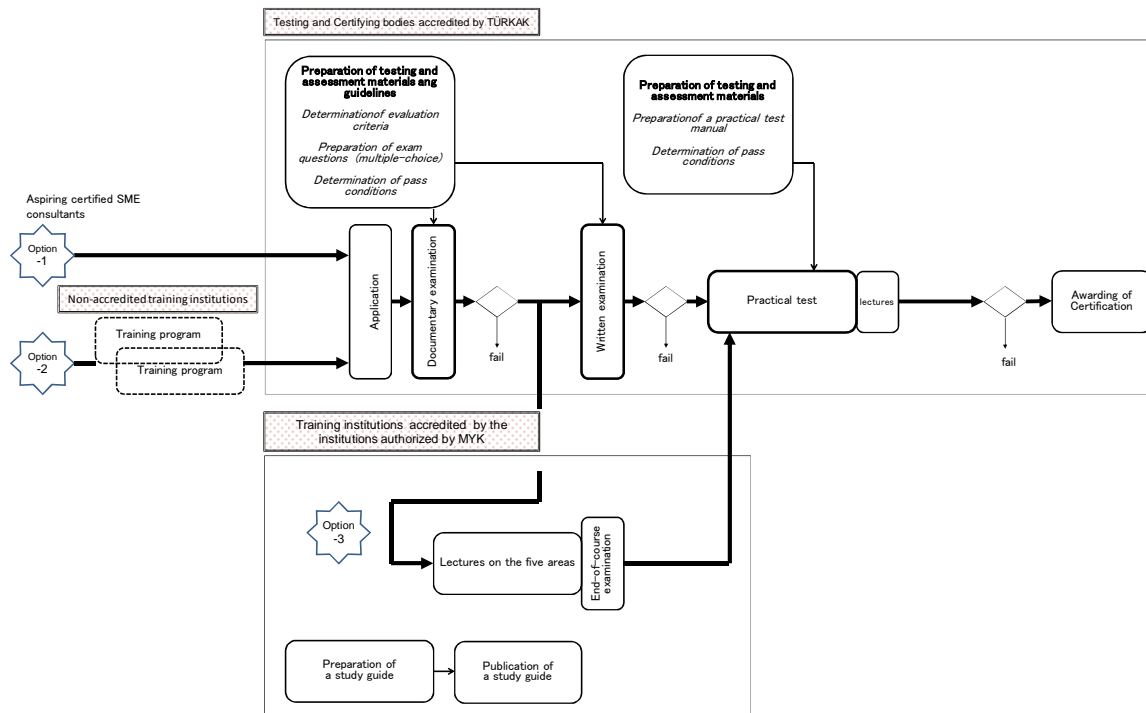
Training institutions open training courses in the latter areas. Although MYK prescribes that it does not matter how applicants acquire required ability, it also prescribes that training provided by accredited training institutions can substitute for a part of evaluation. To be approved, training programs are examined in terms of whether they match relevant occupational standards. After being admitted, testing and certifying bodies monitor them on a regular basis.

Accredited training institutions are supposed to prepare and publish a study guide, hold lecture sessions which are intensive in terms of time as well as exhaustive in terms of coverage. Participation in such a lecture session should be able to serve as substitute of passing a written examination which is set by testing and certifying bodies.

In sum, three options below should be available for applicants.

- Option 1 Undergoing three-step screening without participating in any training programs
- Option 2 Undergoing three-step screening after participating in non-accredited training programs
- Option 3 Participating in a lecture session by accredited training bodies in place of taking a written examination after passing a documentary examination. After the lecture session, taking a practical test set by testing and certifying bodies.

Figure 8-5 shows elements of evaluation procedures the JICA Study Team proposes in which the three options are available for applicants.



Source: JICA Study Team

**Figure 8-5 Elements of Proposed Evaluation Procedures in which Three Options are Available**



### **8.5.3 Proposal for Testing and Certifying Bodies on Periodical Renewal of Qualification**

In order to keep up with ever-changing management environments and technological progress, SME consultants need to keep upgrading their knowledge and ability.

MYK prescribes that a renewal system should be set if necessary, and doing so is a must for an occupational standard for SME consultants. Setting in a renewal system makes it possible to ensure that certified SME consultants have up-to-date knowledge and ability as well as to encourage them to keep enhancing their capabilities.

Recommendations on the renewal system are:

- Renewals in the three-year cycle
- Judgment for renewals based on records of consulting activities and attendance to training programs for the past three years; points given to each element as well as total points necessary for renewal have to be pre-determined.
- Obligation to attend a mandatory lecture session; all that wish to renew their certifications have to attend a lecture session held by testing and certifying bodies (see 8.6.4 for details)

## **8.6 Evaluation Materials – Proposal for Testing and Certifying bodies**

### **8.6.1 Documentary Examination**

Documentary examinations measure skills, knowledge and attitudes of applicants.

Table 8-6 shows the evaluation criteria the JICA Study Team proposes. It is a version modified from the ones which were prepared for the pilot projects, which is shown in Table 7-5.

Changes from the previous ones are about consulting experience and found in annotation of Table 8-6. The proposal of the JICA Study Team is to make holding at least a bachelor's degree and having consulting experience requisites for passing a documentary examination. However, doing so may encourage those with no consulting experience to do consulting work to gain consulting experience (that is, to meet a prerequisite), which damages reputation of consultants as a whole. In the light of increasing the number of consultants, it is also desirable to leave open a possibility for those without consulting experience to become certified SME consultants. The screening process of the SME consultant registration system in Japan includes training in which applicants check up SMEs. The checkups done in the training are seen as

consulting experience. However, note that the practical tests proposed (later in 8.6.3) cannot not be equivalent to such training in the Japanese system; in a proposed practical test, applicants checkup one or two SMEs, but it is not enough to be seen as sufficient consulting experience. On the other hand, increasing the number of model enterprises to be checked up in a practical test makes monetary burdens of testing and certifying bodies too large.

Instead of making the practical test equivalent to the training in the screening process of the SME consultant registration system in Japan, the JICA Study Team proposes regarding consulting training under the supervision of certified SME consultants as consulting experience.

In parallel, it is necessary to make it possible for those engaged in SME promotion activities in SME support institutions, both private and public ones, to become certified SME consultants without interrupting their careers. The modified criteria regard working experience in SME support institutions including KOSGEB as consulting experience.

According to the results of the pilot projects shown in Chapter 7, the JICA Study Team proposes to set the pass score at 60 point; 29 out of 33 consultants who turned in applications in the pilot projects have earned 60 or more.

**Table 8-6 Evaluation Criteria of the Documentary Examination**

Item	Criteria	Point
<b>Educational Background</b>		<b>20</b>
(*) Bachelor's degree	14 points if holding one or more degrees (degree certificates required)	14
Master's degree	17 points if holding one or more degrees (degree certificates required)	17
Doctoral degree	20 points if holding one or more degrees (degree certificates required)	20
<b>Job Experience at Enterprises</b>		<b>16</b>
Years of Experience (*1)	1 point/year, up to 8 points (documentation required)	8
Years in Management Positions	2 points/year, up to 8 points (documentation required)	8
<b>Consulting Experience</b>		<b>38</b>
(*) Years of Experience (*2)	3 points/case, up to 21 points (documentation required)	21
List of Success Cases	6 points if a case is presented 12 points if two cases are presented 17 points if three or more cases are presented (client reference required)	17
<b>Certification</b>		<b>8</b>
Certification and Professional Licenses (*3)	3 points if holding a certificate/license 6 points if holding two certificates/licenses 8 points if holding three or more certificates/licenses (documentation required)	8
<b>Training</b>		<b>8</b>
Relevant Training Received (*4)	1 point /50 hours of training, up to 4 points (certificate[s] required)	4
Experience as a Lecturer	4 points if ever lectured	4
<b>Foreign Language Proficiency</b>		<b>4</b>
Test Scores (*5)	4 points if getting required scores in KPDS, TOEIC, TOEFL, or IELTS	4
<b>Statement on Motivation and Self-assessment</b>		<b>6</b>
What brought the applicant to SME consultation (motivation)	3 points if solid and sound reasoning based on applicant's experience is presented	3
5-scale self-assessment in business ethics, trustworthiness, planning ability, initiative, and kindness	3 points if self-assessment of the five elements are reported	3
<b>Total</b>		<b>100</b>

(\*) Reject if 0 point, irrespective their total points

\*1: Years including years in managerial positions

\*2: Years of training experience under the supervision of certified SME consultants and years of working experience for private and public SME support institutions are considered equivalent to years of consulting experience

\*3: Points are given for holders of the following certifications/licenses which are well recognized in the SME consultancy field.

- Certification as an auditor of ISO9001, ISO14001, ISO18001 or ISO22002
- Certification as a CMC (Certified Management Consultant)
- Registration as an ABIGEM consultant
- Registration as a VGM consultant

\*4: Counted as a 10-hour training if an evidence of training does not show its length.

\*5: 4 points if getting the scores below

KPDS 70 or over; TOEIC (990+SW); 775 or over; TOEIC (990) 600 or over;  
TOEFL (IBT) 65 or over; TOECL (CBT) 155; TOEFL (PBT) 470; IELTS 6 or over  
Score equivalence based on YÜKSEKÖĞRETİM KURUMU (YÖK)

Source: JICA Study Team

### **8.6.2 Written Examination**

Written examinations measure whether applicants know concepts, theories, methods, and other items which are needed for SME consultants. The areas covered in written examinations which the JICA Study Team proposes are business management (including human resources management), production management, store and sales management, marketing, and accounting and finance. To secure fairness, they should be in-class examinations instead of sending questions and collecting answers by e-mail, etc.

The JICA Study Team recommends multiple-choice questions. In the screening process of SME consultant registration system in Japan, first-stage examinations are multiple-choice. In the second stage, essay questions in which applicants check up imaginary SMEs presented in question statements. Note that essay questions set in Japan are based on knowledge and experience gained in checkup training for successful applicants which is conducted for a long period of time. In addition, grading fairly and impartially a large number of answers is difficult. As more objective grading criteria are set, essay questions become more like multiple-choice questions. Setting written examinations in a screening process of consultants is new in Turkey. Practical tests can measure how well applicants apply knowledge into practice, how well they analyze problems and how well they set agenda. Thus, the JICA Study Team does not recommend adding essay questions in the screening process in Turkey.

The JICA Study Team has given KOSGEB all the questions prepared for the pilot projects together with comments of Turkish experts, hoping that testing and certifying bodies use them as a reference when preparing exam questions.

Acceptability criteria of written examinations have to be set not only in five-area average but also in the minimum lowest score among the five areas, given that SME consultants, as generalists, need to have knowledge of all these areas.

In the view of the JICA Study Team, desirable pass criteria are five-area average at 60 and the minimum lowest score at somewhere between 30 and 40.

### **8.6.3 Practical Test**

Candidates who have passed both documentary and written examinations take a practical test, which should measure their competence as SME consultants including general consulting skills, ability to apply knowledge in practice, communication skills and attitudes. In proposed practical tests, applicants check up model enterprises; they observe their operation, find problems, set agenda, and propose action plans. Processes and results including presentations and recommendations are assessed to determine pass or fail according to prescribed criteria.

Below is the flow of a practical test.



- Selection of a model enterprise
- Preparatory visits by instructors-cum-evaluators
- Orientation for applicants
- Preparation for a checkup
- First visit to the model enterprise
- Analysis
- Second visit to the model enterprise
- Analysis and report writing
- Presentation

(1) Schedule

Applicants check up one or two model enterprises. Including time for an orientation for applicants, allotted time the JICA Study Team proposes for a checkup is one week. Table 8-7 shows an exemplary schedule.

**Table 8-7 Exemplary Schedule of a Practical Test**

	Mon	Tue	Wed	Thu	Fri	Sat
AM	Orientation	Enterprise checkup	Organization of collected information Radar Chart development SWOT analysis	Detailed enterprise checkup	Analysis of result of detailed enterprise checkup Identification of problems and causes	Presentation
PM	Briefing on results of the preliminary survey Preparation for the first visit to a model enterprise		Identification of weak areas Preparation for second visit to the model enterprise		Development of improvement plan Report writing	

Source: JICA Study Team

(2) Prescription of Checkup Methods

There are various methods of checkups; consultants in Turkey, Japan and elsewhere use what they believe are best based on their experience. Having said so, a group of applicants give checkups together in a practical test, and performance of each of them has to be evaluated according to common criteria. In practical tests, therefore, it is desirable to have them use the same methods. As shown in the manual for practical tests, the JICA Study Team proposes using radar chart analysis and SWOT analysis. Figure 8-6 shows the flow of a checkup in practical tests.

(3) Model Enterprise

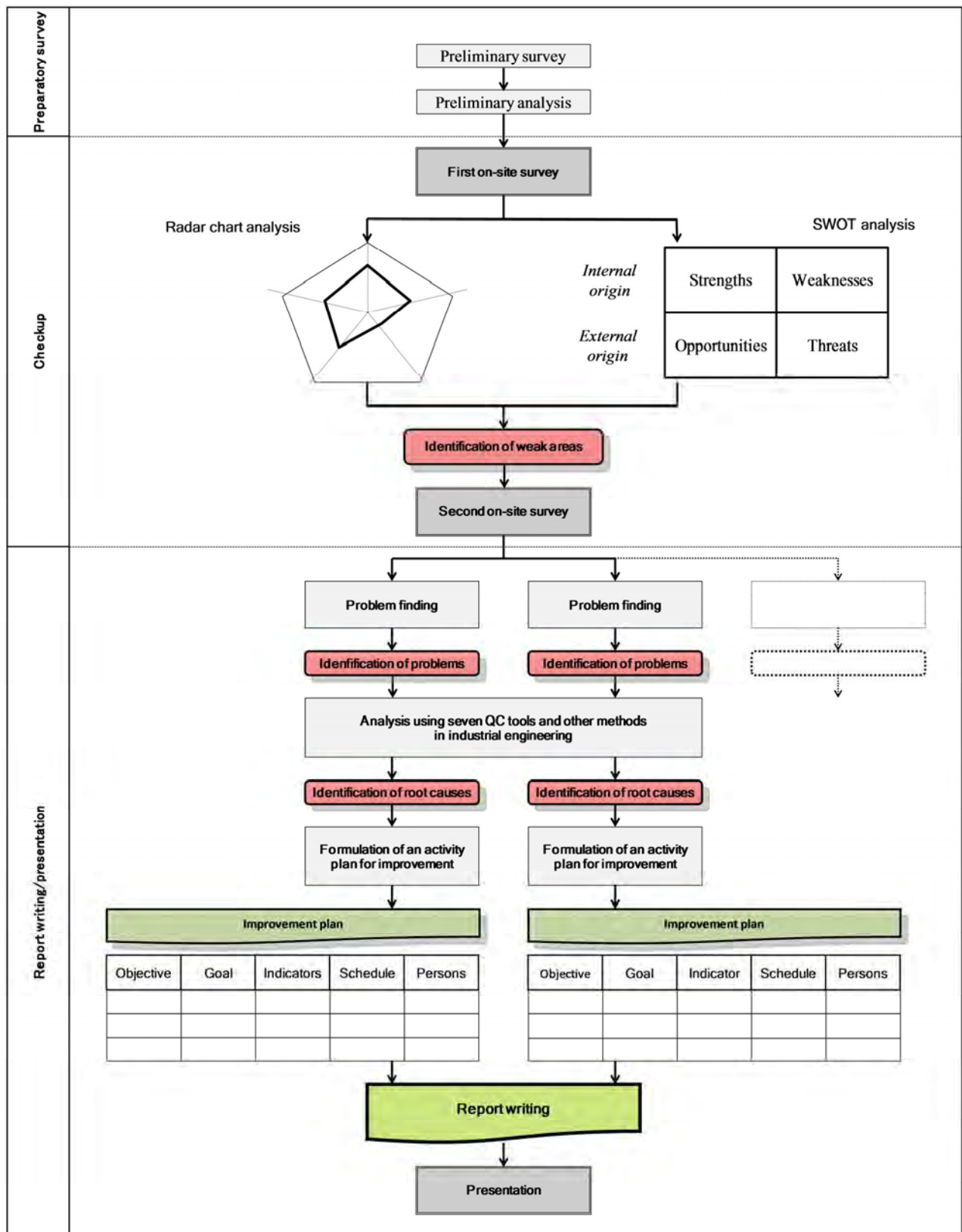
The following is criteria for selecting model enterprises the JICA Study Team proposes. Ideally, applicants check up two model enterprises, one in manufacturing and the other in trade and services in a practical test. If doing so is difficult due to time and monetary constraints, in other words, if applicants check up only one model enterprise, model enterprises should be manufacturing SMEs.

1) Criteria in picking model enterprises in manufacturing

- The president highly-motivated and willing to have his enterprise checked up
- Able to accept a two-time and two-day visit for a checkup
- Willing to show/disclose financial, production and sales information (acceptable even if some documents are unavailable or defective)
- 50 to 100 employees
- Have been in business for three years or more

2) Criteria in picking model enterprises in trade services

- The president highly-motivated and willing to have his enterprise checked-up
- Able to accept a two-time and two-day visit for a checkup
- Willing to show/disclose financial, production and sales information (acceptable even if some documents are unavailable or defective)
- 20 to 50 employees
- Have been in business for three years or more
- Desirable if producing, processing, and/or packaging in parallel with retailing (ex. A bakery selling at retail)



Source: JICA Study Team

Figure 8-6 Steps of a Checkup in Practical Tests

(4) Number of Applicants per Group and Role Allotment

An evaluator per applicant is ideal. However, in actual, an evaluator needs to observe and evaluate a group of applicants. Based on the experience in the pilot projects, a group composed of 10 applicants or more is too large. Group members need to work together while dividing their responsibility in terms of which area to focus on when checking up a model enterprise. Yet if too many members are in a group, some roles have to be shared by multiple persons. The JICA Study Team suggests composing a group by seven to eight applicants.

In deciding who are in charge of which area, not taking account of applicants' areas of expertise, or more frankly, assigning everyone an area out of the realms of their expertise is desirable to evaluate their ability as SME consultants, as SME consultants have to be familiar with a wide range of areas in SME management.

(5) Evaluation

Among all the evaluation items listed in Table 8-4, Table 8-8 picks those to be evaluated in practical tests. It defines five-level rating criteria for each item. Some items are weighted more in terms of point allocation. Evaluators first rate applicants on a scale of one to five according to the criteria and then calculate weighted scores. The pass score the JICA Study Team proposes is 3.1, which is earned if applicants earn 5 in ethics and 3 in the other components.



**Table 8-8 Evaluation Criteria of Practical Tests**

Category	Item	Criteria				Evaluation Method ○ Direct △ Indirect	Evaluation	Weight	Point
		High 5	4	3	2				
Skills	Project management ability	Can develop work plans and move them forward keeping attentive to time and budget constraints as well as priorities; Can achieve consulting objectives as scheduled and follow up clients in a responsible way	Can develop work plans and move them forward keeping attentive to time and budget constraints; Can achieve consulting objectives as scheduled	<b>Can achieve consulting objectives as scheduled</b>	Cannot adjust plans to situations; Cannot achieve consulting objectives as scheduled	Cannot develop deliberate work plans; Cannot follow plans	○	0.1	
	Information Collection Skills	Can collect information efficiently with hypotheses as to problems and solutions in mind	Can collect information efficiently which is necessary to find problems and set agendas	<b>Can collect information necessary to find problems and set agendas</b>	Can collect information necessary to find problems and set agendas but in an inefficient (intermittent) manner.	Cannot figure out what information to collect to find problems and set agenda; Cannot collect necessary information	○	0.1	
	Problem analysis and agenda setting ability	Can apply various knowledge and methodologies depending on clients' specifics to organize collected information and figure out what's going on; Can set logical, realistic and tailored agendas as well as set priorities	Can apply various knowledge and methodologies depending on clients' specifics to organize collected information, figure out what's going on and set agendas toward solving problems	<b>Can organize collected information and figure out what's going on; Can set reasonable agendas toward solving problems</b>	Can organize collected information and figure out what's going on, but Cannot set logical and convincing agendas toward solving problems	Cannot organize or analyze collected information; Cannot set agendas toward solving problems	○	0.15	
	Consulting skills and leadership to support improvement efforts until achieving results	Can advise clients using all available technique to help them until getting results; Can make clients self-motivated for improvement activities	Have consulting skills and leadership to induce clients to take actions and advise them until getting results	<b>Have consulting skills good enough to induce clients to take actions and advise them until getting results</b>	Do not have sufficient consulting skills enough to induce clients to take actions for improvement and/or continue them until getting results.	Do not have consulting skills; Cannot induce clients to take actions to improve at all;	△	0.05	
	Ability to collaborate with specialists	Can facilitate communication with other experts irrespective of their specialties; Can achieve consulting objectives as scheduled	Can work with other experts irrespective of their specialties; Can serve as a coordinator among experts to achieve consulting objectives as scheduled	<b>Can work with other experts irrespective of their specialties</b>	Can work with other experts but with difficulty due to lack of communication skills and lameness	Have never worked with other experts; Cannot cooperate with other experts	○	0.05	
	Ability to develop strategic plans	Can propose medium to long-term strategic directions considering constraints in managerial resources and internal and/or external changes in environments; Can help clients to develop strategic plans	Can propose medium to long-term strategic directions, considering constraints in managerial resources and internal and/or external changes in environments	<b>Can propose medium to long-term strategic directions</b>	Can propose unrealistic medium to long-term strategic directions only	Can propose makeshift measures only	△	0.05	
Knowledge	Recognition of the interconnectedness among different areas and cross-cutting knowledge	Recognize interconnectedness among different consulting fields; Have good cross-cutting knowledge	<b>Recognize interconnectedness among different consulting fields</b>	Recognize interconnectedness among different consulting fields, but not enough	Not recognize interconnectedness among different consulting fields at all	○	0.05		
Attitudes and behavior	Hands-on Approach: Stress on Actuals	Attach weight to actuals; confirm what is going on by oneself; Can elicit proposals based on findings and give advice	Attach weight to actuals; confirm what is going on by oneself; Can elicit proposals based on findings	<b>Attach weight to actuals; confirm what is going on by oneself</b>	Try to figure out actuals without being biased by theories and/or generalities; but Cannot elicit proposals based on observation	Be caught up in theories, generalities, and/or biases; Lack multilateral point of view in proposals	○	0.2	
	Personality to win confidence, communication skills persuasiveness and presentation skills	Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be confident, logical and persuasive enough to make clients listen and take actions; Be a good listener enough to elicit clients' views and true needs	Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be confident, logical and persuasive enough to make clients listen to and take actions	<b>Can win the trust of clients and other relevant people with sincere efforts and good communication skills; Be logical and persuasive enough to make clients listen to</b>	Have yet to win the trust of clients though trying to be sincere; Cannot articulate ideas logically enough to persuade clients	Lacks sincerity, teamwork, and/or communication skills necessary to win the trust of clients and other relevant people	○	0.2	
	Work ethics	Observe professional ethics as well as contracts				Cannot observe professional ethics which SME consultants must follow	○	0.05	
							Weighted score		

Source: JICA Study Team

Practical Tests aim to screen out applicants who are clearly unfit for being engaged in SME consulting, such as those who lack communication skills or those who are not willing to work in cooperation with others. In part, observation in practical tests serves as a substitute for interviews which are not included in the proposed assessment procedures.

In along with the explicit aim to evaluate applicants' competence as SME consultants, practical tests have the following implicit purposes too.

- A practical test serves as training on how to check up SMEs in Turkey where checkups by SME consultants from comprehensive points of view have yet to become common.

- Participation in a practical test can be a great opportunity to expand business networks with consultants with various areas of expertise, which is beneficial for them, because good networks with other consultants are assets for SME consultants who often need to work in cooperation with other experts when guiding and advising client SMEs.

#### 8.6.4 Mandatory Lecture Session

The JICA Study Team proposes making it mandatory for applicants who have passed a practical test to attend a lecture session which covers the areas listed in Table 8-9. They are the areas which were covered in lectures in the pilot projects but the five areas set in written examinations. A two to three-day session will suffice. Attending all the classes should be a must to be certified.

Like practical tests, mandatory lecture sessions serve as opportunities for successful applicants to build networks with other SME consultants.

**Table 8-9 Areas Covered in Mandatory Lecture Sessions Held for Successful Applicants**

Area	Content
Information technology	Knowledge necessary to serve as an intermediary between IT experts and SMEs who wish to make use of information technology in production control and/or sales management
Laws and regulations	Knowledge on laws, regulations, and procedures which are related to business startups and SME management, including those on intellectual property rights and fund-raising.
SME promotion policies and support measures	Knowledge on SME policy and SME support measures set by private and public institutions including KOSGEB
Code of conduct of SME consultants	Ethics SME consultants have to follow
Consulting skills	Knowledge on counseling, coaching, mentoring and etc.

Source: JICA Study Team

#### 8.6.5 Transitional Measures

To get a new occupational standard for SME consultants on track without delay as well as to promote its use, it is essential to make a significant number of certified SME consultants available at the early stage.

A new qualification for SME consultants is due to be established in line with the national occupational standard system regulated by MYK. The framework of qualification systems has been put in place in Turkey with TÜRKAK as a top institution of the system. MYK is an institution established for the purpose of approving occupational standards to keep up with the international trend on how to set occupational standards. The JICA Study Team is not sure

whether or not taking a transitional measure as described above is possible. First and foremost, however insisting on following prescribed acceptability criteria strictly and delaying or endangering the start of the qualification system by has to be avoided, because it is urgently needed for KOSGEB to use it in SME promotion. Other concerned parties have also long waited for it. In order to create a virtuous cycle starting from the establishment of a new certification system for SME consultants which is shown in Figure 8-1, the JICA Study Team proposes considering transitional measures.

The JICA Study Team recommends setting one(s) in written examinations.

- Setting written examination is uncommon as a mean to measure competencies of consultants. With no past resources available, a certain period of time for learning by doing is necessary for both test-takers and test-makers. The JICA Study Team proposes setting acceptability criteria of written examinations lower than they should be for some time, for example setting pass average score at 50 and the pass lowest score at 20.

## **8.7 Training of SME Consultants**

No statistics on the number of active enterprise consultants are available in Turkey. During the period between October 2010 to January 2011, the JICA Study Team asked associations of consultants and SME support organizations, both in private and public, about how many consultants were listed with them as a part of fact-finding surveys. Table 8-10 shows the result. The sum of registrations is 798.

Note that the result serves only as a guide. Data on consultants registered with KOSGEB is as of 2009, and KOSGEB has already done away with its registration system. Some consultants are listed with multiple organizations.

**Table 8-10 Number of Listed Enterprise Consultants in Turkey**

Organization	Number of Listed Consultants	Note
ABIGEM	50	
PRODER	35	
YDD	205	
VGM <sup>4</sup>	70	The number includes in-house consultants
KOSGEB	438 <sup>5</sup>	The number as of July 2009, before the registration system was abandoned.
Total	798	

Source: JICA Study Team

Just for information, in Japan, some 20,000 consultants are listed with the SME consultant registration system regulated by the Ministry of Economy, Industry and Trade and around 7,000 of them actually give SMEs consultation service. According to the definition of SMEs in Japan, which is different from that of Turkey, the number of SMEs, enterprises in manufacturing and those in trade and services together, is about 3.7 million.

In comparison, the number of registered consultants in Turkey, 798 in total including those giving consultation service primarily to middle-sized and large enterprises, is too small as against some 2.6 million SMEs<sup>6</sup> of the country. In addition, note that many of them are specialist-consultants; only ABIGEM requires consultants to be generalist-type consultants. As already described, SME consultants have to advise SMEs from comprehensive standpoints, for which knowledge and experience in all the major areas in management is necessary. Among 798 registered consultants, not all of them can advise SMEs that way. In this sense, the number of SME consultants is definitely in short.

In establishing an occupational standard for SME consultants, it is essential to build a system which makes it possible to ensure and/or improve their competence. At the same time, a system to increase the number of SME consultants, put differently, a system to train them is also necessary.

<sup>4</sup> VGM has also done away with the registration system.

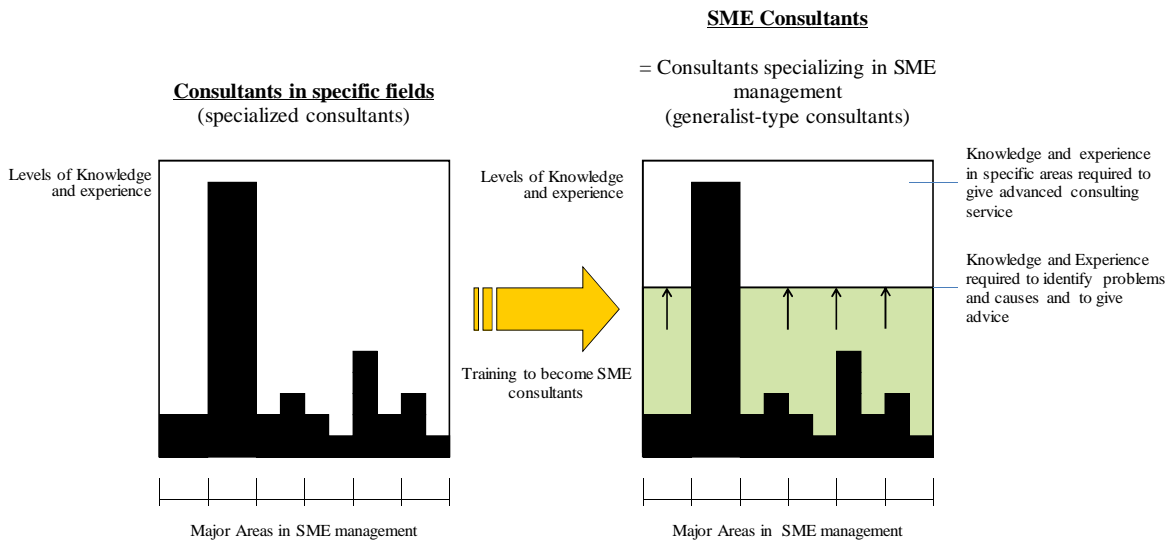
<sup>5</sup> As of 31st May, 2010, right before the abolishment of KOSGEB's in-house consultant registration system, 460 consultants including those working for consulting firms and 6,382 lecturers in colleges were registered.

<sup>6</sup> See Table 1-13. According to the information from KOSGEB, the data by the Turkish Statistical Institute (TSI) say that the number of SMEs in 2011 is 2,999,813.

The first step to train SME consultants lies in establishing a qualification system. Giving preference to certified SME consultants in job opportunities motivates would-be consultants to study to get certified. In 8.6.1, the JICA Study Team has proposed that consulting training by certified SME consultants should be regarded as consulting experience, which enables those without consulting experience to pass a documentary examination in the proposed assessment procedures.

To pass a written examination, the second step of the proposed screening process, knowledge in wide-ranged areas is necessary. Most enterprise consultants start their careers as experts in specific fields, because the term “consultant” is associated with specialized knowledge in Turkey; in other words, few people think about generalist-type consultants when hearing the word “consultant” whereas they are familiar with the concept of family doctors who provide a wide range of medical care. In fact, a large part of the participants in the pilot projects specialize in some fields, and they had a hard time understanding lectures as well as answering questions when they were outside the realms of their expertise.

In Turkey, therefore, a system to train generalist-type SME consultants needs to help specialist consultants to widen their spheres of knowledge and experience. Figure 8-7 visualizes the image of the path to train generalist-type SME consultants in Turkey.



Source: JICA Study Team

**Figure 8-7 Path to Train SME Consultants in Turkey**

As a way to do so, the JICA Study Team proposes establishing a system to help self-schooling of specialist-type consultants.

Based on the results of the pilot projects, the JICA Study Team proposes a two-pronged system composed of self-schooling using a study guide and study in short-term lecture sessions which covers wide-ranged areas.

### **8.7.1 Study Guide and Lecture Session**

A pillar of the system is a study guide which helps self-schooling of SME consultant candidates. The guide should show the scope of knowledge SME consultants need to have together with points of study. Another pillar is lecture sessions, which aim to let them ask questions about what they could not understand when studying by themselves as well as to make them figure out what fields (or topics) to study more. It is often the case that correspondence courses require learners to attend short-term lecture sessions for completion for the same purposes.

As shown in Figure 8-5, the recommendation of the JICA Study Team is that accredited training bodies prepare a study guide and hold lecture sessions in cooperation with testing and certifying bodies which prepare exam questions; accredited training bodies need to establish technical committees composed of experts in relevant areas to prepare a study guide and review it on a regular basis. In addition, they are in charge of holding lecture sessions, preparing and grading end-of-course examinations which can serve as a substitute for passing a written examination conducted by testing and certifying bodies.

#### **(1) Study Guide**

Like the participants in the pilot projects, a large part of SME consultant candidates are more likely to be specialist-type consultants; while they have consulting experience in their fields of expertise, they have no or a limited knowledge in other fields. Specialized books are available in Turkey. However, there is no limit in the scope and depth in any area. Without any guidance, many new learners may get at a loss to what extent of knowledge to acquire. Therefore, a guide showing the scope of knowledge which need to be acquired as well as points of study is necessary. It should cover topics which SME consultants need to know in giving standard consulting service to SMEs (See Table 8-3 for details). Note that it is a guide, not a textbook and thus the study guide alone is not sufficient for self-schooling. Using it as a reference material, they have to study with specialized books.

Table 8-11 shows the content of the study guide prepared for the pilot projects in cooperation with Turkish experts. The JICA Study Team hopes that it serves as a reference when testing and certifying bodies prepare one.

It is desirable to keep the latest study guide available on a website so that those interested can download it at any time.

**Table 8-11 Content of the Study Guide which was Used in the Pilot Projects**

Contents	
<b>Module I</b>	<b>Business Management</b>
	1. Leadership
	2. Business activities
	3. Business strategies
	4. Organizational structure
	5. Human resources management
<b>Module II</b>	6. Corporate responsibility
	<b>Production Management</b>
	1. Production management
	2. Procurement and inventory control
	3. Measures for production improvement
4. Safety management and environment control	
<b>Module III</b>	5. Information system for production control
	<b>Store and Sales Management</b>
	1. Store design and display
	2. Merchandizing
<b>Module IV</b>	3. Logistics
	4. Information system for sales control
	<b>Marketing</b>
	1. Basic concepts in marketing
	2. Marketing management
	3. Information system for marketing
<b>Module V</b>	4. Consumer behavior
	5. Marketing strategies
	6. New developments in marketing
	<b>Accounting and Finance</b>
	1. Financial management
	2. Working capital management
	3. Financial statements
4. Financial analysis	
5. Break-even point analysis	
6. Investment evaluation	
7. Cost calculation	

Source: JICA Study Team (same as Table 7-7)

## (2) Lectures

A major problem of studying in correspondence courses is that passing them through is difficult; learners sometimes get at a loss from what to start studying; in other cases, they come across something they do not understand and get stuck. To address these problems, lectures should be offered in a way flexible enough to meet different needs of individual learners. Offering lectures is effective not only to prevent them from getting stuck but to motivate them.

The JICA Study Team has confirmed in the pilot projects that even a short-term session could be a useful opportunity for participants to settle difficulties, to get them to figure out gaps in the levels of knowledge between their specialized areas and the others, and to get motivated for further study. The following is guidelines in building a framework of lecture sessions, which are based on the comments from the instructors and the participants of the pilot projects.

- Items covered in lecture sessions should be in line with the content of the study guide prepared for applicants, assuming that participating applicants study with it by themselves in advance by using it.
- Lectures in each area should be composed of a part outlining concepts, theories and methods and etc. and a part of doing case studies.
- Ideal instructors are familiar with both theory and practice; it is desirable that they have given consulting service to SMEs and can explain concepts and theories in a systematic way.
- In lectures on accounting and finance, not only providing exhaustive explanation but getting them to do exercises with the assistance of instructors is necessary, because few consultants are familiar with how to make a financial analysis and many have trouble in acquiring it by self-schooling while knowledge on it is a must for SME consultants. In addition, sufficient time for questions and answers should be secured.
- Longer time is needed for lectures in production management, for there are more items to cover than other areas.
- It is desirable to promote interaction between lecturers and participants as well as among participants instead of giving one-way lectures.

Table 8-12 shows an exemplary schedule in line with the above guidelines. It is a week-long program covering all the areas set in written examinations.

**Table 8-12 An Example Schedule of Lecture Session**

	Mon	Tue	Wed	Thu	Fri	Sat
Am	Business management (including human resource management)	Production management	Production management	Accounting and finance	Accounting and finance	Marketing
Pm			Store and sales management			

Source: JICA Study Team



If demand is high, it may be a good idea for training bodies to hold different types of lecture programs in terms of lengths and areas of coverage. As the length of a lecture session is longer, it becomes more like training.

8.5 has mentioned MYK's prescription that successful completion of a lecture session held by accredited training bodies can be a substitute for passing a written examination set by testing and certifying bodies. A similar system is set in place in Japan. In Japan, however, to be exempt from passing a written examination, would-be certified SME consultants have to complete a full-time training extending as long as six months. Here, the JICA Study Team proposes week-long or two to three-week sessions, taking account of the convenience of participants. To make it equivalent to passing a written examination of the proposed assessment procedures, accredited training bodies should set end-of-course examinations which trainees have to pass for completion.

### **8.7.2 Training by Non-accredited Training Institutions**

In the virtuous cycle shown in Figure 8-1, more people get interested in get certified once the qualification system takes root in the sense that the qualification as SME consultants which can be obtained by passing a series of documentary examination, written examination, and practical test gives them a lot of advantages for job opportunities. In response, more training institutions (or training programs) which help candidates to prepare for the screening will become available. The JICA Study Team hopes that universities start holding such programs as part of their adult education courses.

Those who receive training in non-accredited training institutions have to pass all the three steps of evaluation process as shown as Option-2 in Figure 8-5.

## **8.8 Procedures for KOSGEB's Consulting Support Service**

As part of the Study's objective to improve quality of KOSGEB's consulting service, this section proposes how to achieve it with the SME consultant qualification system.

### **8.8.1 Review of procedures for KOSGEB's consulting service**

As shown in Table 3-3, KOSGEB's consulting service is currently provided as a part of the general support program. Several changes were made in the past until the present procedures of the service has been established after.

Based on the review of the previous procedures and findings in the fact-finding surveys and supplemental surveys, there are three issues which should be addressed in the present scheme in order to improve the quality of KOSGEB's consulting support service.

#### Issue 1: Lack of a checkup in the course of consulting theme determination

First issue is that SMEs choose consulting topics. However, they should be determined after consultants get a complete picture of how they are doing and identify priorities in checkups. Checkups from an objective point of views are indispensable to SME consulting.

#### Issue 2: Consultants

As KOSGEB's consulting service for a SME is generally given by a single consultant, its effectiveness of guidance and advice depends heavily on the consultant's ability. In the current scheme, only consultants working for consulting firms with TSE-HYB certification can give consulting service and yet, the certificate does not necessarily assure the quality of individual consultants.

#### Issue 3: Role of SME experts

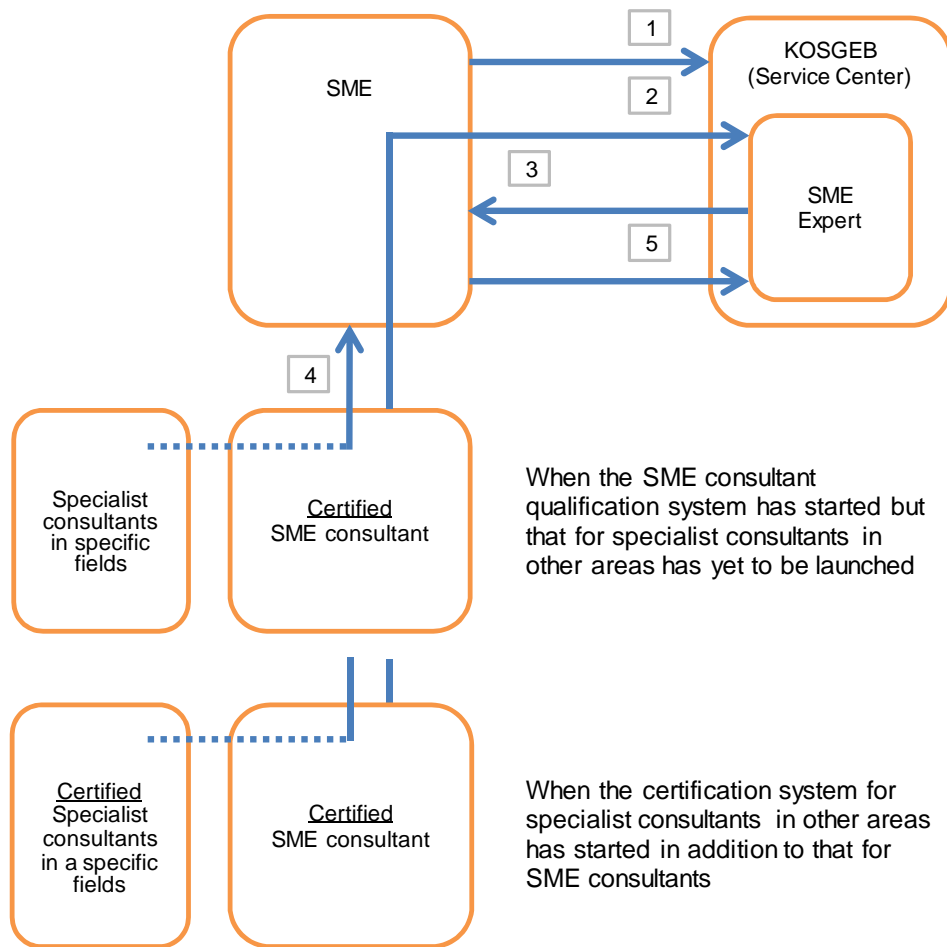
KOSGEB fails to use competent resources in an effective way. Most SME experts are busily occupied with handling paperwork in the office although the paperwork workload varies from region to region depending on the number of registered SMEs. Many of them wish to make use of their knowledge and experience in various management-related fields in their activities, but they simply do not have time to do so.

### **8.8.2 Recommendations for improving the quality of SME Consulting Service Quality**

In order to address the above three issues and improve the quality of KOSGEB's consulting service, whose potential demand from SMEs is high, the JICA Study Team recommends the following.

#### (1) Modification of the consulting service implementation scheme

The JICA Study Team proposes to modify the procedures for KOSGEB's consulting service. Figure 8-8 shows the proposed procedures.



1. An enterprise registers via the Internet.
2. It prepares a work plan for receiving consulting service to which a checkup report written by a certified “SME consultant” is attached, and submits it together with an application for the consulting support service.
3. An SME expert makes a paper-based examination of the consulting work plan.
4. The consultant provides consulting service for the company according to the plan, in cooperation with specialist consultants as required.
5. Upon completion, the consultant submits a completion report to the SME expert, who then checks the results and customer satisfaction referring to the work plan.

Source: JICA study team

**Figure 8-8 Proposed Procedures for KOSGEB’s Consulting Support Service**

The key element of the proposal is to require companies applying for KOSGEB’s consulting support service to receive checkups given by certified “SME consultants and attach their reports to the work plans. In the proposed procedures, an application is submitted after a generalist-type “SME consultant” examines, on behalf of a SME expert in charge, as

to whether the consulting service requested by the company is reasonable, which addresses the first issue.

As the SME consultant helps it to prepare the work plan and go on to provide consulting service, the mismatch between the company's needs and the consultant's capacity, which is as often pointed out during the field survey, can be avoided. The involvement of the SME consultant in application procedures also makes the document review by the SME expert simple.

The second issue can also be dealt with by requiring consultants to obtain SME consultant certification which is awarded in line with MYK's national occupational standard system.

In preparing consulting work plans and giving consulting service, SME consultants ask for assistance to specialist consultants as required. At this moment when national qualifications for respective specialists have yet to be established, SME consultants are responsible for finding right specialists. Once they are put in place in line with MYK's occupational standard system, however, it is desirable to require specialist consultants to work with SME consultants to obtain respective certification.

## (2) SME experts

Despite the expansion of KOSGEB's sector coverage in its support as well as the increase in the number of registered SMEs, KOSGEB has not increased the number of SME experts accordingly. Each SME expert has a heavy workload as a result. Meanwhile, it seems that the scope of duties or terms of reference of SME experts has yet to be clear. KOSGEB used to offer training programs for them in which knowledge of SME management and checkups are learnt, but those held in 2011 were primarily related to internal work and project management (as discussed in Chapter 4).

As KOSGEB's SME experts were originally experts in SME support, many of them have knowledge and experience in various management fields, including how to check up SMEs. Currently, however, they are unable to make effective use of their capacity and appear to feel uneasy. Taking into account their heavy paperwork workload in the office, the involvement of SME experts in the proposed procedures is minimal; SME experts only handle registration, examination of applications for support service, and evaluation of consulting service upon completion whereas SME consultants are responsible for a large part including selection of consulting themes and assistance for the preparation of work plans.

At present, KOSGEB is considering the role and functions of SME experts. In this connection, the JICA Study Team proposes to divide them into two categories, for example, administrative and specialist positions, as shown in Table 8-13. First and foremost, it is

necessary for KOSGEB to increase the number of SME experts in the administrative position so that it can deal with the rapid increase in the number of companies to be served and registered.

As for SME experts in the specialist position, it is desirable to require them to obtain SME consultant certification. In principle, they are expected to serve as in-house SME consultants conducting a variety of activities such as technical assistance for SMEs in preparation of the consulting work plans and evaluation and auditing of outside consultants. On top of that, the JICA Study Team proposes that duties of SME experts in the specialist position include the following three activities.

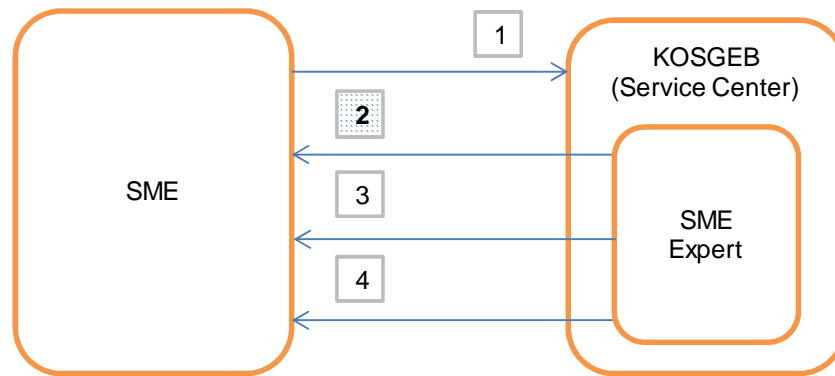
1) Preparation of SME management indicators

First activity the JICA Study Team proposes as a duty of SME experts in the specialist position is to calculate SMEs' management indicators on the basis of SMEs' financial statements for publication. In Japan, published annually by sector and company size, management indicators are used as benchmarks in identifying SMEs' problems. That is, SME management indicators form an integral part of consulting tools. In the pilot projects, participants analyzed financial statements as part of checkups. While it became apparent that few have experience in financial analysis, the absence of management indicators made it difficult.

In Turkey, the enterprise law will be amended in the near future. It is said that companies will be obliged to publish their financial statements via the Internet after the amendment. On this occasion, KOSGEB's SME experts in the specialist position should take the lead in calculating and publishing SME management indicators, which will serve as a powerful tool for SME consultants to make effective analysis and provide useful advice.

2) Implementation of checkups in the R&D and SME project support programs

Second activity is to give a checkup to an enterprise applying for the R&D and SME project support programs before the application is examined by the evaluation committee. Figure 8-9 shows procedures of these programs including such a step.



1. An enterprise submits an application for KOSGEB's support program.
2. An SME expert in the specialist post gives it a checkup.
3. The evaluation committee decides whether to approve the application based on the checkup report written by the SME expert.
4. The SME expert conducts periodical monitoring.

Source: JICA study team

**Figure 8-9 Proposed Procedures for the R&D and SME Project Support Programs**

For example, the subject of support of the SME project support program covers a wide range including purchase of equipment, employment, and marketing. Accurate assessment of a project in terms of feasibility and profitability is critical as a single project often determines the future of SMEs with limited resources. A SME expert, as a member of the evaluation committee, is supposed to give a checkup, according to which details of support should be determined.

### 3) Promotion of SME consulting support and exploration of potential demand

Third activity is to promotion activities to disseminate KOSGEB's consulting support service widely in the SME sector, for example, holding seminars introducing successful cases on a periodical basis. In order to expand the proportion in KOSGEB's SME support accounted for by consulting support service, it is important to explore potential demand under the leadership of SME experts once the competence of SME consultants is assured with the establishment of the SME consultant qualification system. In addition, visiting companies on a continuous basis is effective in making KOSGEB's consulting support service known to SMEs.

Table 8-13 summarizes qualifications and major responsibilities of the SME experts in the administrative and specialist positions.

**Table 8-13 Comparison of SME Experts in the Administrative and Special Positions**

	SME experts in the administrative position	SME experts in the specialist position
Qualification	None	To obtain SME consultant certification
Major responsibilities	<ol style="list-style-type: none"> <li>1. Registration of companies</li> <li>2. Acceptance and examination of an application for KOSGEB's support program</li> </ol>	<ol style="list-style-type: none"> <li>1. Support for a company applying for a support program in relation to preparation of the consulting work plan and the application</li> <li>2. Evaluation and auditing of consulting support service provided by an outside consultant on the basis of a completion report (including the tangible results, the level of satisfaction of the company, and assessment of the consultant's performance and service quality)</li> <li>3. Preparation and publication of SME-related management indices</li> <li>4. Participation in the evaluation committee for a support program other than consulting support and implementation of corporate diagnosis</li> <li>5. Promotional activity for expansion of consulting support service, including corporate visits</li> </ol>

**(3) Code of conduct for SME consultant**

The code of conduct sets and makes known to the public basic rules relating to professional conduct and ethics in order to establish and maintain dignity and reputation of a particular profession.

As an increasing number of persons obtain SME consultant certification and their association is established, the code of conduct should be established and published. It will take some time until it is established, however, because a qualification system for SME consultants has yet to be established.

In the meantime, the JICA Study Team proposes that KOSGEB establish and publish a code of conduct for outside consultants who are involved with its support programs.