

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

March 2012

JAPAN INTERNATIONAL COOPERATION AGENCY

UNICO International Corporation

ILD
JR
12-075

Currency Exchange Rate

	TRL→JPY	USD→JPY
As of September, 2011	40.40	77.88



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Republic of
Turkey

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 Sınavı	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

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)¹.

1. Background of the Study

Although the Turkish economy had slid into economic crises in the early 2000’s, it returned to growth after tackling structural reforms with support of the International Monetary Fund and other relevant organs; it grew rapidly after 2002, and became an upper middle income country in the classification by the Development Assistance Committee. Although Turkey had experienced negative growth again in 2009 due to the world economic crisis, it has quickly gotten back on the growth path. Meanwhile, membership talks between Turkey and the European Union (EU) started in 2005, and yet prospects remain uncertain.

Aiming at developing institutional bases in line with the *acquis* of the EU, the government of Turkey has set five goals in the Ninth Development Plan, such as increasing competitiveness, increasing employment, strengthening human development and ensuring regional development. Rationales of selecting these goals include: the need to secure job opportunities for its large labor population (around 25 million, the largest among the accession countries), especially for the increasing number of young people; the need to acquire a higher level of global competitiveness; and the need to enhance human resources development to match the needs of the business community.

Regarding SME promotion, the government of Turkey desires to strengthen KOSGEB’s institutional capacity or improve the effectiveness of support measures for small and medium-sized enterprises, which include consulting service. Accordingly, the establishment of a SME consultant qualification system was planned in the 2007-2009 SME Strategy and Action Plan, but the country unfortunately does not have sufficient information or experience required to do so. Capacity-building of KOSGEB staff, who operates the system, is also a pressing issue.

Under such conditions, KOSGEB asked the government of Japan for technical cooperation (in the form of development study) aimed at establishing a system which made it possible to use SME consultants effectively and efficiently as well as at improving the capability of KOSGEB staff that operates it. The Japan International Cooperation Agency (JICA) then confirmed the validity of such cooperation in the preparatory study which was

¹ Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Başkanlığı

conducted in March 2009. After a detailed planning study in July 2009, the JICA Turkey office and KOSGEB signed the scope of work for the Study in February 2010.

2. 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.

The Study had been planned based on the assumption that it would makes proposals on how to improve KOSGEB's in-house SME consultant registration system in anticipation of developing it to a national qualification system in the future.

Although it turned out that KOSGEB had done away with its registration system, the Study continued. After abandoning it for any reason, KOSGEB operated a new measure of selecting consultants. During discussions, however, KOSGEB informed that it was a temporary measure, indicating that it still intended to establish a SME consultant qualification system by determining evaluation procedures and principles of it with the support of the JICA Study Team.

3. Geographical Areas of the Study

The Study covers throughout Turkey. However, areas of field surveys are Ankara and other regions in which KOSGEB service centers are located.

4. Counterpart Organization

Small and Medium-sized Enterprise Development Organization (KOSGEB)

5. 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

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

6. Steering Committee

The JICA Study Team reported findings and results of the Study to the steering committee which was composed of KOSGEB and the JICA Turkey office for further discussions. Meetings were held twice. Timing and discussion topics were:

- 1) First steering committee

First steering committee was held at the end of the first field survey. The discussion was about findings of the fact-finding surveys.

- 2) Second steering committee

Second steering committee was held during the fourth field survey. The discussion was about recommendations of this report. Feedbacks from KOSGEB were obtained.

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

8. Workshop

As listed in major activities of field surveys, three workshops were held. Dates, sites, participants and presentation topics are as follows:

Workshop	Date	Site	Participants	Presentation topics
First workshop	January 20, 2011	Ankara	<ul style="list-style-type: none"> • KOSGEB staff • Staff of SME support organizations 	<ul style="list-style-type: none"> • Objective and framework of the Study • Findings of the fact-finding surveys
Second workshop	January 6, 2012	Ankara	<ul style="list-style-type: none"> • KOSGEB staff 	<ul style="list-style-type: none"> • Objectives, progress, and results of the pilot projects
Third workshop	February 23, 2012	Ankara	<ul style="list-style-type: none"> • KOSGEB staff • Staff of SME support organizations • Participants and model enterprises in the pilot projects 	<ul style="list-style-type: none"> • Outline and results of activities in the Study • Recommendations for establishing a SME consultant qualification system • Recommendations for improving KOSGEB's consulting service

Although the JIFA Study Team first planned to hold the first workshop at the beginning of the first field survey for the purpose of announcing the Study, it was actually postponed until the end of the survey as much time was necessary for discussions on the direction of the Study with the abolishment of in-house SME consultant registration system by KOSGEB.

The second workshop virtually served as a steering committee as it reported results of the pilot projects to KOSGEB (including members of the steering committee) and the JICA Turkey office.

9. Reports

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

10. Composition of the JICA Study Team

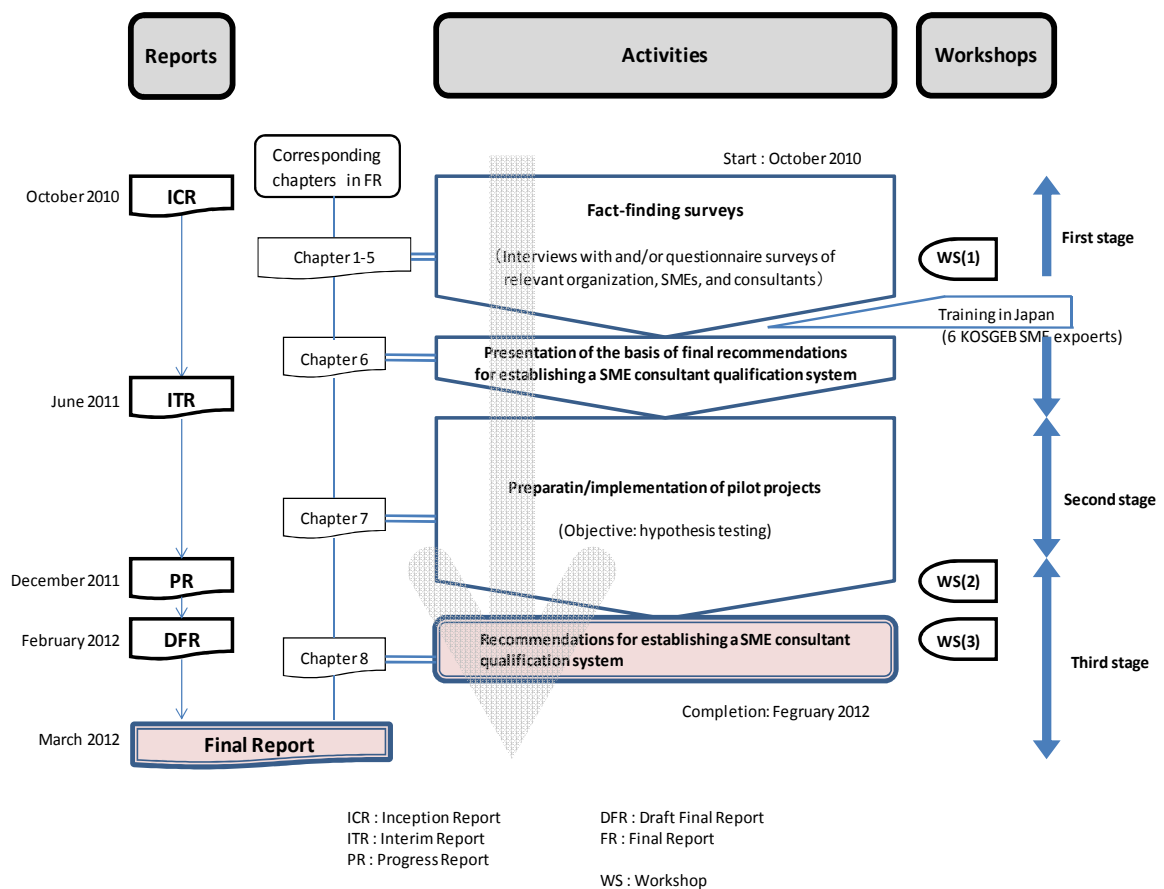
The JICA Study Team is composed of six experts. The following table shows their names, role allocation and which field studies they participated in.

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	○	○	○	

11. 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.

- The first five chapters cover findings in the first field survey.
- Chapter 6 presents ideas of the JICA Study Team on how a new SME consultant qualification system should be as a basis for final proposals. They are based on the findings of the first field survey.
- Chapter 7 is about the preparation and results of pilot projects. The JICA Study Team started preparing for them in the second field survey, and the pilot projects were held at three sites during the third field survey.
- Chapter 8 presents final recommendations, which are composed of 1) recommendations on the establishment of a SME consultant qualification system and 2) recommendations on how to improve KOSGEB's consulting service. The JICA Study Team modified and detailed the initial proposals presented in Chapter 6 based on the results of the pilot projects.



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

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 GNI¹. It is among the Next Eleven countries² 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.

¹ 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>

² 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 it³, the largest sector is manufacturing (15.5%), followed by transport, storage and communication (13.3%), and wholesale and retail trade (11.2%)⁴. 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%

³ 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.

⁴ 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)⁵

	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%
Total	2,583,099		270,493,624	

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

⁵ 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	34,781	10.81%	328,653	3.26%	10,984	11.71%
Tobacco products	28	0.01%	18,669	0.19%	1,038	1.11%
Textiles	24,056	7.48%	373,617	3.70%	8,136	8.67%
Wearing apparel; dressing and dyeing of fur	48,563	15.10%	400,677	3.97%	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	28,611	8.90%	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%	11,206	11.95%
Fabricated metal products, except machinery and equipment	50,902	15.83%	232,804	2.31%	4,852	5.17%
Machinery and equipment n.e.c.	22,036	6.85%	232,936	2.31%	7,482	7.98%
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%	7,891	8.41%
Other transport equipment	2,369	0.74%	61,696	0.61%	2,288	2.44%
furniture; manufacturing n.e.c.	40,627	12.63%	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%
Total	1,177,710	100%	3,127,826	100%	62,608	100%

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%
Total	437,640	100%	997,114	100%	34,024	100%

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 them⁶.

⁶ 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 2010⁷.

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^{8,9}. 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%

⁷ Ditto.

⁸ Source: World Tourism Organization. Provisional figures.
http://www.unwto.org/facts/eng/pdf/barometer/UNWTO_Barom10_2_en.pdf

⁹ 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 2010¹⁰

(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

¹⁰ 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*¹¹.

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 people¹². Over 99% of enterprises employ less than 250¹³. 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.

¹¹ 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.

¹² 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.

¹³ 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)¹⁴

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	0.57%	1,285	0.86%
Manufacturing	320,324	12.42%	1,948,021	24.77%	38,071	25.49%
Electricity, gas and water supply	2,653	0.10%	19,884	0.25%	3,122	2.09%
Construction	94,550	3.66%	605,099	7.69%	13,471	9.02%
Wholesale and retail trade and repair	1,177,413	45.63%	2,886,081	36.69%	50,031	33.50%
Hotels and Restaurants	210,626	8.16%	559,219	7.11%	3,652*	2.80%*
Transport, storage and communication	437,486	16.96%	759,274	9.65%	13,243	8.87%
Real estate, renting and business activities	160,786	6.23%	564,039	7.17%	18,694	12.52%

¹⁴ 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) ^{15,16}

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.

¹⁵ 81 provinces are in Turkey.

¹⁶ 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

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)¹ and Small and Medium Enterprise Development Organization (KOSGEB)² to overview the national development plan and those related to the promotion of small and medium-sized enterprises (SMEs).³

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

¹ Bilim, Sanayi ve Teknoloji Bakanlığı

² Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı

³ 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]⁴

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

⁴ 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)⁵ 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 2007-2013⁶.

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,

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

⁶ 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)⁷

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) ⁸	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) ⁹ , 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.

⁷ Numbers in the table correspond to those in the Annual Programme.

⁸ Türkiye Odalar ve Borsalar Birliği

⁹ 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 ¹⁰ , Ministry of Public Works and Settlement ¹¹	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) ¹²	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) ¹³ , 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) ¹⁴ , 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) ¹⁵	Governorates, Chambers of Industry and Trade	End of Dec.
Measure 127. Hezarfen Project will be scaled up.	TPI	STB, KOSGEB, OIZs,	End of

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

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

¹² Türkiye Bilimsel ve Teknolojik Araştırma Kurumu

¹³ Türk Patent Enstitüsü

¹⁴ Yükseköğretim Kurulu Başkanlığı

¹⁵ 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) ¹⁶	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) ¹⁷ 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) ¹⁸ , 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)¹⁹

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.

¹⁶ Türkiye Kalkınma Bankası A.Ş.

¹⁷ Türkiye İş Kurumu

¹⁸ T.C. Mesleki Yeterlilik Kurumu

¹⁹ 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)²⁰

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) ²¹ (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

²⁰ Numbers in the table correspond to those in the Strategic Plan.

²¹ 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) ²²	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.

²² 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 composed²³.

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 polity	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

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

Sectoral Policy: evaluation items and target sectors	Information technology Competition Legislative foundation Environment and energy International Competitiveness and trade	Automobiles, Machinery, White goods, Electric and electronic devices, Textile and apparel, Food, and Iron and steel
	Employment and geographical spread	

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

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) ²⁵	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

²⁴ Numbers in the table correspond to those in the strategy paper.²⁵ 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 2009²⁶. 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.

²⁶ 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

Chapter 3 KOSGEB and SME Support Organizations

Figure 3-1 presents an overview of key organizations involved in SME support in Turkey. These organizations provide business development services in a variety of fields including: 1) consulting and training; 2) training and management consultation service in specific areas, such as international trade and total quality management (TQM); 4) finance; 5) vocational training. The role and activity of Small and Medium Enterprise Development Organization (KOSGEB)¹ 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)², which was established under EU's support, General Directorate of Productivity (VGM)^{3,4}, Association of Professional Consultants (PRODER)⁵, and Management Consultants Association (YDD)⁶ 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 Development⁷, Ministry of Science, Industry and Technology (BSTB)⁸, Ministry of Finance, Ministry of Education, Ministry of Environment and Forest, Undersecretariat of Prime Ministry for Finance, Ministry of Economy⁹, Scientific and Technological Research Council of Turkey (TÜBİTAK)¹⁰, Union of Chambers and Commodity Exchanges of Turkey (TOBB)¹¹, Confederation of Tradesmen and Artisans of Turkey (TESK)¹², 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

¹ Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Başkanlığı

² Avrupa Birliği İş Geliştirme Merkezleri

³ Verimlilik Genel Müdürlüğü

⁴ 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).

⁵ Profesyonel Danışmanlar Derneği

⁶ Yönetim Danışmanları Derneği

⁷ It was formerly Prime Ministry State Planning Organization (SPO).

⁸ Bilim, Sanayi ve Teknoloji Bakanlığı

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

¹⁰ Türkiye Bilimsel ve Teknolojik Araştırma Kurumu

¹¹ Türkiye Odalar ve Borsalar Birliği

¹² Türkiye Esnaf ve Sanatkarları Konfederasyonu

by BSTB, the Ministry of Development, Ministry of Finance, Undersecretariat of Prime Ministry for Finance, TOBB, TESK. TÜBİTAK, Izmir Institute of Technology, and KOSGEB.

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.

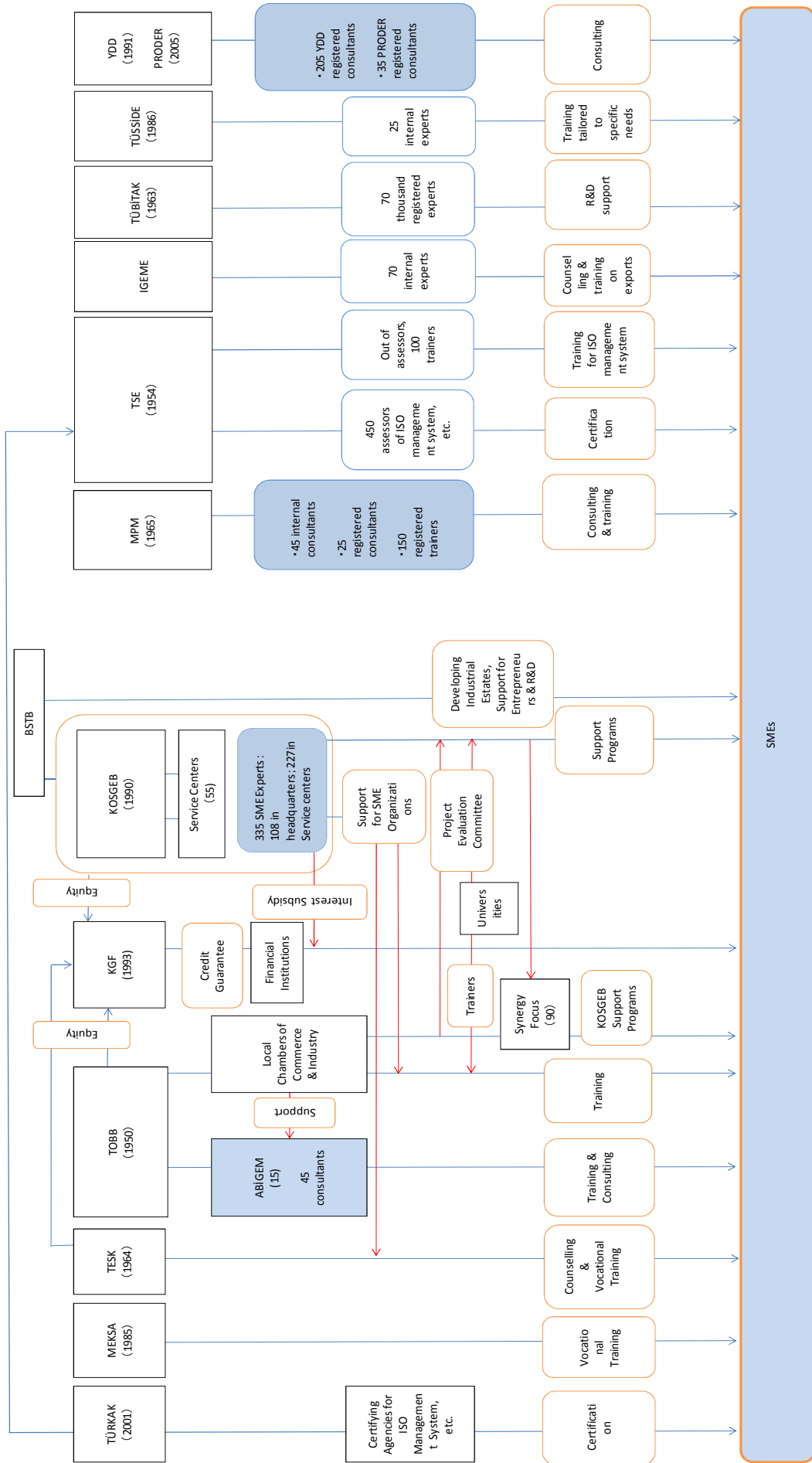
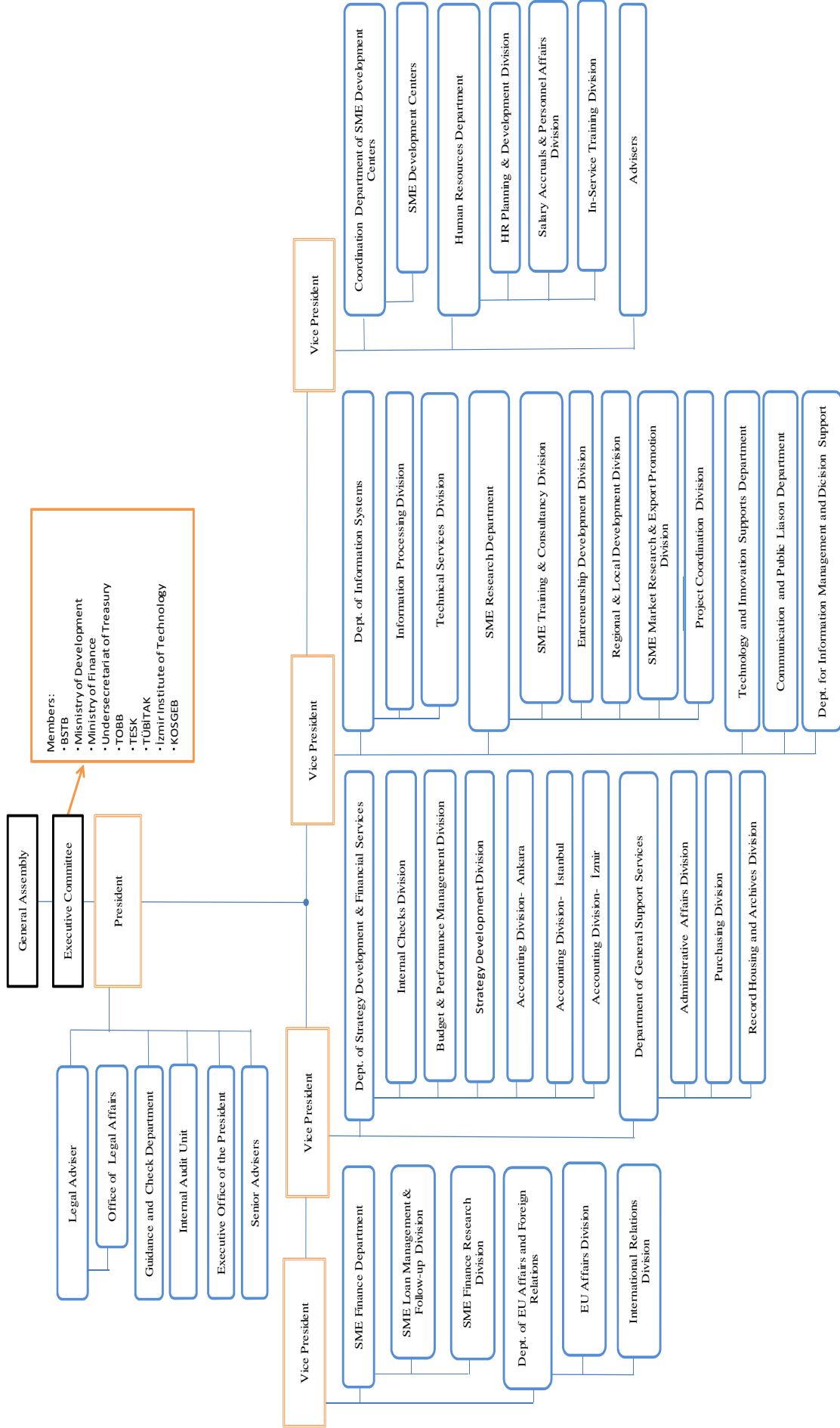


Figure 3-1 Major SME Support Organizations in Turkey



Source: KOSGEB

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

KOSGEB's SME support is characterized by: 1) a broad range of programs that are designed to address policy issues identified by the government; and 2) coverage of microenterprises that are still in the incubation stage. First of all, "SME Strategy and Action Plan" sets forth five goals including the enhancement of operational efficiency and the improvement of the business environment (including financial access), for which KOSGEB provides support service in a variety of fields, including consulting, marketing, organization of associations, and finance (interest subsidy). At the same time, KOSGEB offers programs to support entrepreneurs and business startups, as well as R&D support projects in collaboration with universities and local chambers of commerce and industry.

Note that KOSGEB's consulting support programs cover the following three areas: 1) subsidy to pay a part of the consulting fee for SMEs that cannot afford such service; 2) modernization and organization of SMEs that do not have sufficient "soft" management resources; and 3) the improvement of competitiveness of SMEs in foreign markets, especially the EU, through the strengthening of their production foundation.

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 country¹³. 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

¹³ The figure is as of October 2011.

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.

As shown in Table 3-2, KOSGEB's staff has increased in response to the addition of the commerce and service sector as an eligible industry in September 2009.

Table 3-2 Recent Trend in KOSGEB's Staff

Year (at end)	2005	2006	2007	2008	2009	2010	2011
Number of employees	655	658	651	821	823	878	899

Note: As of October for 2011

Source: For the data between 2005 and 2010, KOSGEB, Annual Report 2007/2008/2009/2010

(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.

Table 3-3 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 Diyarbakır	Oct. 2010	8-1. New Entrepreneur Support	
8-2. Disaster Emergency Support		8-2. Support for İŞGEM	

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.

General outlines of these support programs (including financial support) are presented below.

1) General Support Program

The program provides subsidy that covers part of the consulting service fee, the training cost at a private training institute, and the cost relating to participation in a domestic trade show.

2) R&D Support Program

This program provides subsidy and non-interest loans, for a project period approved by KOSGEB (maximum three years), for entrepreneurs who have the ability to commercialize innovative technology and existing SMEs capable of developing new technology, in order to cover portions of prototyping and equipment purchase costs required for product development and marketing.

3) Entrepreneur Support Program

The program subsidizes entrepreneurs who have started their own business within the past two years in order to cover the equipment purchase cost, together with the cost relating to installation at a business development center (İŞGEM)¹⁴.

4) SME Project Support Program

The program provides subsidy for SMEs that initiate a project (such as export promotion) for a maximum of three years in order to partly cover the purchase costs (equipment, raw materials, software, etc.) and other expenses (salaries and wages of new employees).

¹⁴ İş Geliştirme Merkezi

5) Theme-specific Project Support Program

The program is directed to individual SMEs that have proposed projects to solve the issues designated by KOSGEB¹⁵ by providing subsidy in an amount set for each project that covers portions of the project cost, including machinery and equipment, software, and salaries and wages.

Also, the program's subsidy is extended to various organizations representing SMEs, such as TOBB and TESK, in order to fund training and similar activities conducted by the organizations for the purpose of solving the issues common to SMEs (e.g., job creation, promotion of business startup, and work safety).

6) Organization of Association Support Program

This program provides subsidy and non-interest loans, for a project period approved by KOSGEB (maximum two years), for associations organized by five or more companies each or new companies created by merger, in order to partly cover required equipment purchase costs.

7) Support to be listed on the Emerging Companies Market (GİP)

This program provides subsidy for costs necessary to be listed on the Emerging Companies Market (GİP)¹⁶ in the Istanbul Stock Exchange (İMKB)¹⁷ such as auditing fees paid to independent examiners, registration fees paid to the Capital Markets Board of Turkey (SPK)¹⁸ and GİP.

8) Finance (Interest Subsidy) Support Program

The program aims to improve financial access for SMEs by reducing interest payment, thereby to help increase production and employment by SMEs and improve competitiveness. In particular, interest subsidy is dedicated to loans that would contribute promotion of relevant national policies, such as export promotion and development of the southeast region (GAP)¹⁹.

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

¹⁵ Themes vary between years. Tourism, clustering, and the environment are set for 2011.

¹⁶ Gelişen İşletmeler Piyasası

¹⁷ İstanbul Menkul Kıymetler Borsası

¹⁸ Sermaye Piyasası Kurulu

¹⁹ Güneydoğu Anadolu Projesi)

77.8%, followed by General Support Program (16.7%) and Entrepreneur Support Program (2.1%)

Table 3-4 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 spent²⁰.

Table 3-5 presents a general outline of the new support programs, including the amount of subsidy and application procedures.

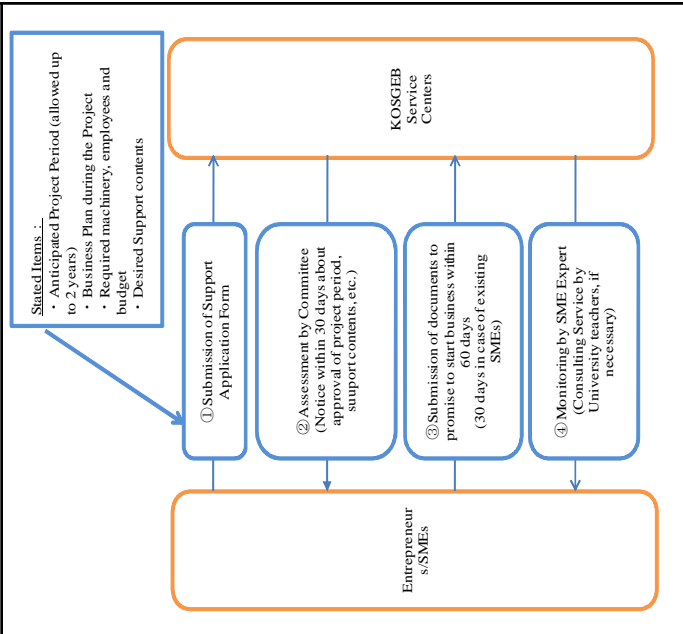
²⁰ Information from KOSGEB's Training and Consulting Division

Table 3-5 Outline of KOSGEB's Support Programs

Support Programs	Divisions in charge of Support Program Planning	Supporting Target	Supporting Amount (TL)		Procedures for Receiving Support
			Maximum for each support	Maximum for supporting period	
1. General Support Program					
1-1. Domestic Business Fairs Support		Rent for exhibition floor up to 50 m ² and Expenses	• 4,000 for domestic fairs • 6,000 for international business fairs conducted in the country	30,000 (3 years)	<p>Note: Support amount for general support program has a condition that a support ratio against expenditures by an enterprise is up to 50% in the regions I and II while the support ratio is up to 60% in the regions III and IV.</p>
1-2. Overseas Business Trip Support	SME Market Research & Export Promotion Division	Expenses for transportation, accommodation and interpretation necessary for overseas travel organized by SMEs organizations, travel agencies and KOSGEB service centers to join business negotiations and visit business fairs	2,000	10,000 (3 years)	
1-3. Advertising Support		Expenses for introducing products to overseas market	5,000	15,000 (3 years)	
1-4. Matching Support		Expenses paid to matching centers in Russia, Germany and France for requesting market research, match-making and coordination for participating in overseas fairs		15,000 (3 years)	
1-5. Qualified Personnel Support	Regional & Local Development Division	Wages for employed 4-year university graduates	1,500 per man-month	20,000 (3 years)	
1-6. Consulting Support	SME Training & Consultancy Division	<ul style="list-style-type: none"> Consulting service provided by consulting companies having TSE-HYB certificate Consulting fields eligible for support: <ol style="list-style-type: none"> General management, Project formation to apply for support from international organizations such as EU, Business plan making, Investment analysis, Marketing, Production management, HR, Financial management, Foreign trade, IT, Energy saving technology, New technology, Establishment of production system for acquiring CE mark certificate, Environment technology 	4,000	15,000 (3 years)	

Chapter 3 KOSGEB and SME Support Organizations

1-7. Training Support		Training at private training institutions and certifying agencies accredited by TÜRKAK such as TSE and Middle East Technology University	1,000 (up to 4,000 per one subject)	10,000 (3 years)	Training subjects (examples): General management, Marketing, Production management, HR, Finance, Trade, IT, Energy management, New technology, Modernization
1-8. Support for Energy Efficiency	SME Training & Consultancy Division	Expenses for research and training conducted by private energy service companies registered at Electrical Power Resources Survey And Development Administration for the enterprises which consumed energy of more than 200 TEP in the past 3 years	In case of basic research relating with energy consumption: • 1,500 for enterprise of 200-500 TEP • 2,000 for enterprise of more than 501TEP	30,000 (3 years)	
1-9. Design Support	SME Market Research & Export Promotion Division	Expenses for acquiring product design patent		15,000 (3 years)	
1-10. Support for Intellectual Property Rights	SME Market Research & Export Promotion Division	Expenses for acquiring industrial property rights from TPE		20,000 (3 years)	
1-11. Support for Acquiring Certificates	SME Training & Consultancy Division	Expenses for acquiring certificates on products, management systems, personnel and test-analysis from certifying agencies accredited by TÜRKAK	2,500	10,000 (3 years)	
1-12. Support for Test-Analysis and Calibration	SME Market Research & Export Promotion Division	Expenses paid to certifying agencies accredited by TÜRKAK for test-analysis necessary for CE mark acquisition		20,000 (3 years)	

<p>2. R&D Support Program</p>	<p>2-1. Support for Developing Prototype of New Products</p>	<p>• Entrepreneurs capable of commercializing innovative technology and SMEs developing new technology</p> <p>• In principle, project period is up to 2 years, but allowed to extend up to one more year with the approval of committee.</p> <p>• Supporting ratio for the support targets described below is up to 75% (25% should be paid by enterprises). But, entrepreneurs are eligible for 100% support for expenditures of consulting services and training.</p> <table border="1" data-bbox="590 1041 965 1769"> <thead> <tr> <th>Work space in TEKMER</th> <th>free of charge</th> </tr> </thead> <tbody> <tr> <td>Expenditures for machineries, materials, software and other expenses</td> <td>• 100,000 • 200,000 (to be paid back)</td> </tr> <tr> <td>Wages of newly employed graduates from universities</td> <td>1,500 per man-month</td> </tr> <tr> <td>Consulting service by university professors, Training, Patent fees, Participation in fairs and Test-analysis</td> <td>25,000 per one consulting service</td> </tr> </tbody> </table> <p>• SMEs which succeeded in developing prototype or new products under the support program mentioned above (2-1), graduates of PhD degrees and persons who acquired the patent for new technology or new products</p>	Work space in TEKMER	free of charge	Expenditures for machineries, materials, software and other expenses	• 100,000 • 200,000 (to be paid back)	Wages of newly employed graduates from universities	1,500 per man-month	Consulting service by university professors, Training, Patent fees, Participation in fairs and Test-analysis	25,000 per one consulting service		
Work space in TEKMER	free of charge											
Expenditures for machineries, materials, software and other expenses	• 100,000 • 200,000 (to be paid back)											
Wages of newly employed graduates from universities	1,500 per man-month											
Consulting service by university professors, Training, Patent fees, Participation in fairs and Test-analysis	25,000 per one consulting service											
<p>2-2. Support for Commercialization of New Products</p>	<p>Dept. of Technology & Innovation Supports</p> <table border="1" data-bbox="1133 1041 1473 2067"> <tbody> <tr> <td>Rent</td> <td>1,000 per month</td> <td>18,000</td> </tr> <tr> <td>Expenditures for machineries, office supplies and software</td> <td></td> <td>• 150,000 • 200,000 (to be paid back)</td> </tr> <tr> <td>Wages for newly hired employees</td> <td>1,500 per month for university graduate</td> <td>100,000</td> </tr> </tbody> </table>	Rent	1,000 per month	18,000	Expenditures for machineries, office supplies and software		• 150,000 • 200,000 (to be paid back)	Wages for newly hired employees	1,500 per month for university graduate	100,000	<p>• In principle, the project period is up to 18 months, but allowed to extend one more year with approval of committee.</p> <p>• Likewise as support program (2-1), supporting ratio is up to 75% for each expenditure (25% should be paid by enterprises).</p>	<p>Note: Repayment condition in case of support to be paid back under the KOSGEB programs is the 8 times' installments bearing no interest every 3 months with 6 months' grace period after termination of project period.</p>
Rent	1,000 per month	18,000										
Expenditures for machineries, office supplies and software		• 150,000 • 200,000 (to be paid back)										
Wages for newly hired employees	1,500 per month for university graduate	100,000										

3. Entrepreneur Support Program			Participants learn the mindset as entrepreneurs and practical planning skill in 60 hours' training comprising 36 hours' lecture and 24 hours' workshop.
3-1. Entrepreneur Training	Entrepreneur training at training institutions such as TUBITAK	free of charge	
3-2. Support for fund to start business	<p>• Persons who completed training described above (3-1) or started business within the last 2 years in İSGEM</p> <p>• Support ratio is up to 60% for regions I • II and 70% for regions III • IV. But, female entrepreneurs are allowed to increase the support ratio by another 10%.</p>	<p>• 10,000</p> <p>• 70,000(to be paid back)</p>	
	Machineries and equipments		
	Wages and salaries, expenses	12,000 (2 years)	
	Support for establishment of İSGEM based on the request from local governments (up to 18 months)		
3-3. Support for İSGEM	Building renovation	600,000	
	Equipments	125,000	
	Salaries for managing directors	2,500 per month	
3-4. Business Plan Contest	Entrepreneurs who won a prize in the business plan contest while enrolled in the university and started business within 2 years after graduation	<p>• First prize 15,000</p> <p>• Second prize 10,000</p> <p>• Third prize 5,000</p>	
4. SME Project Support Program	<p>• SMEs planning the project such as export promotion (project period is 6 to 24 months and allowed to extend one more year)</p> <p>• Concerning machineries, support is provided to not second-hand but new machineries, and support ratio is up to 10% of total project costs.</p> <p>• Support ratio is up to 50% for regions I • II and 60% for regions III • IV.</p>	<pre> graph TD SMEs[SMEs] --> Step1[1 Submission of SME Project Support Application Form] Step1 --> Step2[2 SME Expert surveys the past record of KOSGEB support.] Step2 --> Step3[3 Assessment by committee (Support amount, etc. are decided)] Step3 --> Step4[4 Implementation of project within 30 days after approval] Step4 --> Step5[5 SME expert visits an SME to see if machinery is installed as is prescribed in the project every time he/she receives the periodical interim report from an SME.] Step5 --> Step6[6 Disbursement of Subsidy after SME Expert confirms the progress.] Step6 --> KOSGEB[KOSGEB Service Center] </pre>	<p>150,000</p>

<p>5-1. Support for Solving Problems Designated by KOSGEB</p>	<ul style="list-style-type: none"> • Projects to solve problems related with the themes which KOSGEB designates such as tourism, clustering and environmentK • Amount of support and project period is decided by KOSGEB for each theme. • Support ratio is up to 25% for machineries, software and wages, and up to 10% for expenses. 							
<p>5-2. Support for SME Organizations Implementing Projects to help SMEs Solve Problems</p>	<ul style="list-style-type: none"> • Projects implemented by organizations representing SMEs such as TOBB and TESK to solve problems in the fields of employment enlargement, entrepreneurship promotion, tourism, energy efficiency and safety-in-workplace; e.g. expenses are provided to TOBB for implementing the training and consulting services concerning safety-in-workplace • Maximum amount of support is 150,000. 							
<p>6. Support Program for Organizing Cooperatives</p>	<ul style="list-style-type: none"> • Cooperative or newly merged company created by more than 5 enterprises; At least 3 companies should come from the same industry • Project period is up to 6 to 24 months. • Support ratio is up to 50% for regions I • II and 60% for regions III • IV. <table border="1" data-bbox="970 831 1050 1473"> <tr> <td>Machineries, wages for newly hired employees and expenses for study to elaborate the project</td> <td>• 250,000 • 500,000 (to be paid back)</td> </tr> </table>	Machineries, wages for newly hired employees and expenses for study to elaborate the project	• 250,000 • 500,000 (to be paid back)					
Machineries, wages for newly hired employees and expenses for study to elaborate the project	• 250,000 • 500,000 (to be paid back)							
<p>7 Support to be listed on the Emerging Companies Market</p>	<ul style="list-style-type: none"> • SMEs wishing to be listed on GIP in İMKB <table border="1" data-bbox="1098 831 1324 1473"> <tr> <td>Advisory service fees paid for equity market consultants (for two years)</td> <td>60,000</td> </tr> <tr> <td>Auditing fees paid for independent examiners</td> <td>20,000</td> </tr> <tr> <td>Registration fees paid for SPK and GİF</td> <td>20,000</td> </tr> </table>	Advisory service fees paid for equity market consultants (for two years)	60,000	Auditing fees paid for independent examiners	20,000	Registration fees paid for SPK and GİF	20,000	
Advisory service fees paid for equity market consultants (for two years)	60,000							
Auditing fees paid for independent examiners	20,000							
Registration fees paid for SPK and GİF	20,000							

8. Financial Support Program				
8-1. 100% Interest Subsidy Support for Enterprises in Diyarbakir	SMEs in Diyarbakir	<ul style="list-style-type: none"> Borrowing ceiling is 30,000. 100% of interest is subsidized. 	<p>SME Loan Management & Follow-up Division</p>	
8-2. Disaster Emergency Support	SMEs damaged by floods and earthquake	Borrowing ceiling is 100,000.		
8-3. Priority Program for GAP Region	Machineries purchased by SMEs in GAP region	<ul style="list-style-type: none"> Borrowing ceiling is 300,000. 75% of interest is subsidized Repayment period is 36 months. 		
8-4. Program for Developing Each Stratum of SMEs		<ul style="list-style-type: none"> Borrowing ceiling: <ul style="list-style-type: none"> Micro 30,000 Small 50,000 Medium 80,000 75% of interest is subsidized Female is allowed to increase another 10,000. 		
	8-5. Export Financial Support Program	Exporting SMEs		

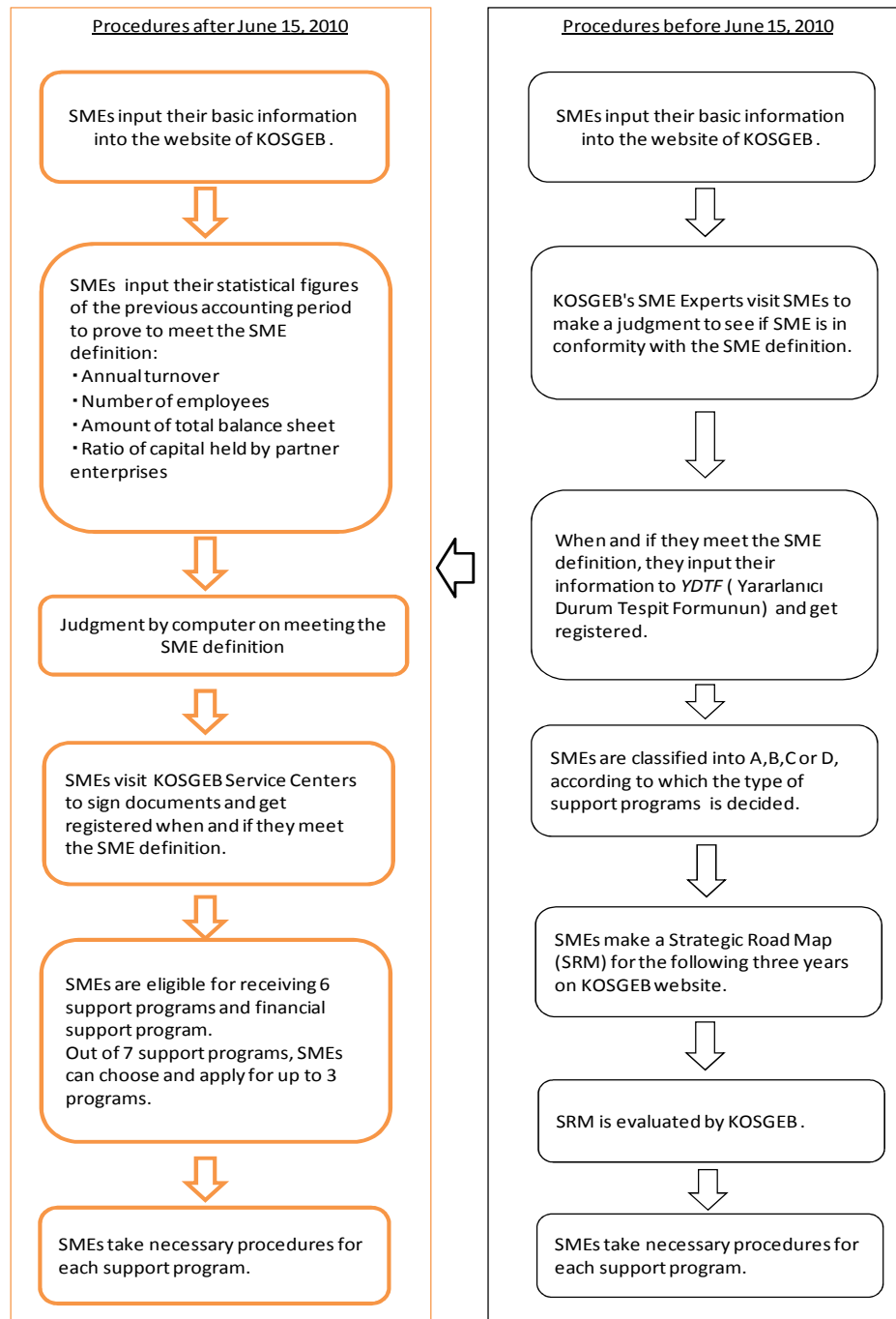
Note: In the table, Regions I - II - III - IV means regional classification defined by Council of Ministers. They are classified based on the economic development, from the most developed region I (14 provinces) to the least developed region IV (30 provinces).

Source: Prepared by JICA Study Team based on hearing.

(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 3-6 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.

There are data to substantiate the situation, albeit relatively old. According to KOSGEB's statistics as of the end of December 2007, 11,175 companies were eligible to various support services by submitting the SRM acceptable to KOSGEB, representing only 16% of 70,298 companies that were registered with KOSGEB. The percentage is lowest (9%) for microenterprises with nine or less employees. (Table 3-7)

Table 3-7 Comparison of KOSGEB-registered and SRM-approved Companies by Size (as of the end of December 2007)

Size by employees	Registered Enterprises (A)		SRM-approved Enterprises (B)		B/A (%)
	Number	%	Number	%	
1-9	33,239	47%	3,055	27%	9%
10-49	30,903	44%	6,595	59%	21%
50-249	6,156	9%	1,525	14%	25%
Total	70,298	100%	11,175	100%	16%

Note: Micro enterprises account for 47% of all registered enterprises, but only 9% of all SRM-approved enterprises which are ready for KOSGEB supports.

Source : KOSGEB, *Strategic Plan 2008-2012*

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.

Note that the new procedures require a company that accesses KOSGEB's Web site to fill out the following items:

- Company name
- Type of company
- Month/year of incorporation
- President's name
- Address

- Industrial classification (NACE²¹ four-digit code)
- Primary contact's address

Then, to obtain confirmation on the SME status, the company is required to provide the following information:

- Annual sales
- Number of employees
- Total asset value
- Percentage of equity contribution by parent company

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 3-8 Breakdown of Companies Registered with KOSGEB, by Industry Type and Size (as of December 2011)

NACE2 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

²¹ Nomenclature statistique des activités économiques dans la Communauté européenne (Statistical Classification of Economic Activities in the European Community)

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) BSTB 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.

1) Development of OIZs generally proceeds as follows.

- A prefecture-based committee on OIZ development is organized with the prefectural government serving as chairman and is represented by the local chamber of commerce and industry and other stakeholders .
- The committee selects a candidate OIZ site and submits an application to BSTB.
- BSTB examines the application by visiting the site and makes a final decision.
- The committee starts construction of infrastructure facilities (e.g., roads, electricity, and water supply) for the selected site.
- BSTB extends a long-term loan to the committee for land acquisition and infrastructure development.
- After the OIZ has completed, the committee repays the loan to BSTB over a specific period of time, from revenues earned by selling land tracts within the OIZ to tenant companies.
- When land tracts sold to tenant companies have reached 70% of the total, a management committee is organized by tenant companies and takes over the OIZ's management responsibility from the provincial committee.
- Thereafter, the OIZ is operated and managed by the management committee.

2) As for development of SSIEs, BSTB builds both infrastructure and buildings for tenant companies within each SSIE. It then makes a long-term loan to each tenant. As the SSIE accommodates associations of microenterprises that are engaged in small-scale manufacturing activity, such as furniture making, marble processing, metalworking, and automotive repairing, BSTB extends loans to the tenant associations.

(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.

- 1) Subsidy for technopark construction covers a project to build a technopark within a university campus, including infrastructure and buildings, and is granted to a company operating the technopark. The maximum amount of subsidy is 1.2 million TL for each project.
- 2) Incentives for tenant companies consist of tax deduction of labor costs relating to R&D personnel and income tax exemption for R&D personnel. In addition, large enterprises that do not meet technopark tenant requirements may enjoy the similar incentives if their R&D department has 50 or more staff members.
- (3) BSTB'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)²²

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)²³

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.

TSE's training courses can be attended by any persons, including college students and general consultants, but they generally attract companies intending to obtain certification in relation to management systems. They are held periodically in major cities, including Ankara, Istanbul, Izmir, and Konya, with the duration of 1-2 days.

²² Türk Standardları Enstitüsü

²³ Türk Akreditasyon Kurumu

Major subjects taught at TSE's training courses are as follows.

- ISO9001 (Quality Management System)
- ISO9001 (Quality Management System/Documentation)
- ISO14001 (Environmental Management System)
- ISO18001 (Occupational Health and Safety Management System)
- ISO22002 (Food Safety Management System)
- ISO Information Security Management System
- Statistical process management
- TQM
- Customer satisfaction
- Performance evaluation technique
- Leadership

3.2.3 Export Promotion Center of Turkey (İGEME) ²⁴

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 expert 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 ²⁵ per year, and each company can participate in as many as ten training courses annually.

The training program primarily deals with foreign trade and major subjects taken up are as follows.

- Export documents and government support
- Export clearance procedures and penalties
- Trade accounting
- Overseas marketing
- Payment method

²⁴ İhracatı Geliştirme Etüd Merkezi

²⁵ Equivalent to US\$20,000 (converted at the average exchange rate of US\$1 = TL1.500364) (CBRT)

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

A general flow of the support program is shown below.

- An application submitted by a company is evaluated by a committee consisting of five experts who are selected from around 70,000 experts registered with TÜBİTAK's database according to their qualification and area of specialization. Note that the registration was started in 2005 and primarily consists of university faculty members having a Ph.D. degree and researchers in the private sector.
- The company which application has been accepted signs an agreement with TÜBİTAK, covering the R&D project period of 18 months. The company must submit a development report every six months, and TÜBİTAK's staff in charge of the project visits the company for monitoring.
- When the monitoring confirms that the project progresses according to the plan, TÜBİTAK pays to the company a subsidy in amount equivalent to a percentage of costs and expenses paid by the company in the preceding six months. The upper limit

for the subsidy is around 50% of the out-of-pocket costs and 420,000 TL per company²⁶

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)²⁷

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 8,000m² 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. For instance, for a company that intends to initiate a project relating to organizational development, TÜSSİDE's staff visits the company to perform corporate diagnosis and analysis, based on which an actual training program is designed. As companies have diverse needs, a training curriculum covering organizational development may have to include the establishment of a quality management system, which may then have to be accompanied by corporate strategy planning, human resource management, or performance evaluation.

TÜSSİDE's training program puts as much weight on practical skill as knowledge. To ensure practical training using case study effectively, each training class size is limited to 30 persons. Major subjects include, among other things, corporate strategy planning, process management, R&D, and innovation. Program duration is 3 to 5 days.

TÜSSİDE's internal experts (25 out of 70 staff members in total) serve as trainers. They have fairly extensive work experience in relevant fields.

Finally, consulting service is provided as part of follow-up service for the above training program, thus it is not carried out separately. For instance, after a company has completed a training program covering corporate strategy planning, the trainer in charge of the program

²⁶ Equivalent to US\$280,000 (converted at the average exchange rate of US\$1 = TL1.500364) (CBRT)

²⁷ Türkiye Sanayi Sevk ve İdare Enstitüsü

visits the company to check if a strategic plan is developed properly. This consulting service may take 3-4 months to complete.

3.2.6 Foundation for the Promotion of Vocational Training and Small Industry (MEKSA)²⁸

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)²⁹ proposes to MEKSA training courses that meet the needs of the labor market. Then, MEKSA develops a curriculum for each course and recruits trainees (young people without full-time jobs). The training period varies with courses, e.g., the electrical installation course takes nine months and admits 40 – 50 participants. 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. They learn at the training center on the first day and go to an apprenticeship school³⁰ on the second day.

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

²⁸ Mesleki Eğitim ve Küçük Sanayii Destekleme Vakfı

²⁹ Türkiye İş Kurumu

³⁰ Turkey has an apprenticeship system to provide vocational training for two to four years for young people of 15 – 18 years old, who have completed the primary school.

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 SMEs³¹.

Being the federation of local chambers of commerce and industry, TOBB does not provide business development service directly for SMEs. In the following section, support activities conducted by the chambers of commerce and industry in Ankara and Istanbul are outlined as typical examples.

3.2.8 Local Chambers of Commerce and Industry

(1) Ankara Chamber of Industry (ASO)³²

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.

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)³³ 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.

³¹ See 4.2 of Chapter 4 for details on the project.

³² Ankara Sanayi Odası

³³ Company size specific development program

1) Training

ASO conducts training courses at its head office and branch offices within industrial zones in Sincan and Temeli, covering a variety of themes including export promotion, work safety, job creation, project formulation to secure EU's support, and certification for management systems. They are held around five times per month. Trainers are recruited from TSE in the case of quality-related courses and university faculty members in the case of export-related courses.

2) Consulting service

ASO's consulting service deals with various subjects such as work safety, improvement of the working environment, and marketing. It is provided by four consulting firms and three consultants registered with ASO. Note that registration criteria include consulting experience and recognition by the Ministry of Economy and similar organizations, and registration must be renewed annually in consideration of actual track record and performance in relation to the consulting service.

(2) Istanbul Chamber of Commerce (İTO)³⁴

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.

1) Training

İTO's training courses include leadership, finance, innovation, law, work safety, organization, crisis management, export procedures, and introduction of KOSGEB's support programs, and are held around 100 times per year. Trainers are experts of related organizations, government personnel, university faculty members, and managers of large enterprises.

In addition, İTO conducts nighttime vocational training courses (totaling 300 hours) at 78 technical high schools in Istanbul, such as CNC, in order to address a major issue facing SMEs, i.e., the shortage of competent technicians and skilled workers. Persons who have completed these training courses are registered with İTO's Web site to assist their employment.

2) Holding of the excellent SME contest

İTO holds an annual contest to recognize excellent SMEs in the form of open competition, which are evaluated and awarded by a special committee on the basis of actual business performance. Awards are given under various categories, such as entrepreneur,

³⁴ İstanbul Ticaret Odası

female entrepreneur, and export, and are accompanied by various prizes, such as subsidy for participation in international trade shows in foreign countries (covering the entire cost) and financial support for enrollment in the MBA course (one year) at Istanbul Commerce University.

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. TESK'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. Advice is given by around 100 staff members having knowledge and experience in respective fields, which have been acquired through day-to-day work.

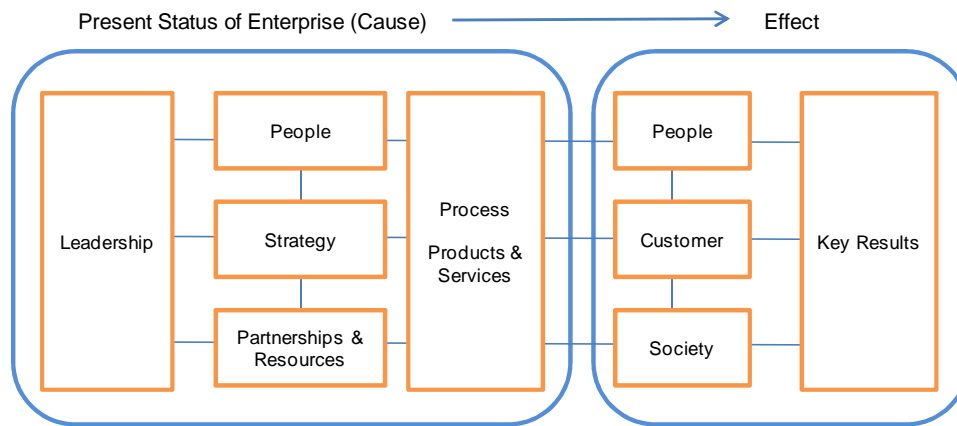
In addition, TESK conducts vocational training in the fields that are not covered by the vocational training program of the Ministry of Education (conducted at 2-4 year apprenticeship schools, covering 153 professional skills), such as real estate and nail art.

3.2.10 Turkey Quality Association (KALDER)³⁵

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 activities include: 1) selection and awarding of the Turkish National Quality Award, which is modeled after European Foundation for Quality Management (EFQM)³⁶; and 2) implementation of the training program.

³⁵ Türkiye Kalite Derneği

³⁶ European Foundation for Quality Management, which is a NPO promoting TQM in Europe, headquartered in Brussels



Source: KALDER

Figure 3-3 Evaluation Items under the EFQM Model

(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.

The awards are selected by volunteer assessors registered with KALDER, totaling around 200. Their qualifications are: 1) age of 30 years or older; 2) 5 years or longer experience as corporate manager; and 3) completion of the training program on the EFQM model. They are finally selected by KALDER's panel of three judges.

The evaluation items under the EFQM model are shown in Figure 3-3. There are two categories, "the company's current state" on the left hand side and "results" on the right hand side. The former consists of five items and the latter four items. Note that the full mark for "key results" is 1,000 points, same as the total scores for the other eight items.

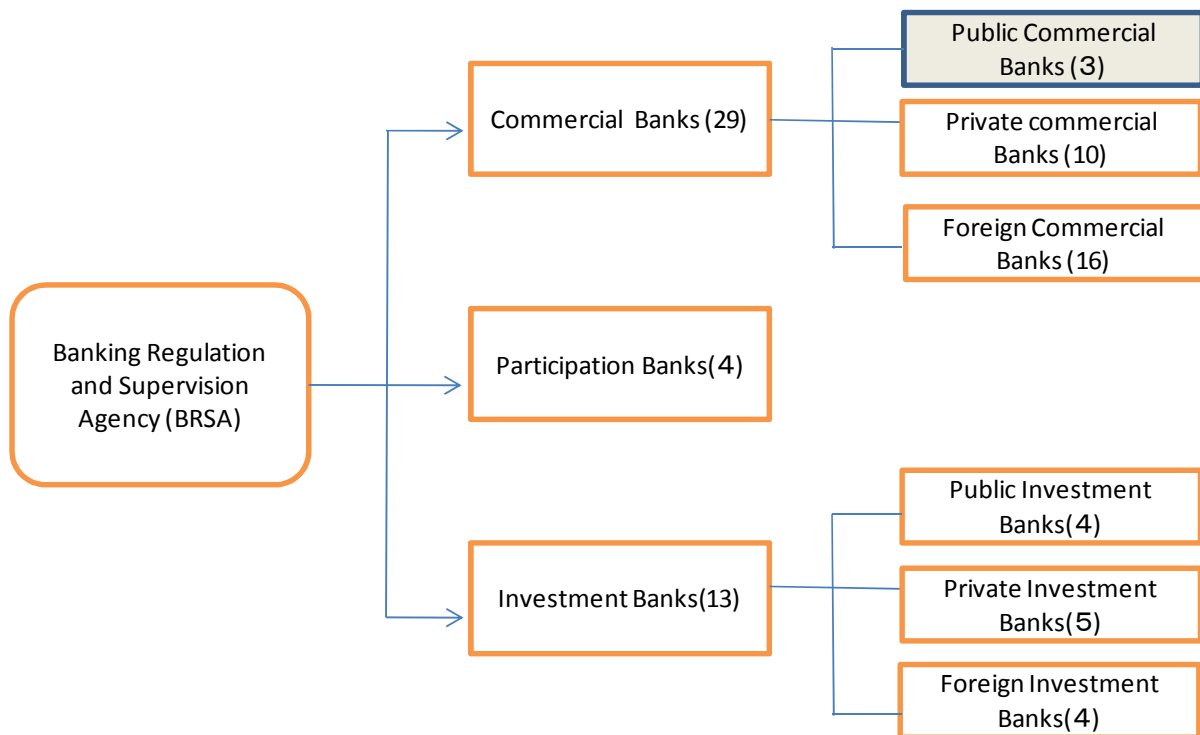
Each item is evaluated in a comprehensive manner. For instance, "people" in "results" are assessed by combination of direct surveys covering employees (questionnaire and interview) to measure their level of satisfaction, and indirect surveys including observation of the workplace and its atmosphere to measure the degree of teamwork. Similarly, "customer" refers to customer satisfaction measured from direct surveys of major customers (interviewing) and indirect surveys on the basis of objective data, such as customer complaints.

(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.

Around 200 trainers are registered with KALDER. They must have in-depth knowledge and experience in quality management, such as the manager of quality management at a large corporation (Turkey Siemens, Arçelik). On the other hand, university faculty members are not qualified due to the lack of field experience.

KALDER registers approximately 2,000 member companies, of which SMEs represent 60%. Registered companies can receive five-day TQM training. Also, they can have guidance and advice from registered assessors, 3-4 times in a year after the completion of the five-day training, so as to develop the ability to perform TQM diagnosis on their own.



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 banks³⁷ in the country (Figure 3-4³⁸) 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. Loan officers learn financial knowledge at HALKBANK's training center in Istanbul. 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.

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.

³⁷ Other two national commercial banks are T.C. ZİRAAT BANKASI that serve farmers and VAKIFLAR BANKASI (merchants)

³⁸ "Participation banks" handle Islamic finance.

Box 3-1 Bank Loans for SMEs

In Turkey, SME loans account for only 23.6% of the total loan balance of 661.3 billion TL for all 46 banks (Table 3-9). It is pointed out that it comes from: 1) the inability to make financial statements that reflect the accurate state of operation; 2) poor business performance and high credit risks; and 3) lack of collateral³⁹.

Table 3-9 Amount of SME Loans and Number of SME Clients of Banks

	Dec. 2010		Sep. 2011	
	Amount (Million TL)	%	Amount (Million TL)	%
Total Loans	525,851	100.0%	661,282	100.0%
Total of SME Loans	125,468	23.9%	156,226	23.6%
Micro	42,579	8.1%	52,406	7.9%
Small	32,206	6.1%	41,938	6.3%
Medium	50,681	9.6%	61,882	9.4%
Number of SME Clients (in thousand)	1,375		1,478	
Micro	1,090		1,146	
Small	198		228	
Medium	87		104	

Source : Banking Regulation and Supervision Agency, *Monthly Bulletin*

Note that the total loan balance for all the banks in Japan amounts to 8,261.7 billion TL⁴⁰, of which SME loans total 5,829.3 billion TL⁴¹ and represent 70.6% of the total⁴², as of the end of June 2011.

3.2.12 Association of Automotive Parts & Components Manufacturers (TAYSAD)⁴³

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.

³⁹ Information obtained from interview at HALKBANK on January 14, 2011

⁴⁰ Equivalent to ¥4,118,080 billion (converted at the average exchange rate as of end-June 2011 at ¥100 = 2.0062 TL) (CBRT)

⁴¹ Equivalent to ¥2,905,655 billion (converted at the average exchange rate as of end-June 2011 at ¥100 = 2.0062 TL) (CBRT)

⁴² Data from "Loan Breakdown by Type of Borrower," Bank of Japan

⁴³ Taşıt Araçları Yan Sanayilericileri Derneği

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 persons⁴⁴. Major subjects are quality management, lean production, Toyota Production System (TPS), KAIZEN, and 5S, targeting owners, factory managers, engineers and workers of parts manufacturers.

Trainers are hired from outside and are selected according to the following qualifications:

- Recommendation by a member company
- In-depth knowledge on a specific field for training
- Field experience in the automotive industry

⁴⁴ Actual data up to December 14, 2010

Box 3-2 Automobile Production in Turkey

In 2010, automobile production in the country totaled 1,124,982 units, a 27.2% increase over the previous year (Table 3-2). Between January and October 2011, it increased by 11.7% relative to the production for the same period last year, showing some degree of recovery from the setback triggered by the global financial crisis in September 2008. Production between January and October in 2011 is divided into passenger cars 536,909 units (52.4%) and pickups 37,665 units (3.7%).

There are 15 automakers, mainly foreign companies⁴⁵, and their local content is said to be around 85%⁴⁶.

Table 3-10 Automobile Production in Turkey and by Manufacturer

Enterprises	Location	Year to start production	Number of Vehicle Production				Foreign Capital (%)
			2011 (Jan. - Oct.)		2010		
			Production	Share	Production	Share	
TOFAŞ	Bursa	1971	255,613	24.9%	312,245	27.8%	38 (Fiat)
Oyak Renault	Bursa	1971	279,138	27.2%	307,083	27.3%	51 (Renault)
Ford Otosan	Eskisehr	1983	239,946	23.4%	242,070	21.5%	41 (Ford)
	Kocaeli	2001					
Toyota	Sakarya	1994	76,642	7.5%	83,286	7.4%	100 (Toyota)
Hyundai Assan	Kocaeli	1997	73,861	7.2%	77,000	6.8%	70 (Hyundai)
Others (10)			99,758	9.7%	103,298	9.2%	
Total			1,024,958	100.0%	1,124,982	100.0%	

Source : Automotive Manufacturers Association, *Monthly Statistical Bulletin October 2011*

⁴⁵ Members of Automotive Manufacturers Association

⁴⁶ Information obtained from interview at TAYSAD

Chapter 4
Current State of Consulting Service in Turkey

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)¹, and General Directorate of Productivity (VGM)², and private organizations including European Turkish Business Center (ABİGEM)³ established by Union of Chambers and Commodity Exchanges of Turkey (TOBB)⁴ under EU's assistance., Association of Professional Consultants (PRODER)⁵, and Management Consultants Association (YDD)⁶. (Table 4-8)

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 (Table 3-5) and consulting service as part of other support programs (e.g., consulting service provided by an expert (university faculty member) as part of R&D Support program (see Table 3-5)). 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 (Figure 4-1).

¹ Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı

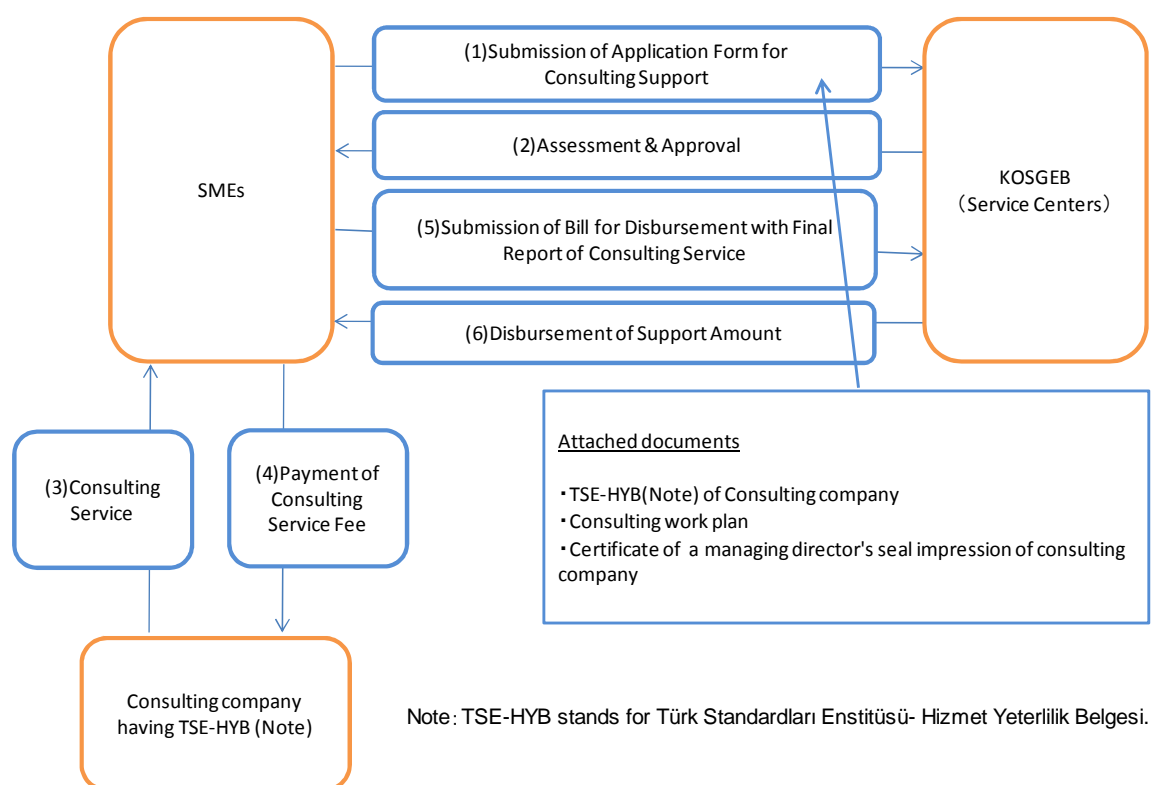
² Verimlilik Genel Müdürlüğü

³ Avrupa Birliği İş Geliştirme Merkezleri

⁴ Türkiye Odalar ve Borsalar Birliği

⁵ Profesyonel Danışmanlar Derneği

⁶ 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.

For instance, the Istanbul service center (its SME expert) checks relevance of each consulting service requested. In most cases, the SME expert visits the company (applicant) before accepting or rejecting the application. Then, around 30% of applications are rejected because there is no need for consulting service in the first place or consulting service is needed for a theme different from the one stated in the application.

Similarly, the Izmir service center examines relevance of each application for consulting service by sending a SME expert to the company.

Table 4-1 Application Form for Consulting Service

General Support Program
Application Form for Consulting Service

We apply for the Consulting Service by submitting the information and documents as follows required for Consulting Service of KOSGEB General Support Program.

Name of Enterprise	
Address	
Contact Person (Position)	
TEL/FAX	
• Tax Office in charge	
• ID number	
Name of Consulting Company	
Address	
TEL/FAX/E-mail address	
Consulting Fee (before tax)	
Man-Days for Consulting Service	
Starting & Finishing Date of Consulting Service	

Attached Documents :

1. Certificate for TSE-HYB of consulting company
 2. Consulting Work Plan signed by a consulting company
 3. Certificate of seal impression of a consulting company
- Source: KOSGEB

(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)⁷ from Turkish Standards Institution (TSE)⁸. 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.

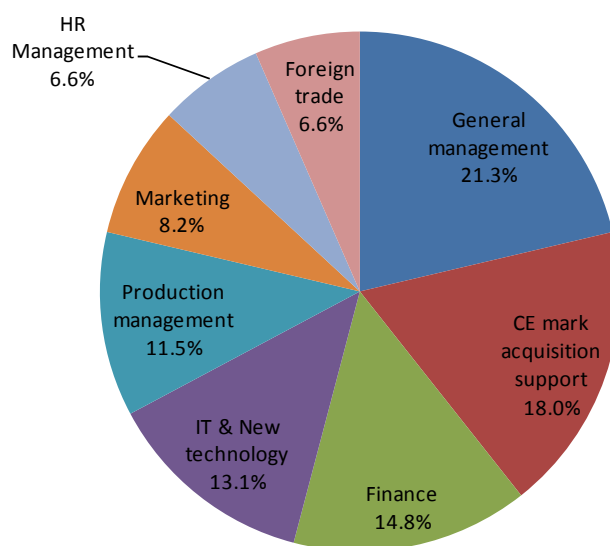
- Business administration
- Project formulation to receive support from EU and other international organizations
- Development of business plans
- Investment analysis
- Marketing
- Production management
- Human resource development

⁷ Hizmet Yeterlilik Belgesi

⁸ Türk Standardları Enstitüsü

- Financial management
- Foreign trade
- Information technology
- Energy saving technology
- New technology
- Improvement of the production system to obtain CE certification
- Environmental engineering

Under the Operating Rule for the General Support Program, each of the above themes is further classified into sub items so as to meet diverse needs of SMEs. For instance, business administration consists of seven items, i.e., strategic planning, organization, time management, benchmarking, project management, restructuring, and management innovation. On the other hand, production management is divided into eight items, namely production management system, materials control, productivity improvement, layout improvement, equipment maintenance, automation, inventory management, and other technical issues



Source : Calculation by sampling by Training & Consultancy Division, KOSGEB

Figure 4-2 Subjects of KOSGEB consulting services (January 2009 to June 2010)

Figure 4-2 shows breakdown of actual consulting services according to theme by using 61 samples selected from consulting service activities that were carried out between January 2009 and June 2010. As shown in the figure, business administration accounts for the highest share of 21%, followed by support for CE market certification 18% and finance 15%.

(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 (Table 4-3). 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.

Table 4-2 Support Claim Form for Consulting Service

General Support Program
Support Claim Form for Consulting Service

Name of Enterprise	
Name of Bank	
Account Number	

Attached documents :

1. Final Report for Consulting Service
2. Claim from Consulting Company
3. Documents issued by bank to certify the payment to a consulting company
4. Documents to certify no overdue debt owed to social security agency (SGK)
5. Estimated calculation for overdue debt owed to SGK, if any.

Source: KOSGEB

Table 4-3 Final Report Form for Consulting Service

General Support Program
Consulting Service Final Report

Name of Enterprise	
Address	
TEL/FAX	
E-mail address	
Name of Consulting Company	
Address	
TEL/FAX/E-mail address	
Theme of Consulting Service	
Starting & Finishing Date of Consulting Service	
Man-Days of Consulting Service	

Works implemented by consultants

Were all of works implemented according to the schedule as was previously planned? If they were not implemented, please describe the reason behind it.
--

Result

Signature of Managing Director of the Enterprise

Source: KOSGEB

(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.

Box 4-1 Assessment of Consultants under the Old Consultant Registration System

Under the old consultant registration system up to June 15, 2010, a questionnaire survey to evaluate customer satisfaction was conducted for a client company that received consulting service.

The questionnaire survey consists of the following assessment items.

- Did the consultant perform service according to the prepared plan?
- Did the consultant possess sufficient knowledge and experience in relation to the main theme of consulting service?
- Did the consultant's attitude and behavior intend to serve the best interest of the company?
- Did the consultant provide all the services specified in the plan?
- Do you intend to work with the consultant again in future?
- Did the consultant's service meet your expectation?

Each item was graded on a four point scale. A consultant would receive written warning if the total assessment score fell below 70 (out of 100). A consultant who received the warning twice was excluded from the registration list.

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.

Box 4-2 Consultant Assessment under the Old Registration System

The old registration procedures are summarized in Figure 4-3. The old registration system set the following qualification requirements:

- To have graduated from a four-year university
- To have five years or longer experience in consulting service or have performed five or more consulting service contracts in the past

Assessment was carried out in two steps: 1) screening by the technical investigation committee consisting of a head and two SME experts of Training and Consulting Division; and 2) final assessment by the admission committee consisting of heads of Training and Consulting Division and two other divisions. No interview was conducted in either step.

In the assessment process, the above qualification requirements (educational background and professional experience) were scored. In addition, other factors (e.g., history of participation in training programs, history of academic activity, and foreign language skills) were graded to obtain the total score for each consultant, which then formed the basis of final judgment (Table 4-4).

In addition, university faculty members were automatically registered when their universities submitted to KOSGEB a document stating contact address, title and type of consulting service.

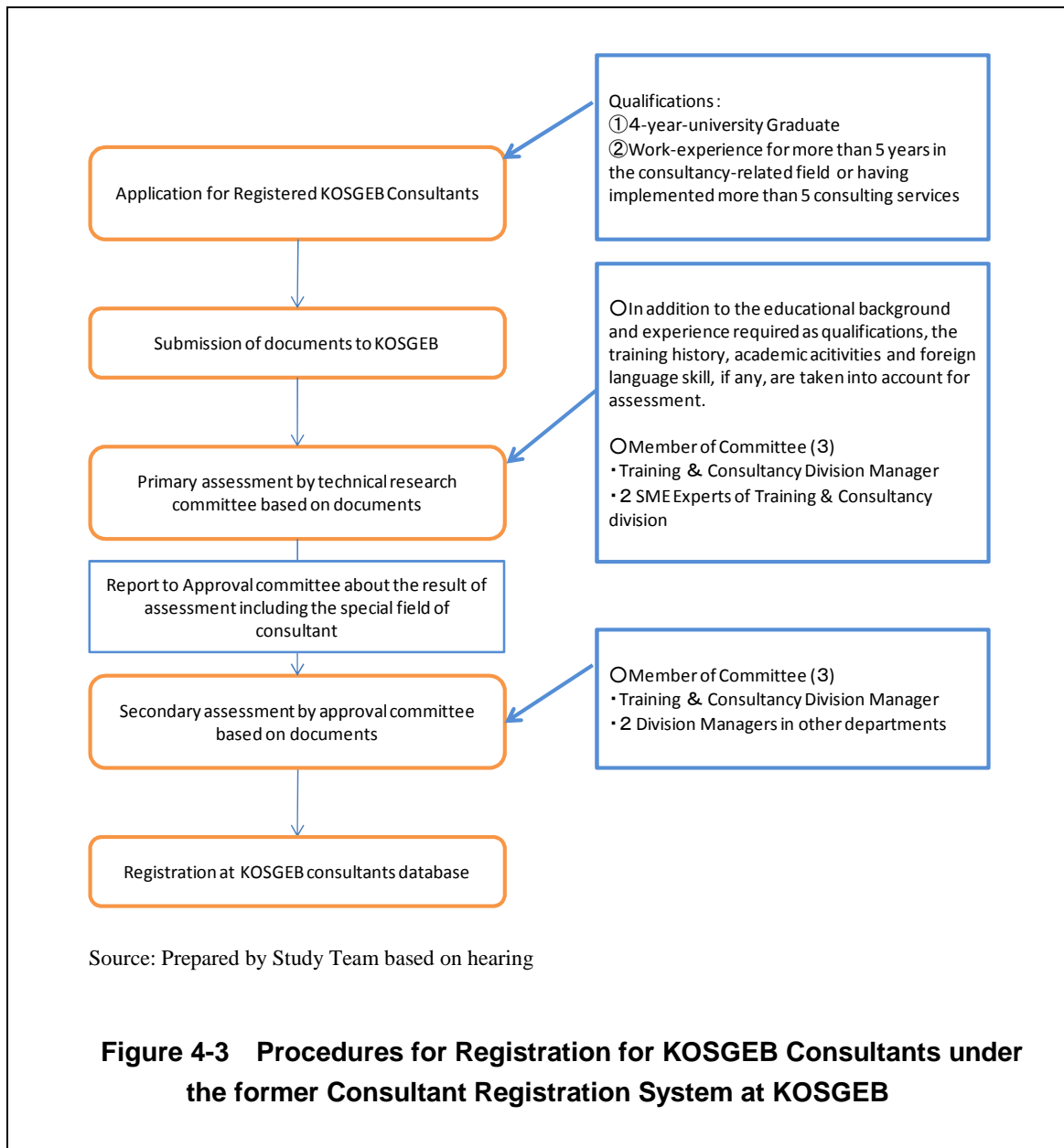


Table 4-4 Assessment Table for Consultants under the former KOSGEB Consultant Registration System

Name of Consultant:		
Assessment Items	Assessment Factors	Points
1. Educational Background	4-year-university Graduate	5
	Master Degree	7
	PhD Degree	12
	Educational Points (a)	
2. Experience	Consulting Services (Minimum 5 required)	Number of service×2
	Work experience in consultancy related field (At least 5 years required)	Years-at-work×2
	Experience Points (Upper Limit 40 points) (b)	
3. Participation in Training programs	Training Points (Upper Limit 5 points) (c)	Times of trainings×1
4. Academic Activities	Published Books	4
	Theses	3
	Research	2
	Presentation/Lecture	3
	Academic Points (d)	
5. Knowledge on Foreign Language	Foreign Language Points (e)	7
Total Points (a+b+c+d+e)		

Source : KOSGEB

4.1.3 Capacity Development of KOSGEB's Staff

As shown in Table 4-5, 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 loans⁹ 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.

⁹ KOBİ Destek Kredisi

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 4-5 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 4-6 shows training for the staff held in 2011¹⁰ 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. For example, training about accounting covers procedures of subsidy payment in the financial support program. In the training on project management, staff learns how to evaluate projects of SMEs which use either SME project support program or theme specific project support program according to submitted progress reports¹¹.

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."

¹⁰ Data as of December 20, 2011.

¹¹ See Table 3-5 for details of support programs.

Table 4-6 Training Held in 2011 for the Staff

	Theme	Schedule		Hours spent	Participants
		Started on	Ended on		
I In-house training					
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
II Training at training institutions					
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 country¹². 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 (Table 4-7).

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 country¹³. 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.

¹² As of October 2011.

¹³ As of November 2011.

Table 4-7 Geographical Distribution of KOSGEB Service Centers and Staffing (as of October2011)

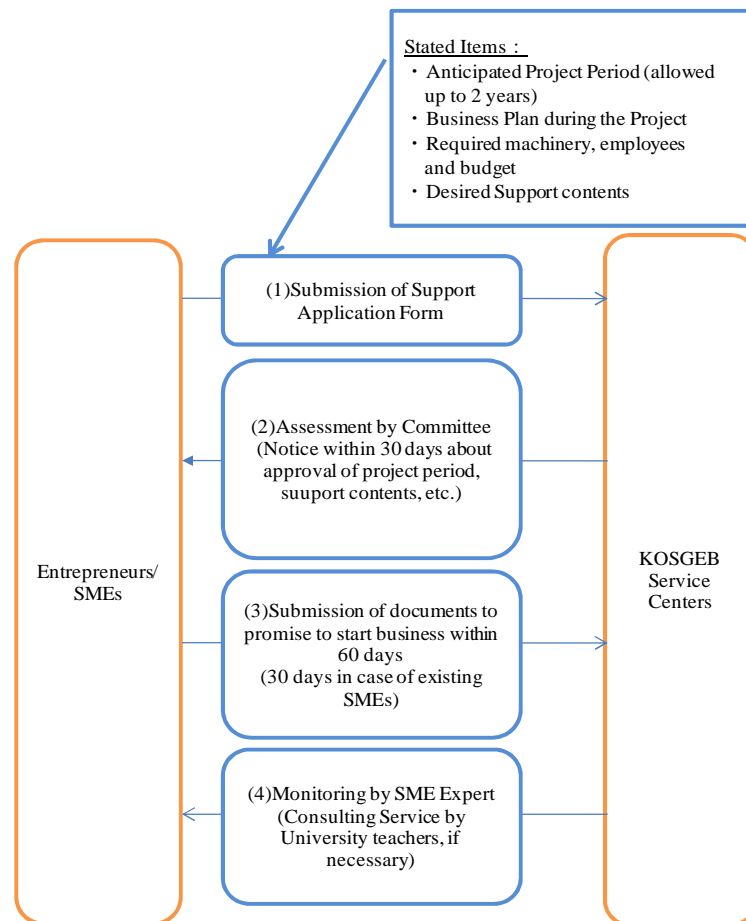
Location (75)	Number of staff	Classification		
		SME Expert	Assistant	sub-total
Total	577	221	189	410
ADANA Service Center	17	7	2	9
ADIYAMAN Ser. Cen.	4		3	3
AFYONKARAHİSAR Ser. Cen.	3		2	2
AĞRI Ser. Cen.	3	1	2	3
AMASYA Ser. Cen.	2	2		2
ANKARA OSTİM Ser. Cen.	52	30	5	35
ANKARA SİNCAN Ser. Cen.	25	11		11
ANKARA SİTELER Ser. Cen.	44	27	2	29
ANTALYA Ser. Cen.	9	5	3	8
AYDIN Ser. Cen.	6	1	3	4
BALIKESİR Ser. Cen.	3	1	2	3
BİLECİK Ser. Cen.	1			
BOLU Ser. Cen.	4	1	2	3
BURDUR Ser. Cen.				
BURSA Ser. Cen.	27	10	9	19
ÇANAKKALE Ser. Cen.	2		1	1
ÇANKIRI Ser. Cen.	1	1		1
ÇORUM Ser. Cen.	8	2	3	5
DENİZLİ Ser. Cen.	11	3	3	6
DIYARBAKIR Ser. Cen.	8	4	3	7
EDİRNE Ser. Cen.	1	1		1
ELAZIG Ser. Cen.	5		3	3
ERZINCAN Ser. Cen.	2	1	1	2
ERZURUM Ser. Cen.	6	1	3	4
ESKİŞEHİR Ser. Cen.	13	7	3	10
GAZİANTEP Ser. Cen.	16	5	5	10
GİRESUN Ser. Cen.	3	2	1	3
GÜMÜŞHANE Ser. Cen.	1	1		1
HATAY Ser. Cen.	4		3	3
ISPARTA Ser. Cen.	4	1	2	3
MERSİN Ser. Cen.	10	2	3	5
İSTANBUL İKİTELLİ Ser. Cen.	32	9	16	25
İSTANBUL ANADOLU YAKASI Ser. Cen.	20	9	7	16
İSTANBUL BOĞAZIÇI Ser. Cen.	18	8	5	13
İSTANBUL HALIÇ Ser. Cen.	10	2	6	8
İZMİR GÜNEY Ser. Cen.	11	8	2	10
İZMİR KUZEY Ser. Cen.	16	6	7	13
KARS Ser. Cen.	2	1	1	2
KASTAMONU Ser. Cen.	5		4	4
KAYSERİ Ser. Cen.	10	4	3	7
KIRŞEHİR Ser. Cen.				
KOCAELİ Ser. Cen.	8	2	4	6
KOCAELİ OSB Ser. Cen.	6	4	2	6
KONYA Ser. Cen.	16	8	4	12
KÜTAHYA Ser. Cen.	5	1	3	4
MALATYA Ser. Cen.	5	2	1	3
MANİSA Ser. Cen.	6	1	4	5
MUŞ Ser. Cen.				
KAHRAMANMARAŞ Ser. Cen.	8	4	2	6
MARDİN Ser. Cen.	4		3	3
MUĞLA Ser. Cen.	5		4	4
NEVŞEHİR Ser. Cen.	3		3	3
ORDU Ser. Cen.	4		2	2
RİZE Ser. Cen.	3		2	2
SAKARYA Ser. Cen.	5	2	2	4
SAMSUN Ser. Cen.	12	6	1	7
SİNOP Ser. Cen.	2	1		1
SİVAS Ser. Cen.	4	1	3	4
TEKİRDAĞ Ser. Cen.	6	3	3	6
TOKAT Ser. Cen.	4		3	3
TRABZON Ser. Cen.	6	3	2	5
ŞANLIURFA Ser. Cen.	6		3	3
UŞAK Ser. Cen.	1	1		1
VAN Ser. Cen.	6		3	3
YOZGAT Ser. Cen.	4		3	3
ZONGULDAK Ser. Cen.	5	2	1	3
AKSARAY Ser. Cen.	4	1	2	3
KARAMAN Ser. Cen.	3		2	2
KIRIKKALE Ser. Cen.	1			
BATMAN Ser. Cen.	2			
BARTIN Ser. Cen.	3	2	1	3
KARABÜK Ser. Cen.	5	1	3	4
KİLİS Ser. Cen.	1			
OSMANIYE Ser. Cen.	4	1	3	4
DÜZCE Ser. Cen.	1	1		1

Source: KOSGEB

(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 (Figure 4-4).



Source: Prepared by Study Team based on hearing

Figure 4-4 Procedures for Support for Developing Prototype of New Products in R&D Support Program

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 country¹⁴, 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 help¹⁵. 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. For instance, Kocaeli ABİGEM has seven consultants and maintains office space within the Kocaeli chamber of industry. It is operated under joint contribution by TOBB, the chambers of industry in nearby five provinces and the Organized Industrial Zone (OIZ) in Gebze, Kocaeli.

¹⁴ Kocaeli, Izmir, Gaziantep, Tekirdağ, Eskisehir, Afyon, Konya, Kayseri, Adana, Malatya, Trabzon, Erzurum, Denizli, Çorum, and Uşak

¹⁵ 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.

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.

Izmir ABİGEM has four consultants and its consulting service covers international trade, development of the customer base, and project formulation to secure support from EU and other international organizations. Also, it primarily targets small enterprises having 10 – 50 employees.

(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.

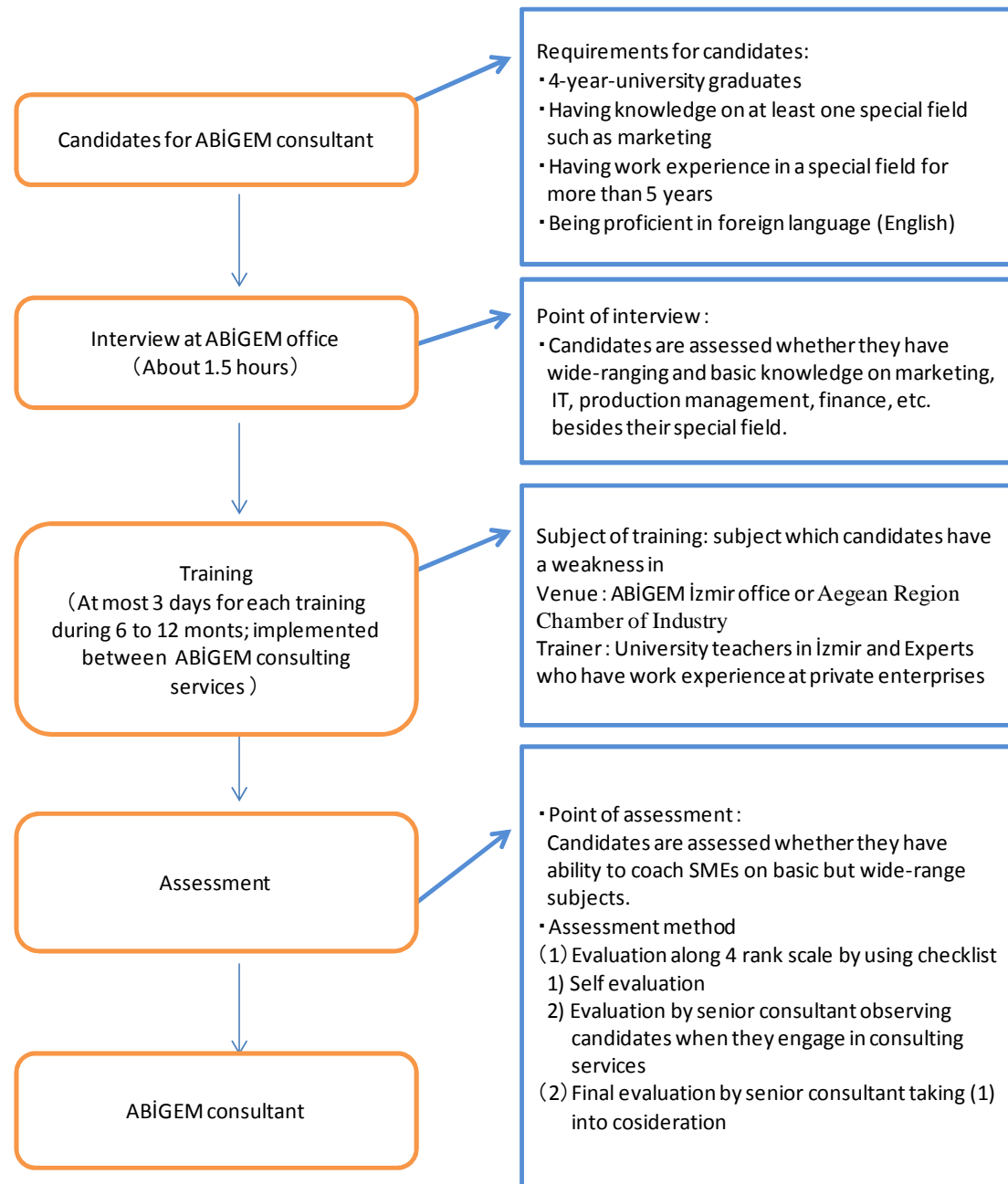
- Training

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. The checklist covers so-called “KBK (key business knowledge)” that consists of seven fields including management strategy, production management, IT, and finance. Assessment items include the level of knowledge and attitude in the course of consulting activity.

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 4-5 Assessment Process of ABİGEM consultants

Table 4-8 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"> Registration of consultants with an emphasis on ethics and speciality Providing training to SMEs 	<ul style="list-style-type: none"> Certification of CMC 	<ul style="list-style-type: none"> Providing consulting services to public and private organizations 	<ul style="list-style-type: none"> Providing wide-ranging support programs to SMEs
Number of registered consultants	About 50 employed consultants (15 ABIGEM in the country)	35	23 out of individual members	25 (Besides, 45 internal consultants)	438 (As of July 2009, Registration system was abolished June 15, 2010)
Requirements for application for registered consultants	<p>ABIGEM Izmir (Four consultants)</p> <ul style="list-style-type: none"> Graduates from 4-year-university Having knowledge on at least one speciality field Having more than 5 years' work-experience in the speciality field Being proficient in foreign language (English) <p>ABIGEM Kocaeli (Seven consultants)</p> <ul style="list-style-type: none"> Submission of C. V. describing educational history, work-experience, etc. (No requirements are demanded regarding the length of work-experience and consulting experience in the speciality field.) 	<ul style="list-style-type: none"> Graduates from 4-year-university Being proficient in foreign language (English) Having more than 7 years' consulting experience Having letters of recommendation from more than two persons 	<ul style="list-style-type: none"> Registered consultants at YDD Having consulting experience and work-experience at enterprises Having participated in training programs as trainees or trainers Submission of more than 5 references from beneficiary organizations to which candidates provided consulting services 	<ul style="list-style-type: none"> Being an expert in the field relevant to productivity Having a past record of publications, theses, etc. Having two-years' experience as a trainer in the past Having good attitude, giving good impression on others, having good pronunciation of words and having neutrality of thoughts 	<ul style="list-style-type: none"> Graduates from 4-year-university Submission of more than 5 references from beneficiary organizations to which candidates provided consulting services or having more than 5 years' work-experience in speciality field as managers in the enterprises.
Assessment for registration	<p>Point of interview: whether they have wide-ranging and basic knowledge on production management, marketing, finance, etc.</p> <p>Subject of training: subject weaknesses in production management, marketing, finance, etc.</p> <p>Venue: ABIGEM Izmir office or Industry - ABIGEM Izmir Chamber of Commerce and Industry</p> <p>Trainer: University teachers in production management, marketing, finance, etc. or work-experience at private enterprises</p> <p>Point of assessment: whether they have ability to complete basic business plan</p> <p>Assessment method: <ol style="list-style-type: none"> Self evaluation Evaluation by senior consultant Final evaluation by senior consultant taking 1) into consideration </p>	<ul style="list-style-type: none"> Member of Assessment Committee (3) YDD Board Member (1) CMC holder (2) University teacher (1) <p>Assessment by an interview with three committee members called YDD Board of Profession</p> <p>Registration is rejected in case of suspicious ethics</p>	<ul style="list-style-type: none"> Assessment by Committee on submitted documents Interview by Assessment Committee (Presentation by an applicant on a consulting case and questions & answer session for 1.5 hours) Training on ethics (1 day) CMC Registration 	<p>Document assessment by five committee members comprising secretary general, head of consulting department, etc.</p> <p>Assessment by an interview with committee members</p>	<p>① Document assessment by three technical committee members from SME training & consultancy division.</p> <p>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.</p> <p>② The approval committee re-examines the documents before candidates are registered at KOSGEB database as consultants.</p>
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.	—	About 200 times of trainings are provided annually.	Registration system was abolished June 15, 2010.

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)¹⁶. 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.

¹⁶ 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)¹⁷, 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.

As for geographical distribution, 178 out of 205 consultants are located in Istanbul, 15 in Ankara, 5 in Izmir, and 3 in Bursa, so that Istanbul is the center of consulting activity.

(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

¹⁷ ICMCI's member representing Japan is the All-Japan Federation of Management Organizations (Zen-Noh-Ren).

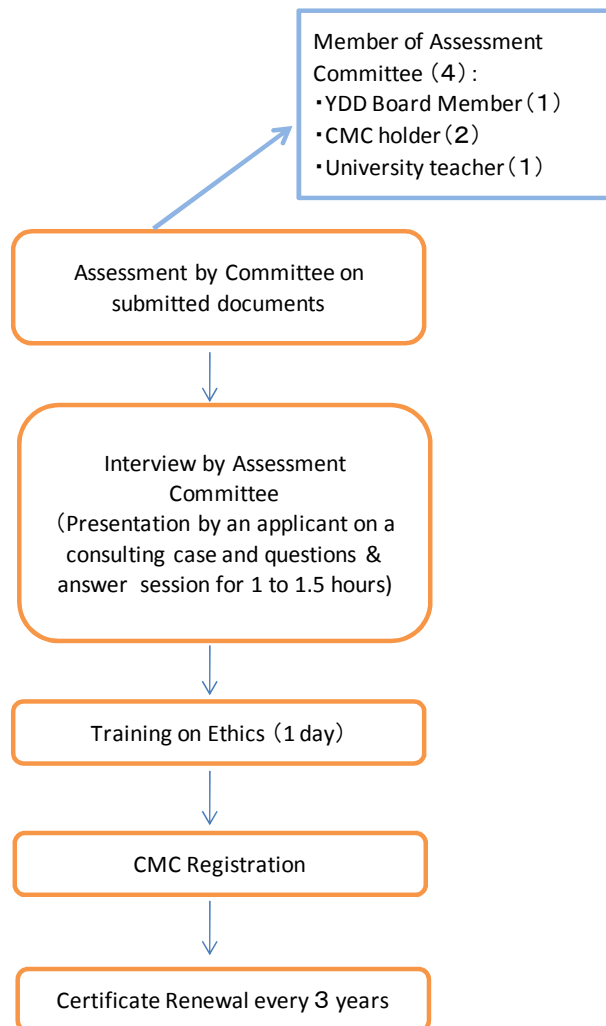
(3) Assessment of consultants

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 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 (Figure 4-6).



Source: Prepared by Study Team based on hearing.

Figure 4-6 Assessment Process of CMC Registration at YDD

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. The interview takes 1 – 1.5 hours. 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 according to the standard shown in Table 4-9.

- 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

Note that no interview is carried out in the renewal process.

Table 4-9 CMC Evaluation Table

Consultant's Name					
Evaluated Activities	Unit for calculating points	Points per unit	Upper Ceiling	Minimum required points	Consultant's Points
Training			30	5	
Training he/she participated in	One day of training	1	12		
Seminar he/she participated in	One day of Seminar	1	6		
Presentation/Speech at Seminars	Each Presentation/Speech	2	12		
Consulting Services			12	8	
Consulting Services he/she provided	300 hours of consulting service	1	12		
Professional Activities			28	5	
Presence at CMC Committee	Eadh meeting	2	6		
Thesis writing	Each thesis	1	5		
Volunteer activity at NGO	One week	1	5		
Participation in CMC Registration Assessment Process	Each candidate for CMC	2	6		
Acquisition of Qualification related with Profession	Each qualification	2	6		
Evaluation Points			70	18	

Source: YDD

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)¹⁸ 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 (Figure 4-7). They have graduated from universities and are originally hired as assistant. They learn consulting techniques in the form of OJT under 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 out¹⁹. 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.

¹⁸ Milli Produktivite Merkezi

¹⁹ As of December 2010



Source:VGM at <http://vgm.sanayi.gov.tr/OrganizationChart.aspx>

Figure 4-7 VGM Organization Chart

(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.

Box 4-3 VGM's Training Program

VGM holds around 200 training programs annually, which target managerial workers of government organizations and private enterprises. Main themes are listed in Table 4-10. To ensure opportunity for participation in class activity, each program is limited to around 25 participants. There are around 60 internal trainers and 150 registered trainers.

Trainers are classified into six areas of specialty: 1) production management; 2) business administration; 3) human resource management; 4) financial management; 5) personal development; and 6) others (consumer right, etc.).

Registered trainers are required to meet the following qualification requirements:

- To be an expert in a field suitable for MPM's training themes
- To have publication records (including research papers)
- To have trainer experience in the past two years

The applicant is interviewed by VGM's assessment committee to check a variety of factors, including dress, appearance and impression, the manner of speech, and neutrality. Trainers are carefully selected as they represent VGM.

VGM's training program covers broad aspects of corporate management, as shown below.

Table 4-10 Main Themes for VGM Training

Production management	<ul style="list-style-type: none"> - Production planning - Determination of standard time for make-to-order production - Cost reduction techniques - EPM
Business administration	<ul style="list-style-type: none"> - TQM - KAIZEN - 5S - Strategic planning - MIS (management information system) - Strategic marketing
Human resource management	<ul style="list-style-type: none"> - Leadership - Effective presentation skills - Teamwork - Performance management system
Financial management	<ul style="list-style-type: none"> - Financial analysis for decision making - Financial basics
Other	<ul style="list-style-type: none"> - Time management - Human relationship and communication - Consumer rights and protection

Note: Categorized according to VGM's classification

Source: VGM

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)²⁰ will become involved in the process as it is stepping up the role of the leading agency 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)²¹ 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, as summarized in Table 4-11.

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.

²⁰ T.C. Mesleki Yeterlilik Kurmu

²¹ Türk Akreditasyon Kurumu

Table 4-11 General Requirements of ISO17024

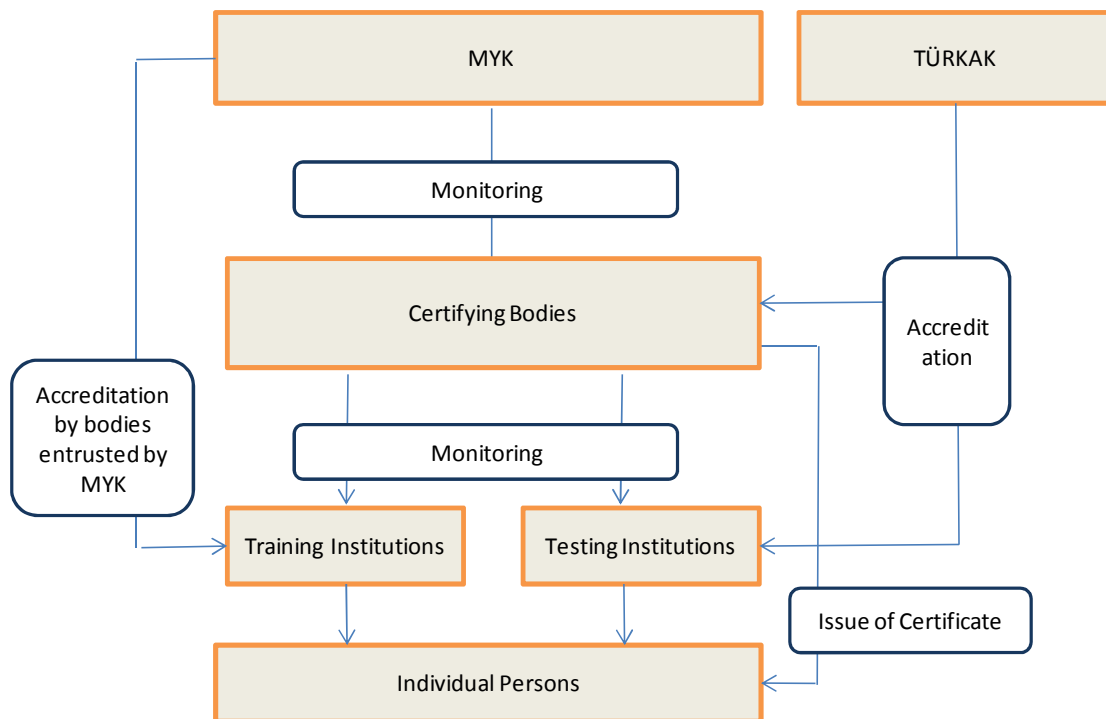
Targets of Requirements		General Requirements
Certifying Organization	Organizational Structure	<ul style="list-style-type: none"> • To give trust in operational ability, fairness and sincerity to stakeholders - to maintain independence and fairness - to place a staff taking whole responsibility for assessment, certification and surveillance - to be judiciary person • To document organizational structure • To set up certifying scheme committee • To be endowed with necessary financial resources • To guarantee that training is wholly separated from assessment and certification of personnel • To prescribe procedures for settling claims • To retain staffers having technical knowledge and experience
	Development and Maintenance of Certifying Scheme	<ul style="list-style-type: none"> • To prescribe assessment criteria • To evaluate the method to test candidates
	Management System	<ul style="list-style-type: none"> • To document management system operation, e.g. by ISO9001
	Subcontracting	<ul style="list-style-type: none"> • To conclude agreement to promise keeping secret when testing is subcontracted to external organizations • To evaluate and monitor the ability of subcontractors
Staff employed by Certifying Organization		<ul style="list-style-type: none"> • To have appropriate education, experience and technical speciality • To maintain the documents describing the latest information on conformity • Testing committee members should be well versed in the certifying scheme and have appropriate ability in the testing field.
Certifying Process		<ul style="list-style-type: none"> • Certifying organization should test candidates' ability by means of written, oral, acting, observation, etc. • Staff making judgment on certification must be separated from staff engaging in testing or training competent candidates • Certifying organization should issue certificate to certified personnel.

Source : ISO17024 (JIS Q 17024)

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 4-8 illustrates the relationship between MYK, TÜRKAK, and certifying organizations.



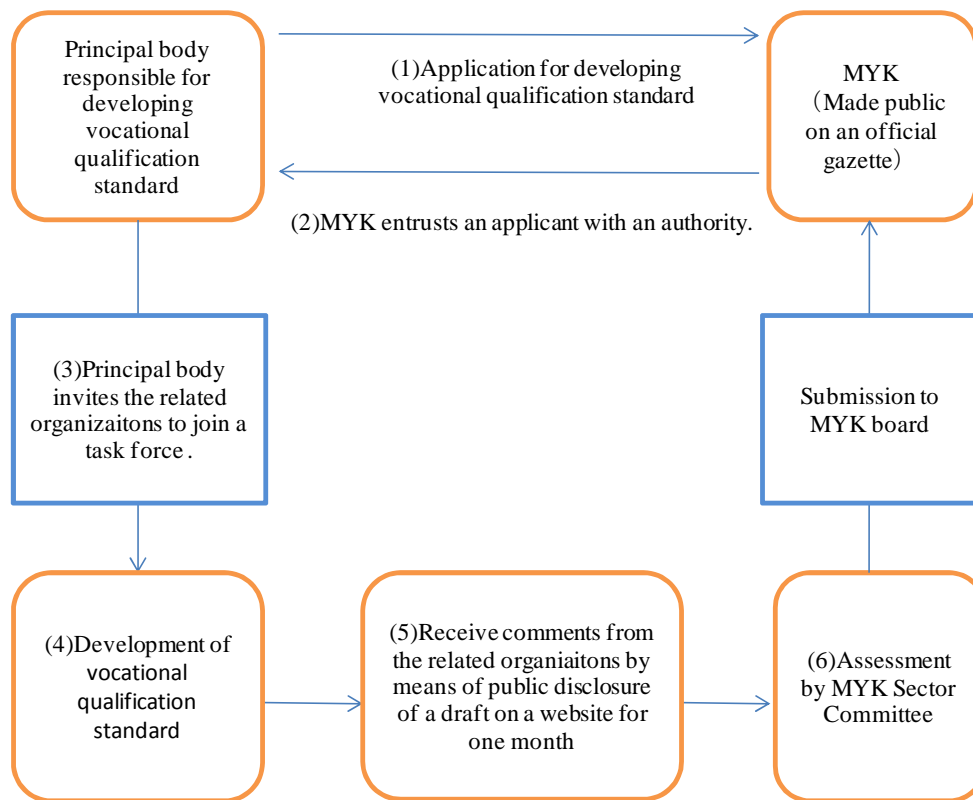
Source : MYK, *REGULATION ON VOCATIONAL QUALIFICATION, TESTING AND CERTIFICATION* (Dec. 2008) ; Study Team

Figure 4-8 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 4-9).

(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. For instance, the competence standard for work safety and hygiene personnel (construction industry), which was published on December 11, 2009, was developed by the Union of Construction Industry Employers. On the other hand, the Union of Metal Industries took a lead in development of the competition standard for electronic machinery assembly workers (published on December 1, 2010).



Source : Prepared by Study Team based on hearing

Figure 4-9 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 industry²². 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 thereof.

- Work analysis

- a. Information on the profession from workers, customers, and experts (by means of interview, questionnaire survey, field observation, and exchange of opinions at the workshop) is collected for analysis by an analyst.
- b. Workers engaged in the profession record their daily activities, including type of activity and time spent for each activity, which is then analyzed.

- Development of a curriculum (DACUM)

A workshop is organized by persons who are engaged in the profession to perform detailed analysis. It generally proceeds in the following steps.

- a. At least eight persons are gathered and the purpose of the workshop is presented.
- b. A brainstorming session is held to classify and define activities as the smallest unit and work way up to functions.
- c. A list of resources required for each activity (knowledge, skills, attitude, tools, etc.) is prepared.
- d. After final check on the list coverage, activities are arranged in order.

- Functional analysis

Analysis starts with the entire profession and goes downward to individual activities. This method is rarely used because advanced knowledge on the profession is required, resulting in overdependence on experts.

- 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)

²² 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).

established by the EU, which sets the following eight levels according to the level of difficulty.

Table 4-12 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

(5) 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.

(6) Reviewing by the MYK sector committee

MYK has 15 sector committees for various industries²³, 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.

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

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

To this date, approximately 120 competence standards have been published as national standards. Examples are shown in Table 4-13.

²³ As of November 2010

Table 4-13 Examples of National Competence Standards (published on the National Gazette)

Profession	Grade level	Date of publication
Automotive engine test engineer	5	August 25, 2009
Automobile assembler	4	
Automobile painter	4	
Electronic machinery assembler	4	December 1, 2010
Cutting machinery	4	
Leather finisher	5	December 17, 2010
Construction crane operator	3	September 19, 2009
Construction work safety and hygiene manager	4	December 11, 2009
Harbor work manager	6	December 28, 2009
Harbor warehouse manager	5	
Hotel housekeeper	5	November 26, 2009
Hotel front office manager	5	July 5, 2010

Source: MYK's publication

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.

Box 4-4 Tour Guide Registration System (Ministry of Culture and Tourism)

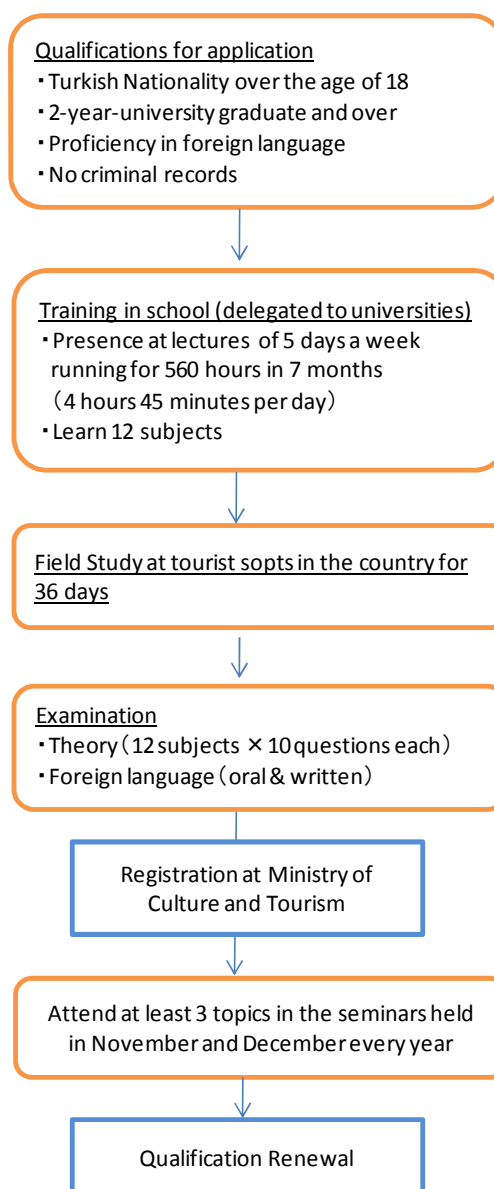
The Ministry of Culture and Tourism operates the tour guide certification system since the 1960s and 12,517 persons are registered (as of December 2010). Registration procedures for tour guides are summarized below (Figure 4-10).

• Qualification

While a graduate of a four-year university can participate in lecture courses, a graduate of a two-year college is required to take written examinations on the Turkish culture and a foreign language as well as an interview. Note that the written examination on a foreign language is exempted for a person who has scored 70 or higher points at a foreign language test for government employees (KPDS)²⁴ administered by the Council of Higher Education (YÖK)²⁵.

• Lecture courses

Lecture courses are conducted at various universities, including University of Ankara, under contract with the Ministry of Culture and Tourism. Applicants are required to take the following 12 courses: 1) tourism in general and law; 2) tour guide; 3) geography; 4) Turkish history and culture; 5) archaeology; 6) mythology; 7) art history; 8) religious history; 9) literature; 10) first aid; 11) communication; and 12) history of Anatolian civilization.



Source : Prepared by Study Team based on hearing.

Figure 4-10 Procedures for Qualification of Tourist Guide

²⁴ Kamu Personeli Dil Sinavi

²⁵ Yülsek Öğretim Kurulu

- Field training

The applicant goes to a tourist resort specified by the Ministry of Culture and Tourism and listens to a professional tour guide. Then, he or she practices guiding the tour on the basis of what he has learned from the professional guide.

- Final examination

The applicant takes the final examination covering the above 12 subjects plus a foreign language. As for a foreign language, the applicant is required to write what he has learned from the field training in the language. The passing mark is 70 points for each course. Test problems on history and culture are prepared by staff members of the Ministry of Culture and Tourism, while those on some courses (such as art history) are commissioned to universities.

- Registration

The applicant who has passed the final examination is registered with the Ministry of Culture and Tourism. Registration is valid for one year and must be renewed annually. For renewal, the applicant must participate in at least three seminars. Each year, eight seminars on different topics are offered. The applicant must attend at one seminar that is specified by the Ministry of Culture and Tourism and two other seminars of his choice. The seminar specified by the ministry deals with a current topic in which foreign tourists may show interest, such as the “Year 2010, Istanbul, the European Capital of Culture Year.” The topic varies annually.

While the tour guide is certified by the Ministry of Culture and Tourism, the ministry is in the process of developing a competence standard for tour guides by signing a protocol with MYK on January 27, 2010. It is designed to establish a clear definition of the professional tour guide, including its job description and grade level, thereby to make the tour guide a widely recognized and accepted profession.

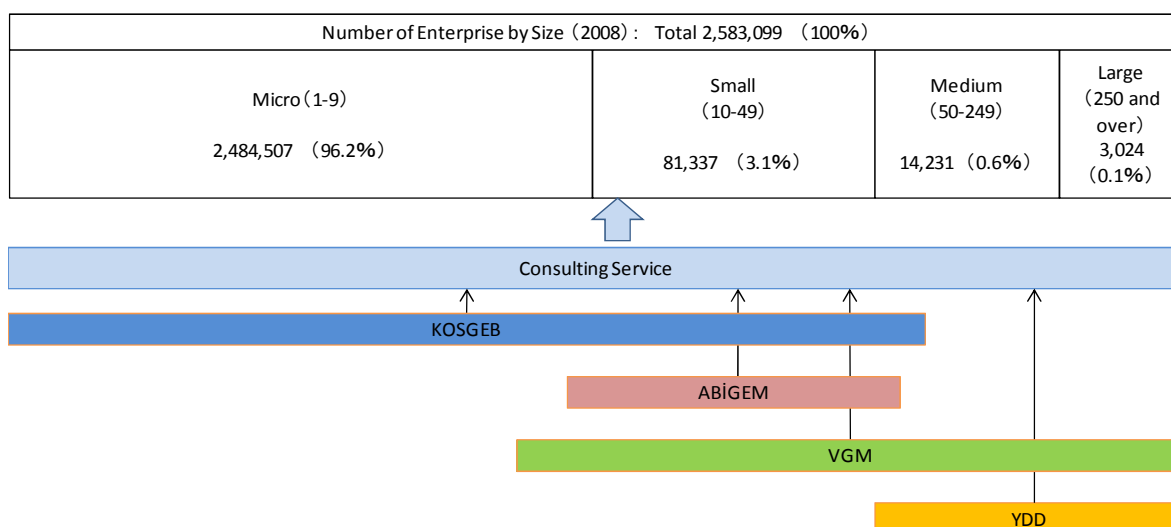
4.4 Key Considerations in relation to the Current State of Consulting Service

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 4-11). YDD mainly serves medium-sized enterprises (50 – 100 employees) and large enterprises, while VGM covers a wider range of companies from SMEs (including some microenterprises) to large enterprises. ABİGEM provides consulting service for small enterprises (10 – 50 employees)²⁶. As a result, 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.



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 4-11 Targeted Enterprises of Consulting Service Related Organizations

²⁶ PRODER's response about company size served by registered consultants indicates that "there are a few microenterprises due to a financial burden, although detailed client data by company size is not known." (from interview with registered consultants at PRODER's Istanbul office on January 13th, 2011)

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)²⁷. 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. As discussed later, however, it is frequently pointed out that there are unethical conducts in the course of consulting activity²⁸. 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 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 assigned to each service center should play a central role in implementing various support programs. More precisely, their real role is to propose a support program that meets the real needs of the client company. For instance, under the Consulting support in the KOSGEB’s General Support Program, it is desirable to provide consulting service that leads to problem solving. On the other hand, in relation to Theme-specific Project Support Program and SME Project Support Program, which were newly introduced after June 2010, proper advice should be given in the field of project formulation so as to create an impetus for SME growth. As a result, the SME expert and

²⁷ 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.

²⁸ See “5.3 Questionnaire and Interview Surveys of Consultants”

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

(2) Consultant selection criteria

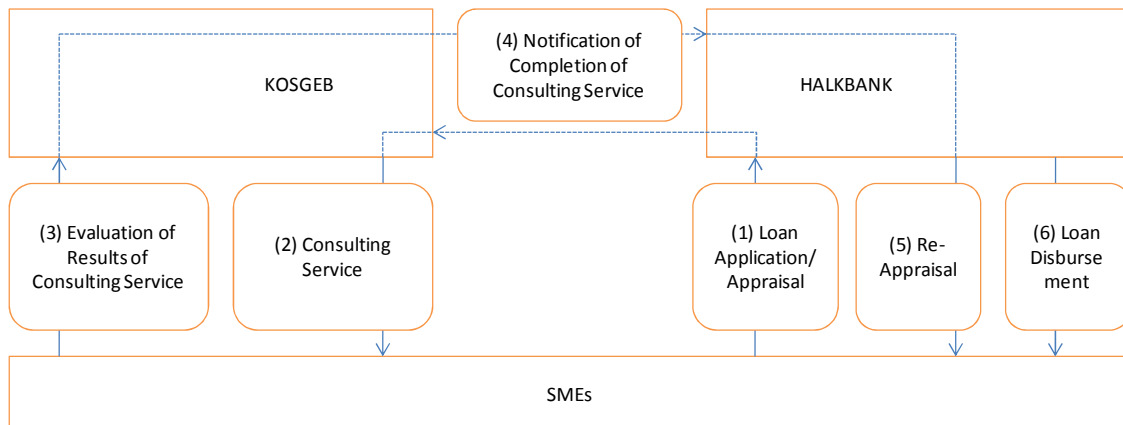
At present, a client company selects a consulting firm from those having TSE HYB Certificate. As already pointed out, however, TSE's examination does not check professional knowledge and experience of an individual consultant, so that selecting a HYB certified consulting firm does not warrant consulting 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 reasons²⁹. 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 difficulty³⁰. (Figure 4-12)



Source: Prepared by JICA Study Team

Figure 4-12 Collaboration between KOSGEB and HALKBANK (Example)

²⁹ See 3.2.11.

³⁰ 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.

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

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 their views on (1) what are problems of SMEs, (2) what consulting services are in demand, (3) what are problems of consulting services provided by KOSGEB, (4) what consulting procedures should be like, (5) what knowledge and abilities are required for consultants, (6) what is an ideal certification system is like, and etc. We also asked consultants to take an examination to see widths and depths of their knowledge. Section 5.1 summarizes interviews with SMEs. Section 5.2 describes interviews and a questionnaire survey of SME experts, and Section 5.3 covers interviews and a questionnaire survey of consultants. Section 5.4 is about the examination to consultants. Each section starts with the overview, followed by the results and analysis.

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. KOSGEB made appointments at SMEs located in five cities in four provinces whose economic activities collectively accounted for a large part of the Turkish economy. A typical interview took one hour. Table 5-1 shows the number of SMEs we interviewed in each city.

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 activities¹. 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. Unfortunately, there are gaps in the composition between SMEs we interviewed and that of the Turkish population.

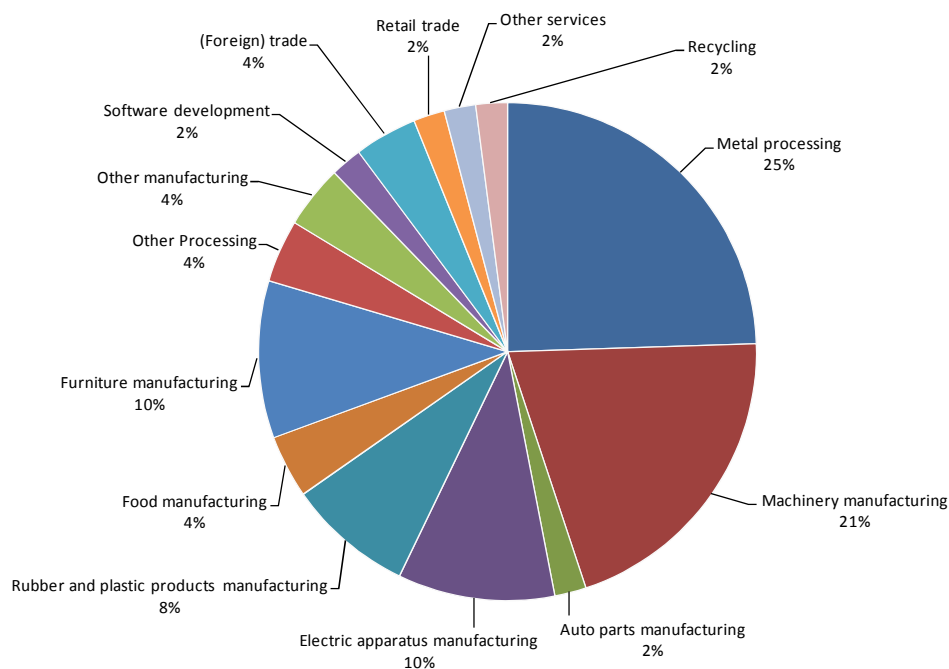
1) Sector composition

Figure 5-1 shows the sector composition of the 49 fledged enterprises. 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).

¹ 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).

Focusing on the 43 manufacturing SMEs, the composition is different from that of the population², too. That is:

- SMEs engaged in metal processing account for 28 percent among the fledged manufacturing SMEs, whereas they do for 16 percent in the Turkish population.
- Machinery manufacturing SMEs occupy 23 percent among the fledged manufacturing SMEs, whereas they do seven percent in the population.
- Food and beverage SMEs account only for five percent among the fledged manufacturing SMEs, whereas they do for 11 percent in the population.
- No fledged SME is in the textiles and apparel sector in which 23 percent of Turkish SMEs are engaged.



Source : Prepared by JICA Study Team

Figure 5-1 Sector Composition of the 49 Enterprises

Table 5-2 shows the composition of the 12 SMEs in incubation centers. 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 See Table 1-5. The table shows the composition of all Turkish enterprises including large enterprises. Given that SMEs account for 99.88% of them, however, it is safe to consider that the composition of SMEs is similar.

Table 5-2 Sector or Product & Service of the 12 Unfledged Enterprises

Sector or Product & Service	Number of Enterprises
Software	4
Machinery	4
Design Development	2
High-Tech Services	1
Rehabilitation Equipment	1

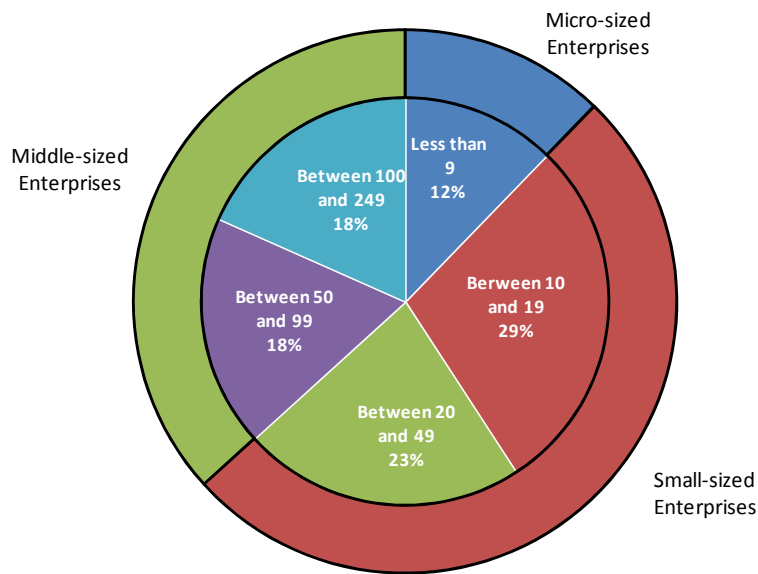
Source : Prepared by JICA Study Team

2) Number of Employees

On average, 48.7 employees work for a fledged enterprise we interviewed while 4.9 do for an unfledged one. Figure 5-2 shows the composition of the 49 businesses by the number of employees.

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 employees³, the share of micro-sized enterprises among the interviewees is much lower; 12 percent (or 6 SMEs) in the 49 fledged enterprises. Even including 11 unfledged micro-sized enterprises, the proportion is as low as 28 percent. As a corollary, the shares of small and middle-sized enterprises are higher than those in the KOSGEB database, and this is especially true for middle-sized enterprises.

³ 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.



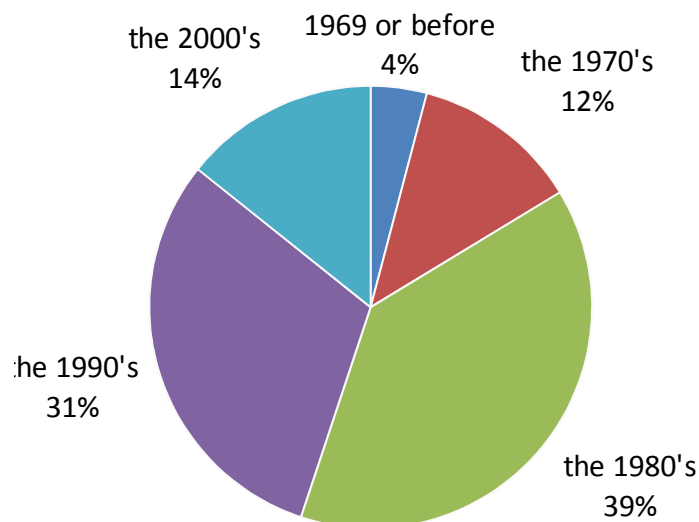
Source : Prepared by JICA Study Team

Figure 5-2 Composition of the 49 Enterprises by the Number of Employees

3) Established year

Figure 5-3 classifies the 49 fledged enterprises based on when they were established by the ten years. Median is 1988. Although the lack of comparable data does not allow us to conclude, many of them seem to have started businesses before an average Turkish enterprise did.

Established during the period between 2005 and 2010, the mean establishment year of the 12 unfledged SMEs is 2008.



Source : Prepared by JICA Study Team

Figure 5-3 Composition of the 49 Enterprises by the Year of Establishment

4) Certification

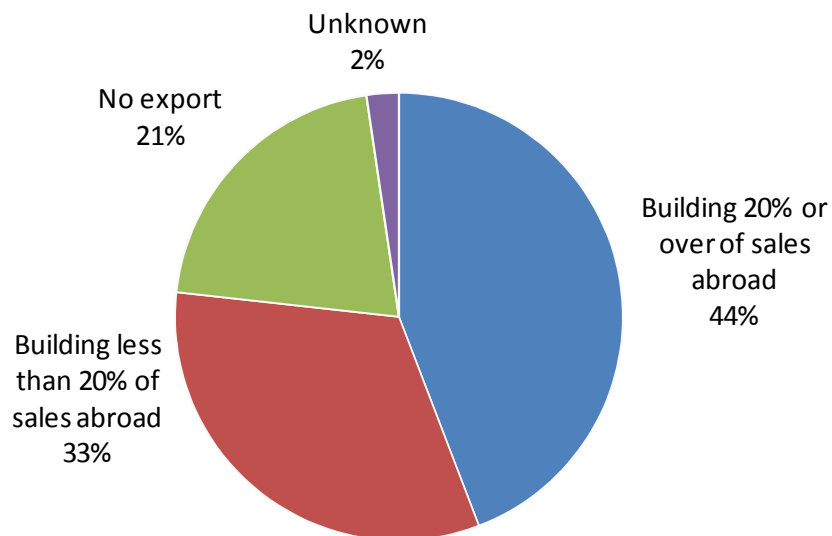
36 out of the fledged SMEs (73 percent) have got ISO or other certifications.⁴ Two are in the process of applying for one. Narrowing down the focus to the manufacturing SMEs, 34 (79 percent) have got at least one.

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 directly⁵. 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. As shown in Figure 5-4, 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.



Source : Prepared by JICA Study Team

Figure 5-4 Composition of the 43 Manufacturing SMEs by the Export Sales Proportion

⁴ Most cases are for getting ISO certificates. Some did so to obtain CE marking.

⁵ Source: European Commission. SBA Fact Sheet 2009 Turkey.

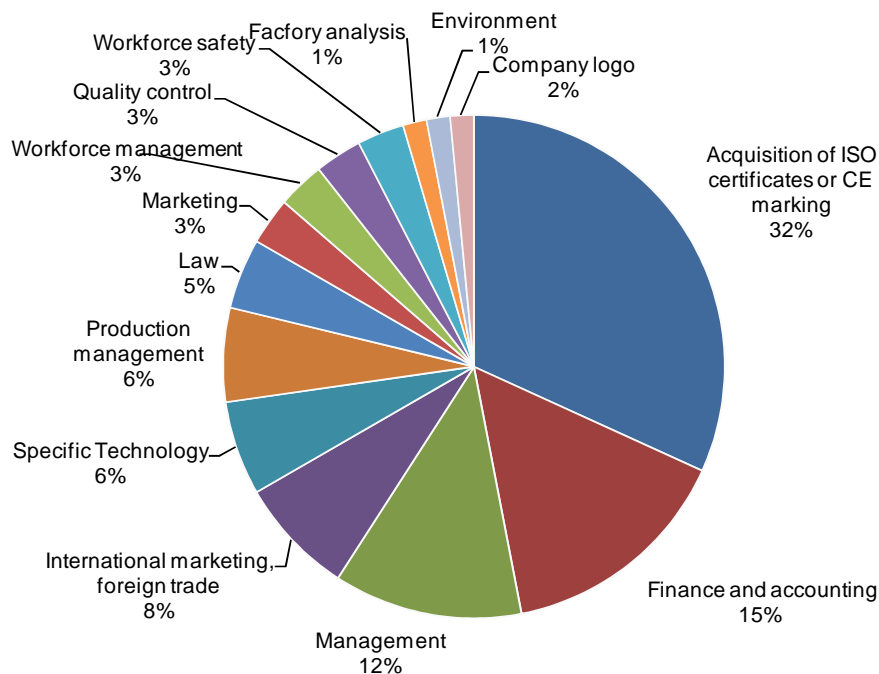
5.1.2 Results

First, we show the survey results on whether they have hired consultants as well as on what kind of SMEs are more likely to do so. Next section describes what they think are their problems. We asked them, because they suggest their latent consultation needs. Third section is about in what areas they think they need consultation in the days ahead, which shows their overt consultation needs. Final section summarizes their views of ideal consultants.

(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. As shown in Figure 5-5, 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.



Source : Prepared by JICA Study Team

Figure 5-5 Areas in which SMEs have hired consultants

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 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.

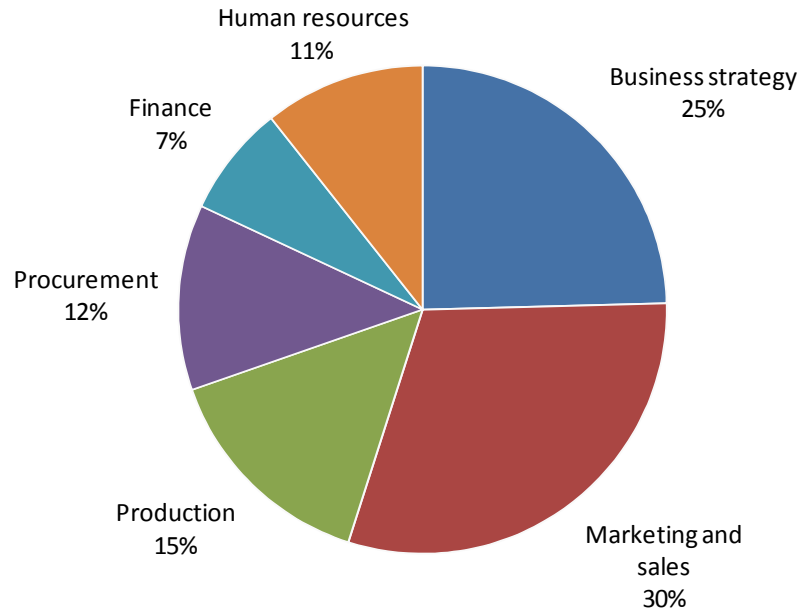
(2) Problems

Figure 5-6 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.⁶ Meanwhile, fewer enterprises name finance which seems to be the most critical issue for SMEs.⁷ 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.

⁶ 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.

⁷ Interviewees of TAYSAD and TGSD listed finance as the most serious problem for SMEs.

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

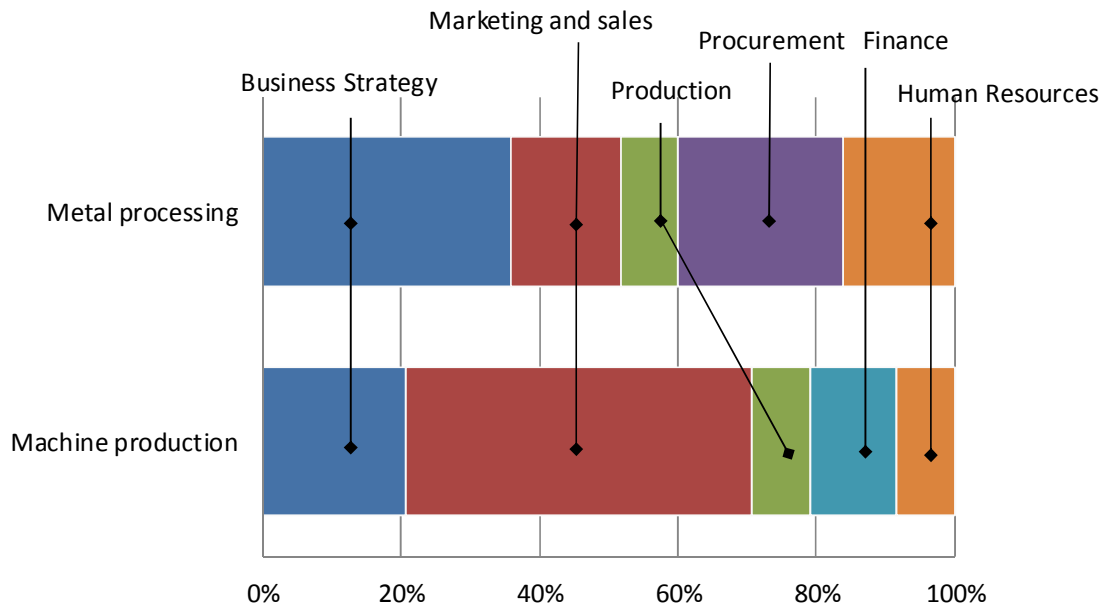


Source : Prepared by JICA Study Team

Figure 5-6 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 5-6. Figure 5-7 compares the problems listed by 12 enterprises in metal processing with those listed by ten 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.

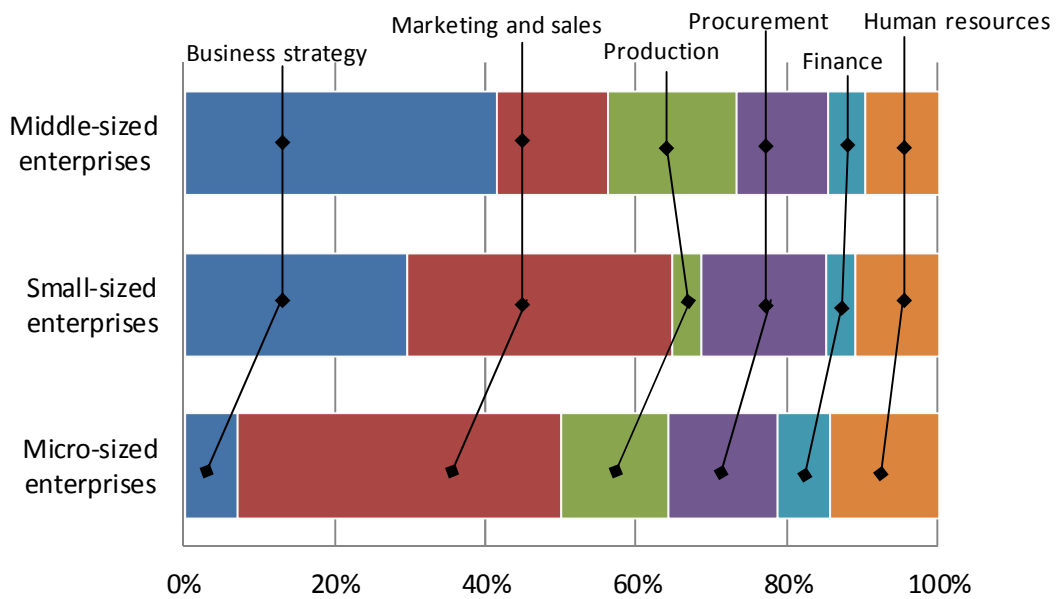


Source : Prepared by JICA Study Team

Figure 5-7 Comparison of Problems Listed by SMEs in Metal-processing and those by SMEs in Machine Production

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 5-8, 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.

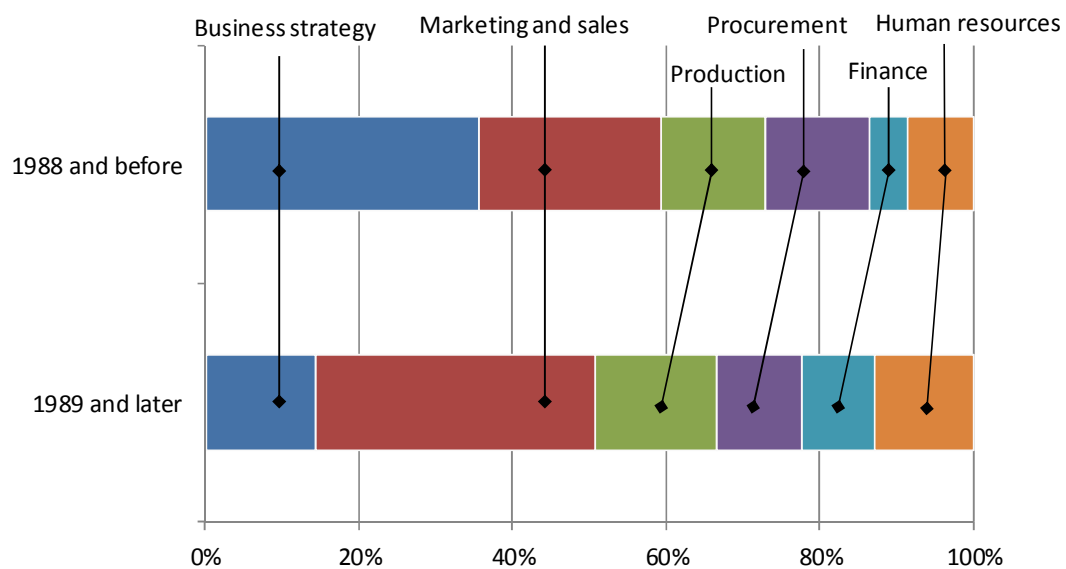


Source : Prepared by JICA Study Team

Figure 5-8 Comparison of Problems Listed by Micro-sized Enterprises and those by Small and Medium-sized Enterprises

3) Difference in Problems according to Established Years

Figure 5-9 separates the problems named by older enterprises (which were established in 1988 or before) from those by newer enterprises (which were established after 1989). The former tends to have difficulty developing business strategies while the latter is troubled about marketing and sales.

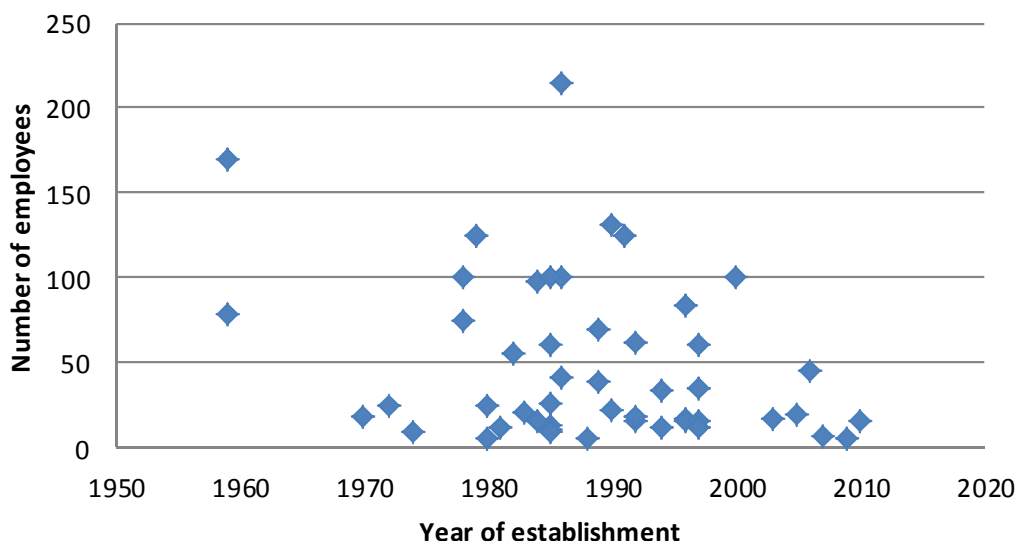


Source : Prepared by JICA Study Team

Figure 5-9 Comparison of Problems Listed by Old SMEs and those by New SMEs

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 5-10 reveals that older enterprises do not necessarily hire more employees.⁸ Thus, it can be said that how old an enterprise is alone explains the changes of its concern to some extent.



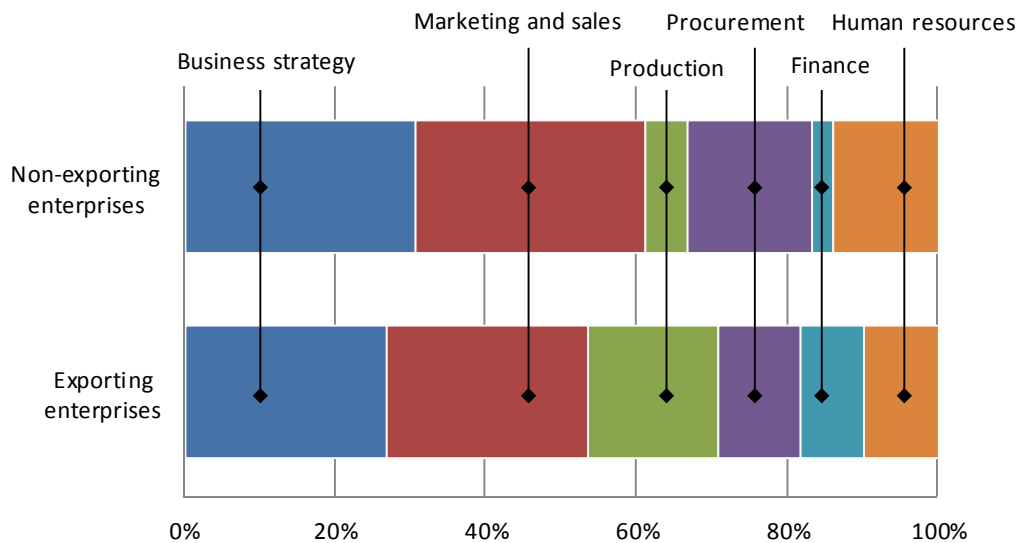
Source : Prepared by JICA Study Team

Figure 5-10 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.

⁸ The coefficient between them is -0.30.



Source : Prepared by JICA Study Team

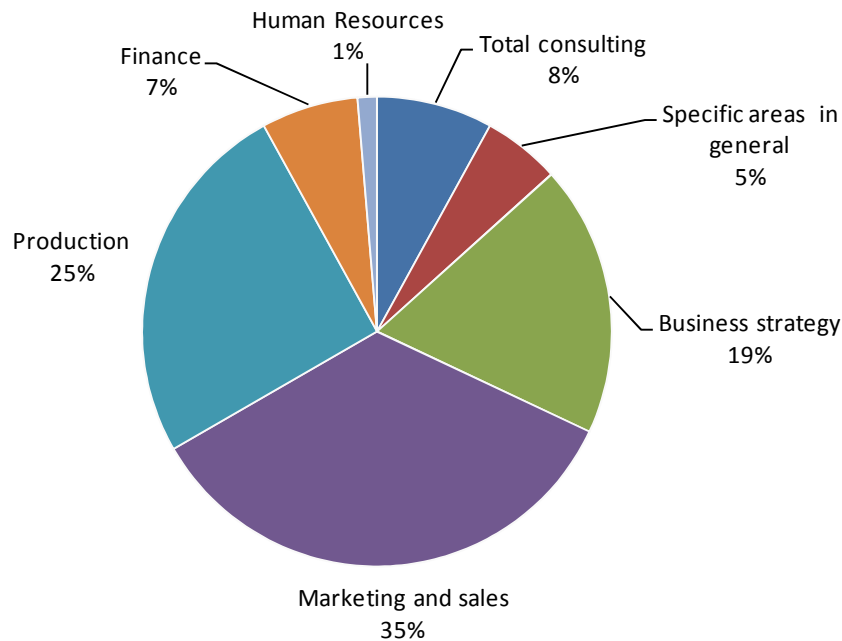
Figure 5-11 Comparison of Problems Listed by Exporting SMEs and those by Non-exporting SMEs

(3) Areas SMEs Think They Need Consultation from Now

Figure 5-12 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 consulting⁹, 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.

⁹ 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.



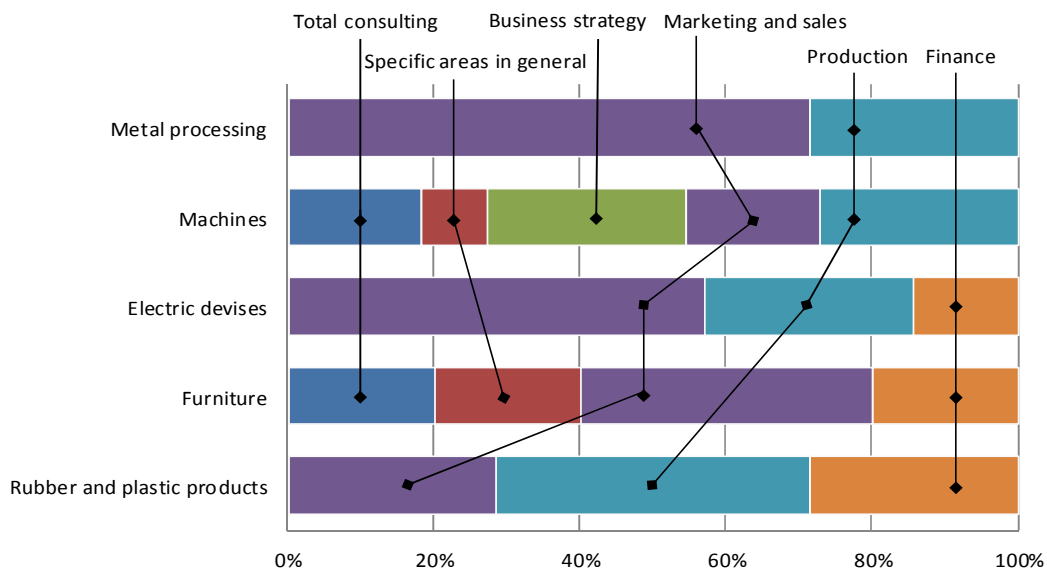
Source : Prepared by JICA Study Team

Figure 5-12 Areas in which the 49 SMEs Think They Need to Receive Consultation

1) Difference in Areas of Choice according to Sectors

Figure 5-13 shows how areas in which they think they need consultation differ depending on what sector they are in. For example, enterprises in metal processing predominantly list marketing and sales followed by production, whereas those in machine production tend to be concerned about business strategy and production. Two in machine production list total consultation.

The numbers of interviewees belonging to the other sectors are so small that we cannot come to a conclusion based on the results. However, the responses by those producing electric machines show a similar tendency to that of metal-processing SMEs, and those producing rubber or plastic products name production more.

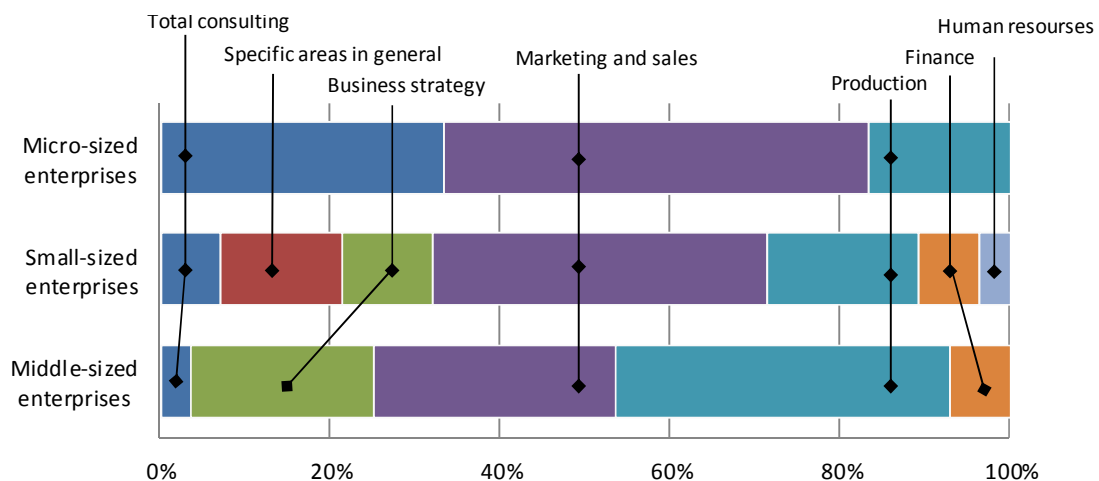


Source : Prepared by JICA Study Team

Figure 5-13 Comparison of Consulting Areas of Choice by Sector

2) Difference in Areas of Choice according to Enterprise Sizes

Figure 5-14 shows how areas in which they think they need to receive consultation differ depending on the number of employees. The results are similar to Figure 5-8 which shows the areas of current problems they recognize by the number of employees; 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 consulting to be a good idea, although the number of responses is not sufficient enough to conclude so.

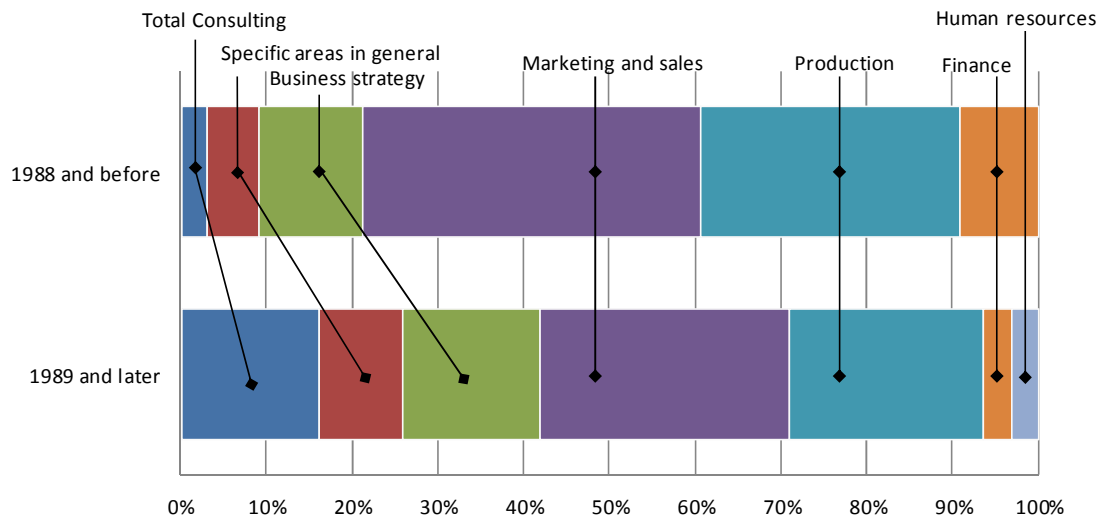


Source : Prepared by JICA Study Team

Figure 5-14 Comparison of Consulting Area of Choice by the Number of Employees

3) Difference in Areas of Choice according to Established Years

Figure 5-15 shows how areas in which they would like to receive consultation in the days ahead differ depending on how old they are; older enterprises tend to list marketing and sales, production, and finance more often than newer ones, whereas newer ones do total consultation more often.

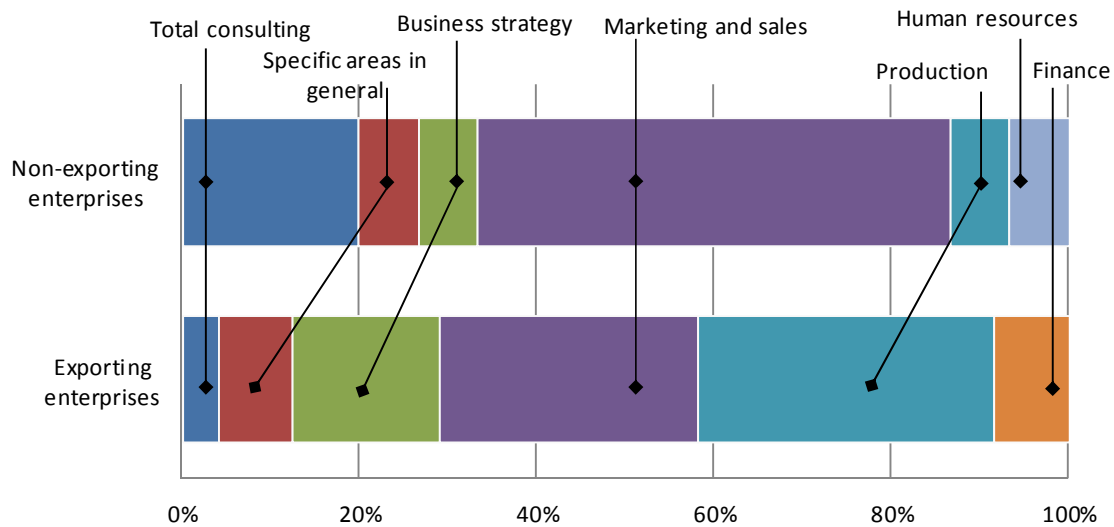


Source : Prepared by JICA Study Team

Figure 5-15 Comparison of Consulting Area of Choice between Old SMEs and New SMEs

4) Difference in Areas of Choice according to Export Experience

As shown in Figure 5-16, 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.



Source : Prepared by JICA Study Team

Figure 5-16 Comparison of Consulting Area of Choice between Exporting SMEs and Non-exporting SMEs

(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.

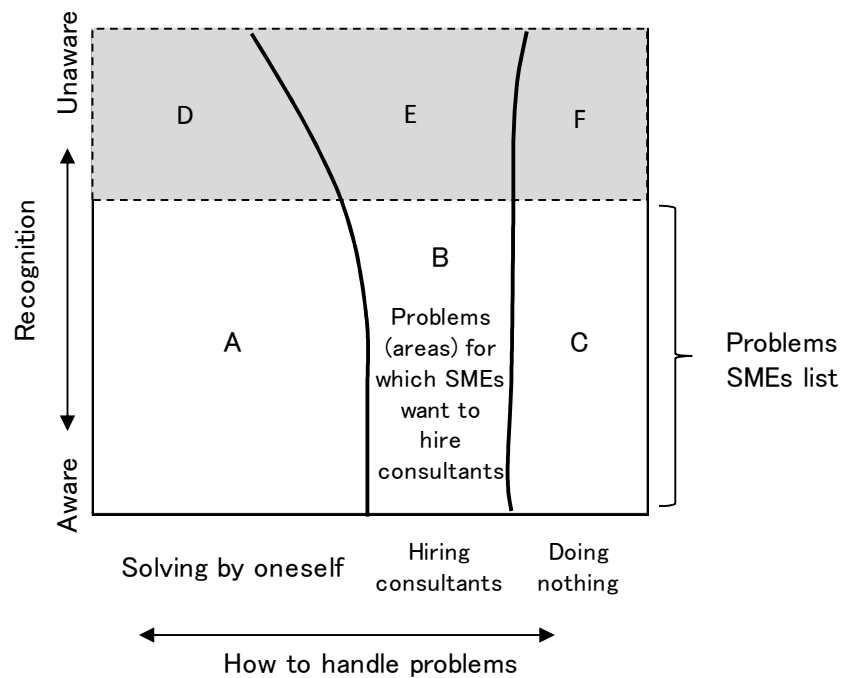
5.1.3 Analysis

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 5-17 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 5-17 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 activities¹⁰
- 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

¹⁰ 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 rapidly¹¹. 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.

From these surveys, the Team felt that many of them were fairly uncertain about how they should go about SME support and what role they would be able to play. The impression is clearly reflected in responses to the questionnaire survey. In particular, strong uncertainty was expressed with regard to the desirable role of SME consultants and the consultant certification system, and demarcation of work and cooperation with KOSGEB experts. For instance, 20 out of 144 responses did not answer to question: “3.1 How do SMEs evaluate consultants in general?” And no reason or comment was written. This might be an implication of their uncertainties. At the same time, many experts were unable to have time or energy to investigate present conditions of individual companies or provide guidance because of a rapid increase in workload relating to registration and application of support, and they felt disappointed by the reality that was different from the original hope or expectation they held when joined KOSGEB.

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.

¹¹ 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.”

Table 5-3 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	
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 5-4 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 ^{note}
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.

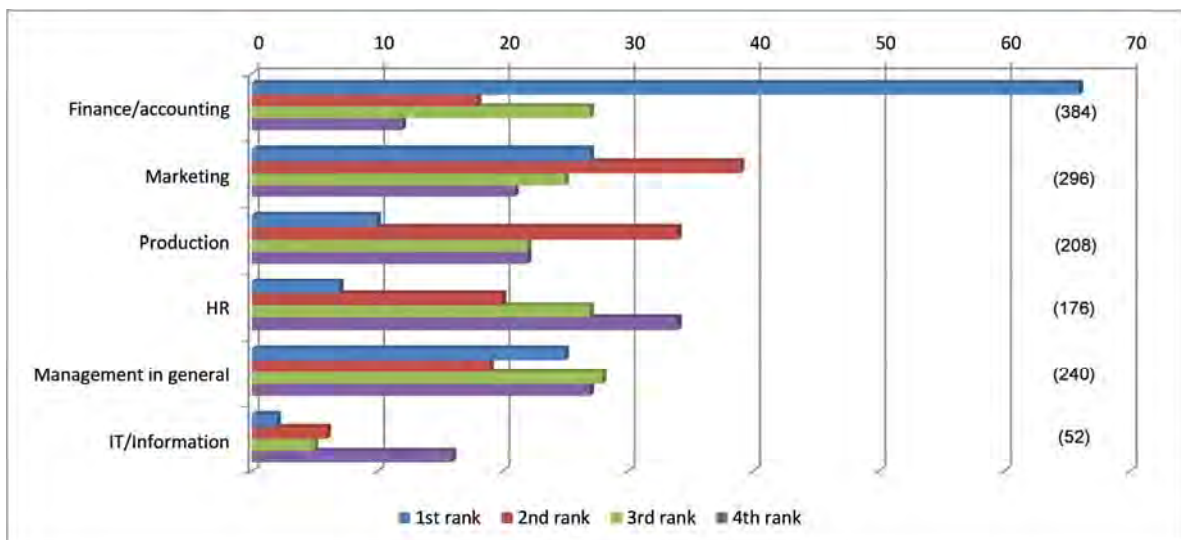
5.2.2 Questionnaire survey results

(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

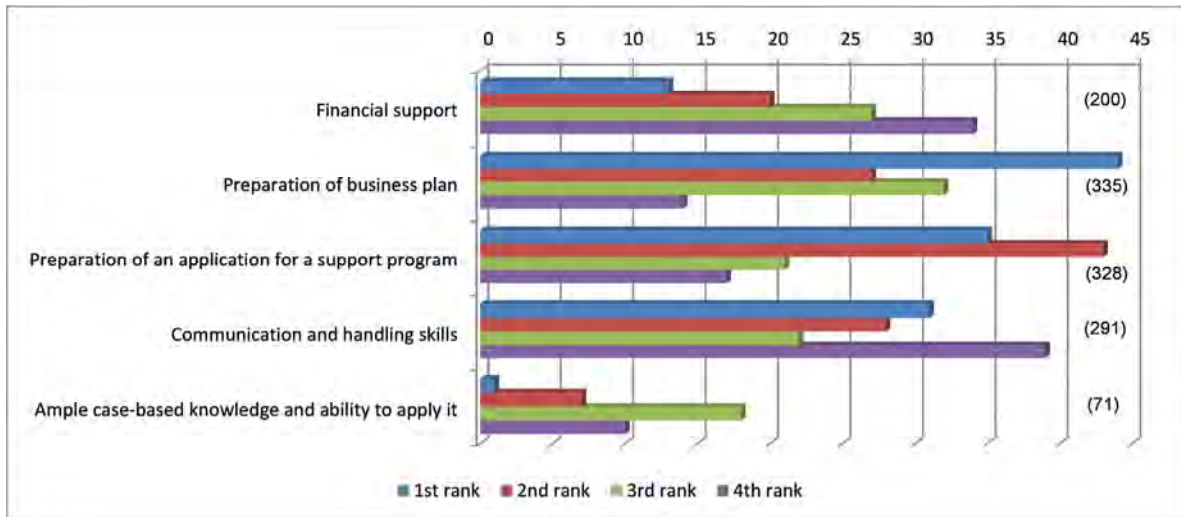
The analysis of responses to the question is summarized below by taking into account the comments made by SME experts during the interview survey.

Many of small enterprises and microenterprises do not have a fully developed corporate organization. Also, the results seem to partially reflect the fact that many companies in the commerce and service sector are registering without any prospect for financial support for the time being, as inspired by expansion of service to the sector in December 2009.

Many companies leave financial management and accounting functions to outside accountants and believe that getting money solves everything. As a result, some says that an

outside accountant is most familiar with the company's status. Needless to say, this does not necessarily mean that the accountant is capable of performing accurate analysis and giving advice from overall management perspectives.

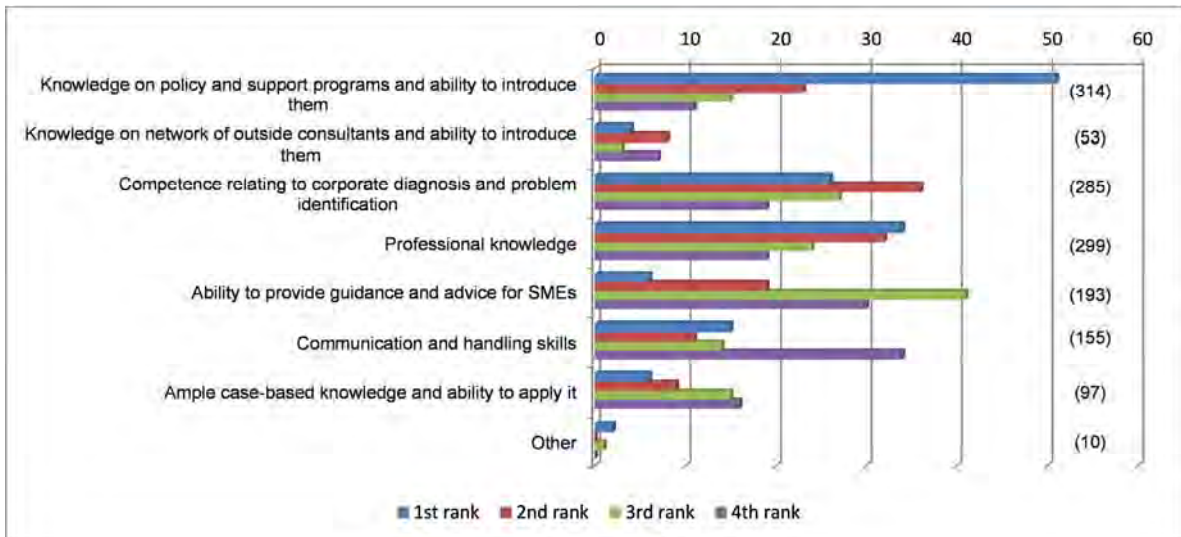
2.2 What kind of service do SMEs expect to receive from SME experts? (Arranged in order of importance)



Source: Prepared by JICA Study Team

Comparative analysis of the responses to 2.1 and 2.2 indicates a clear gap between problems facing SMEs and perceived expectations for SME experts. Some experts firmly believe that they should be concentrated on technical service or management advice based on knowledge and experience that they obtained at university or other educational institution, while financial support (as extended to the commerce and service sector since 2009) should be handled by financial institutions.

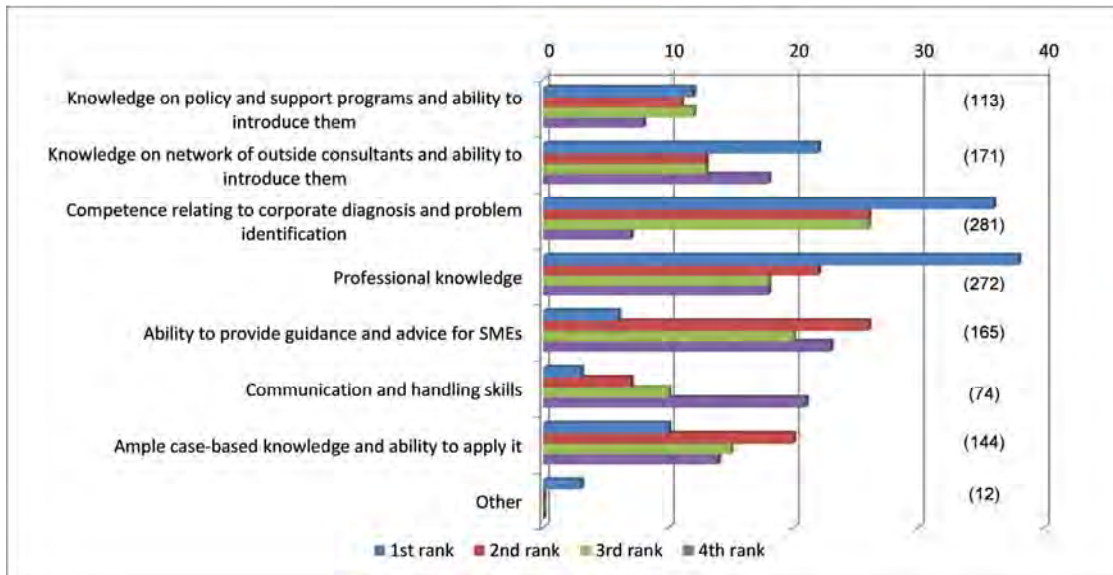
**2.3 To meet the above expectation, what type of capability do SME experts need to have?
(Arranged in order of importance, selecting five items)**



Source: Prepared by JICA Study Team

It can easily be inferred from the expected task of SME experts that “knowledge on policy and support programs and the ability to introduce them” is cited first. On the other hand, it is interesting to note that “competence relating to corporate diagnosis and problem identification” came third. As many experts working for KOSGEB have studied engineering or business administration at a university or other higher educational institution, it is logical to expect that “professional knowledge” comes second. The high ranking of “competence relating to corporate diagnosis and problem identification” means a further step forward. Many experts feel the need for diagnosis and consulting service, while they feel difficulty in keeping close contact with client companies as KOSGEB has to serve an increasing number of companies due to the inclusion of the commerce and service sector.

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

As seen in the table, while professional knowledge is cited most frequently, impressions obtained from the interview survey suggest that it comes from the following three reasons.

- 1) To further enhance professional knowledge obtained at college or higher educational institution
- 2) To brush up on professional knowledge because there is no opportunity at KOSGEB to use it in the course of daily work
- 3) To consider professional knowledge to be broader than the one learned at school, which is essential in providing effective advice and support for SMEs

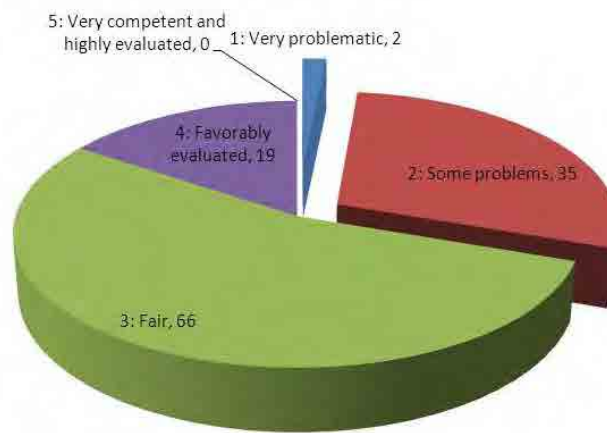
Then, “competence relating to corporate diagnosis and problem identification” came next. Its total score is higher than that of “professional knowledge” and seems to reflect the fact that many experts expressed in the interview that their real function is to identify a real problem facing SMEs through corporate visit and consultation and to provide guidance and support effective and useful for their development and growth. At the same time, many feel troubled or conflicted by the lack of time for self-development, absence of attractive training courses, or the lack of opportunity to use learned knowledge or skills.

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 5-5 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.

A fairly large number of responses giving the relatively low rating seem to reflect the fact that many experts are concerned about the lack of knowledge or experience of consultants, who are supposed to help KOSGEB to benefit SMEs by implementing support programs effectively. While this question is intended to use assessment by experts as a surrogate measure to estimate general reputation of consultants among SMEs, the actual responses seem to reflect the position of SME experts strongly, i.e., they opt to view consultants from the interest of promoting public support programs and their effective implementation, rather than evaluating consultants from the client's perspectives.

The second largest reason for the level 2 assessment is the critical view on the consultant's attitude, i.e., prioritizing his own interest, rather than the client's (totaling 10 responses). This agrees with the fact that many experts have chosen "11. Tendency to propose a project or guidance clearly motivated by own interest" as the response to "3.2 In what aspect are SMEs dissatisfied most with consultants?" (The second largest next to "4. Lack of enthusiasm on corporate diagnosis and problem identification") Note that primary examples of the consultant's selfish attitude prioritizing his own interest, as pointed out by respondents, include the following:

- To conduct consulting service for the primary purpose of unduly diverting some portions of benefits provided by KOSGEB to the client company to the consultant's own interest
- To develop and tout the same product (service/solution methodology) for different companies, regardless of varying conditions, rather than helping the client to find and solve a problem facing it

Then, the lack of competence standards governing consultants, including the certification system, and the lack of consultants' association are pointed out. However, the former is by no means a direct cause for poor assessment of consultants. In consideration of other reasons cited (i.e., each respondent was asked to site three reasons), a combination of

the lack of the industry's infrastructure such as insufficient training system and poor knowledge and information network, with the consultant's unfair practice (selfish attitude, an exorbitant fee, misguidance, and deceptive behavior) leads to the poor reputation.

Also, while consultants are partly creating the problem on their own by taking the self-seeking attitude (e.g., failing to think and talk at the level of the client's eyes) in addition to lack of general confidence, companies tend to view consulting service as a tool to find a quick solution and create short-term profits, thus discouraging the industry from making sincere efforts to improve service quality. In fact, an owner said, "if the consultant had real expertise, he would have used it for his own business." Thus, some companies do not expect consultants to serve their long-term 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 consultants¹².

Table 5-6 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

¹² This gives useful information, together with the reasons for assessment levels 2 and 4 and comments made by experts during the interview survey.

	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

At the same time, some experts have pointed out negative aspects, such as the consultant's attitude to prioritize self-interest, a high consulting fee, and insufficient follow-up.

2) Geographical characteristics of assessment by SMEs

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

Table 5-7 Breakdown of Assessment Results by Center's Location

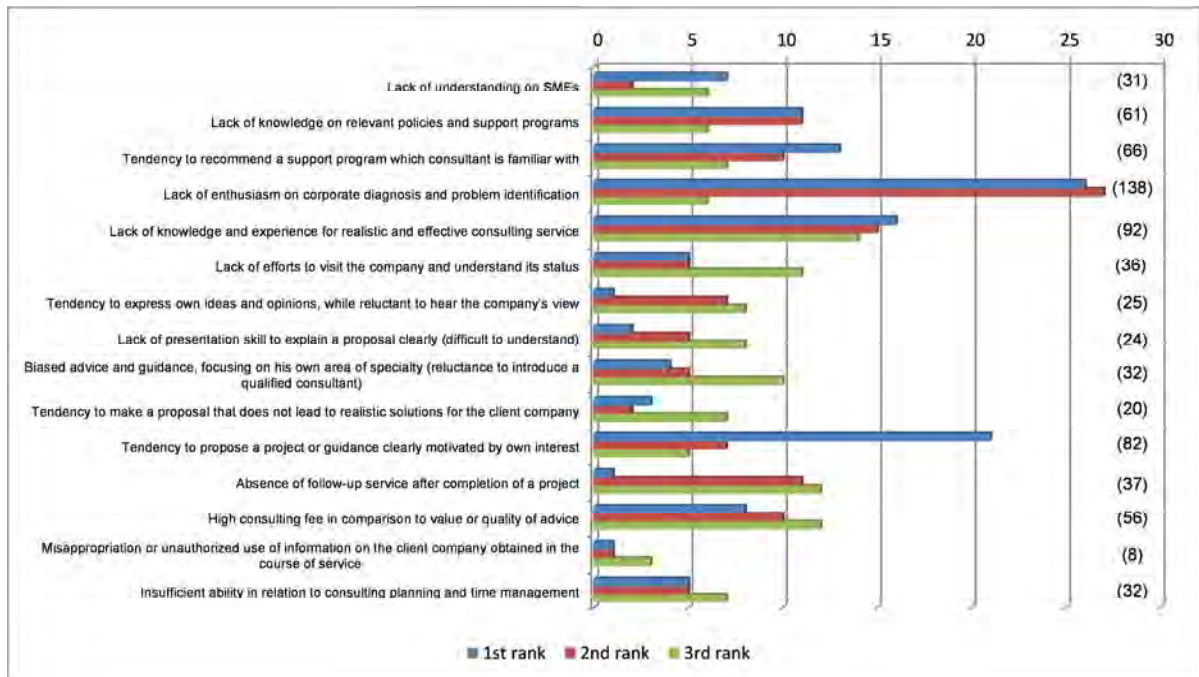
City	Center name	No. of experts interviewed	Level 1	Level 2	Level 3	Level 4	Not assessed
Ankara	Siteler	18	0	2	9	2	5
	OSTIM	30	0	4	14	4	8
	Sincan	9	0	1	3	4	1
Istanbul	Ikitelli	24	0	11	10	2	1
	Anadolu Yakasi	18	1	6	9	0	2
Bursa	Bursa	16	1	4	7	2	2
Izmir	Kuzey	11	0	3	5	2	1
	Guney	7	0	1	2	2	2
Adana	Adana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

While care should be taken to subjectivity of assessment when analyzing geographical characteristics, it is noteworthy that assessment levels are lower in Istanbul and Bursa than other regions. Main reasons for poor assessment are the lack of knowledge on the consultant side in Istanbul and the consultant's attitude (including misguidance) in Bursa.

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

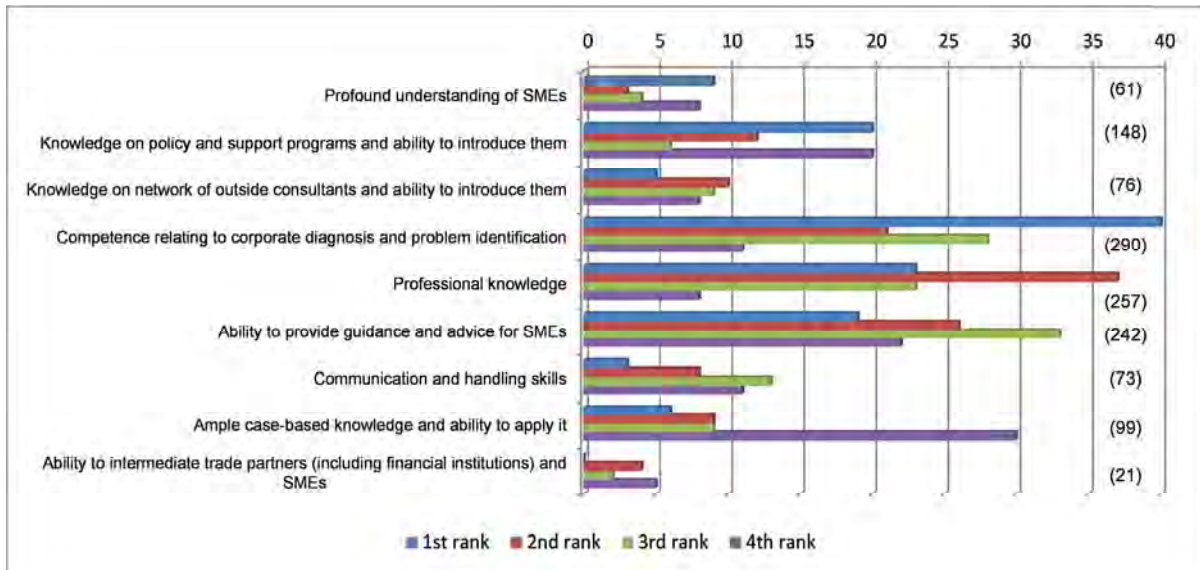


Source: Prepared by JICA Study Team

As seen in the above graph, “lack of enthusiasm on corporate diagnosis and problem identification” was ranked first or second by many experts, suggesting that experts (and companies) have strong doubt about the present function and ability of consultants engaged in advice and guidance for SMEs. Then, “lack of knowledge and experience for realistic and effective consulting service” ranked third, next to “tendency to propose a project or guidance clearly motivated by own interest,” as the first item of complaint selected by companies. Furthermore, when measured by the total score, the former exceeds the latter¹³, so that the lack of knowledge and experience is a serious concern.

¹³ In comparison to other graphs, 3 points are assigned to first place, 2 points to second place, and 1 point to third place.

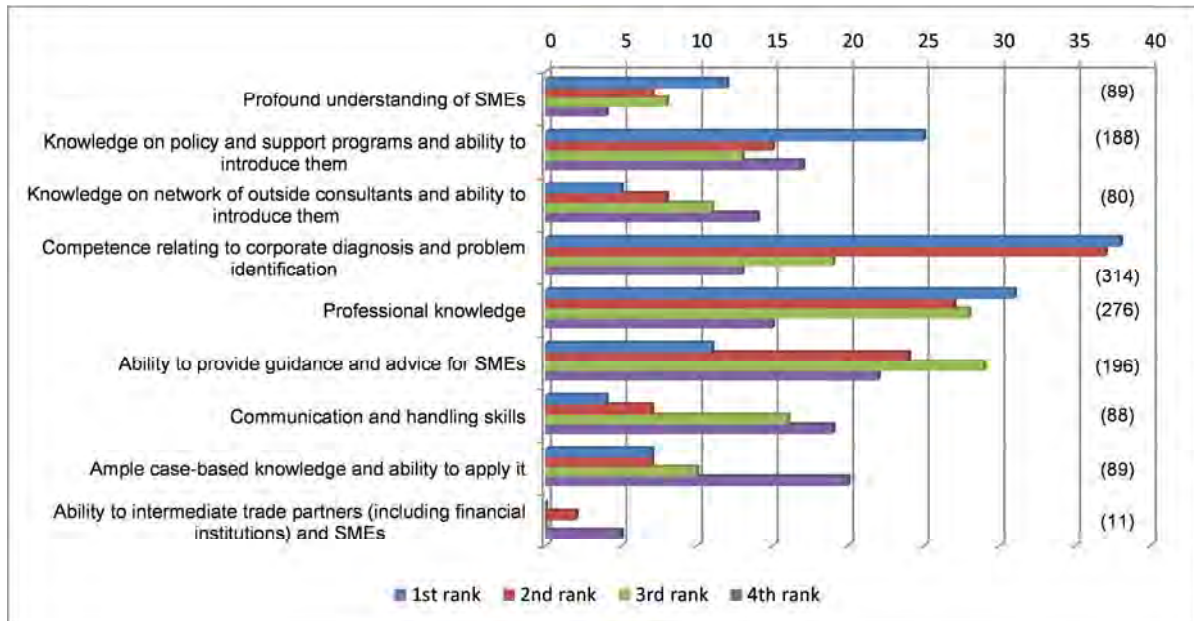
3.3 What type of capability do SMEs want from consultants? (Arranged in order of importance, selecting five items)



Source: Prepared by JICA Study Team

While “competence relating to corporate diagnosis and problem identification” is most frequently cited, “lack of enthusiasm on corporate diagnosis and problem identification” comes first place as the answer to question 3.2 “in what aspect are SMEs dissatisfied most about consultants?” constituting the logical relationship. Then, “professional knowledge” and “knowledge on policy and support programs, etc.” ranked second and third, respectively. It should be noted, however, that the definition of “professional knowledge” seems to vary widely among the SME experts interviewed, from knowledge required to provide comprehensive advice for SMEs, to highly special knowledge useful for a specific company.

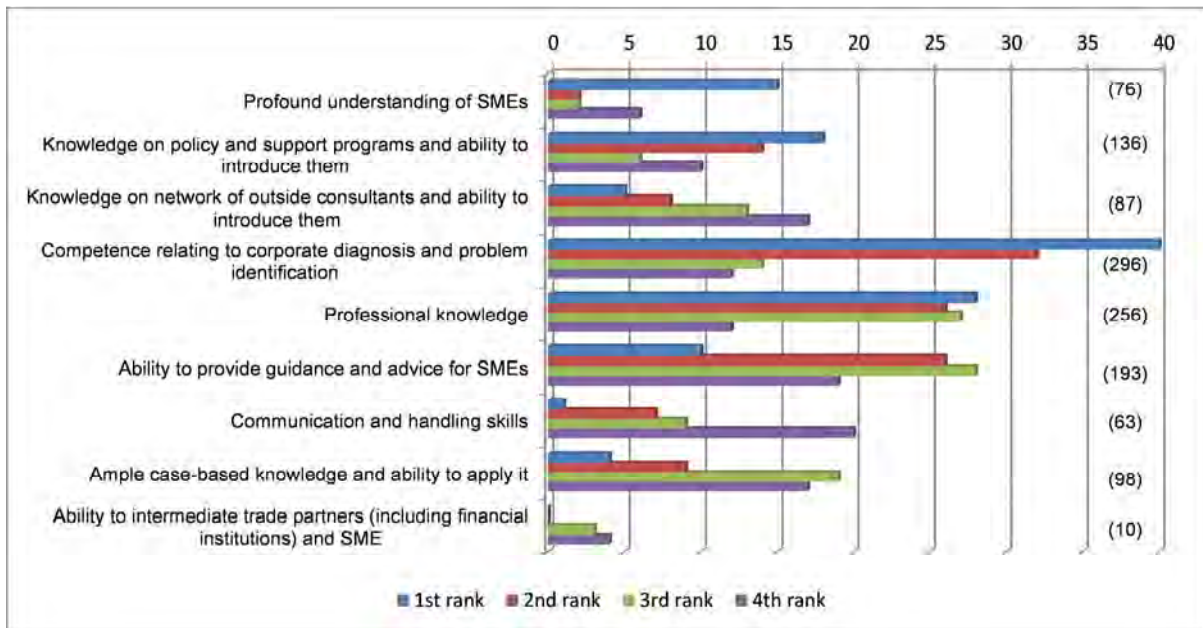
3.4 What type of capability do consultants need to have, as seen from SME expert's perspectives? (Arranged in order of importance, selecting five items)



Source: Prepared by JICA Study Team

Judging from composite analysis of the responses to questions 3.2 and 3.3, it is logical that “competence relating to corporate diagnosis and problem identification” and “professional knowledge” have obtained high scores. Then, “knowledge on policy and support program, etc.” and “Ability to provide guidance and advice for SMEs” show the next highest scores in terms of number of first ranking items, however, the latter exceeds the former in terms of the total score (from first to third places). This scoring pattern helps create a broad image of SME consultants from the eyes of KOSGEB experts and SMEs, i.e., they should be capable of finding problems facing SMEs by means of corporate diagnosis and providing guidance and advice by using their professional knowledge and support programs offered by related organizations. In fact, many SME experts interviewed have stated that corporate diagnosis should be carried out prior to consulting and guidance. On the other hand, there is no broad agreement on who should bear the cost for corporate diagnosis, and how.

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

The above graph shows the results that seem to constitute a logical outcome of the responses to the preceding questions. In addition, in developing standards and systems relating to SME consultants, how to bear the cost for their education and training is an important issue to be addressed in future. In this connection, interesting ideas have been suggested by some experts during the interview survey.

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. Some center managers point out that they can only guess the future direction of KOSGEB's support programs. This is one of factors why the desirable role of KOSGEB and SME experts is enthusiastically discussed from various points of view.

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

As seen in the above graphs, 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. Clearly, the issue of competence is very critical.

- 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. This partly reflects the fact that there are many consultants who lack professional knowledge and skills. Nevertheless, 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 midsized 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 KOSBEG 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.

Also, there are strong needs for development of proposals in a comprehensible form and language based on analysis and assessment of issues that SMEs face, including, as well as continuous communication and follow-up after submission of a proposal.

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. It is also pointed out that the present system cannot check deceitful activity plans, such as a single consultant conducts activities at different locations at the same time, if they are submitted to different centers, and there is not any penalty clause to discourage such deceptive conduct.

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. To maximize effectiveness of any consulting activity, it is imperative to make most use of KOSGEB's support programs. For this reason, consultants who fail to acquaint themselves with support programs should be educated or excluded. Furthermore, as the Project aims to develop the consultant system that can drive growth of SMEs by capitalizing on public support, consultants are expected to and should be able to support effective communication between KOSGEB and SMEs.

(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

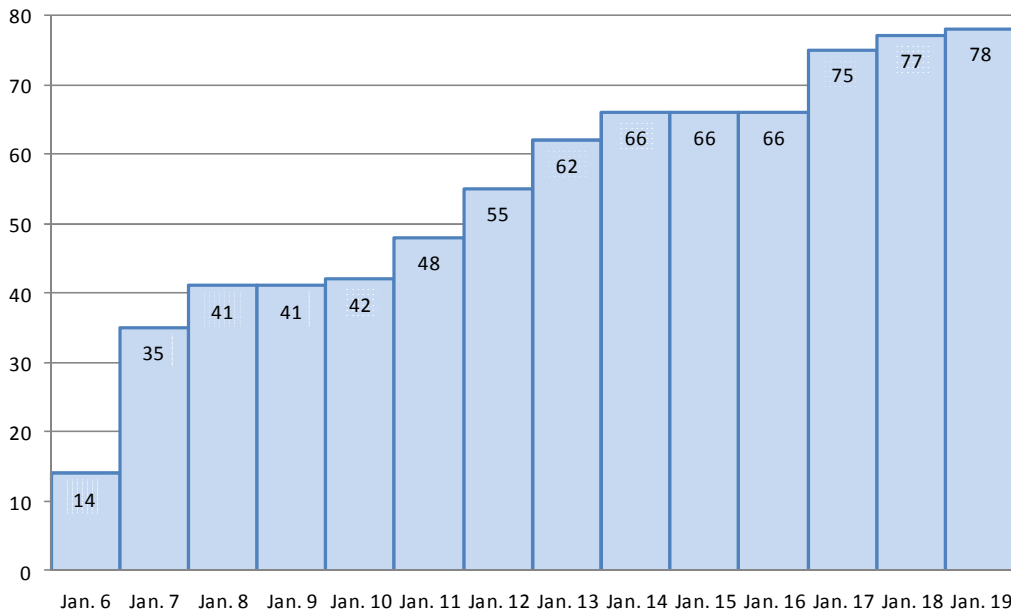
As part of the basic research and study for the establishment of the SME consultant system, anonymous questionnaire survey of consultants who actively provide service for SMEs was conducted between January 3 and 19, 2011. The survey population consists of consultants belonging to or registered with the 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. The questionnaire was sent directly to KOSGEB consultants, while it was transmitted to ABİGEM consultants via TOBB (EU Project Development and Monitoring Division) and to consultants registered with PRODER, YDD and General Directorate of Productivity (VGM)¹⁴ via their respective secretariats.

Response was received from 78 consultants. Figure 5-18 shows the accumulated totals of responses received between January 6 and 19. Note that 44 out of 78 responses were obtained by means of direct visit and interview. Table 5-8 summarizes the number consultants interviewed according to the registering organization.

¹⁴ Verimlilik Genel Müdürlüğü



Source: Prepared by JICA Study Team

Figure 5-18 Number of Respondents to Questionnaire in cumulative persons

Table 5-8 Number Consultants Interviewed According to the Registering Organization

Register/Organization	Number of Interview Consultants	Interview Place
KOSGEB (former)	13	Ankara
		Istanbul
ABİGEM	2	Bolu
PRODER	7	Ankara
		Istanbul (PRODER head office)
YDD	7	Istanbul (YDD head office)
VGM	15	Ankara (VGM head office)
		Ankara
Total	44	

Source: Prepared by JICA Study Team

(2) Questionnaire questions

Table 5-9 presents the questionnaire sent to consultants. It first asks 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.

Table 5-9 Questionnaire for the Consultants

June 3rd, 2011

SME Consultancy System Project in the Republic of Turkey

JICA Study Team

Questionnaire to Consultants

Objective : To collect information and materials necessary to establish the SME consultancy system by asking for precious opinions from consultants actively providing services in the Republic of Turkey

Questions

1. Which profile do you think is most appropriate concerning 'SME Consultant'? (Please choose one)

- Expert having highly sophisticated knowledge and experience in specific field
- Person having ability to give an overall and basic diagnosis and advice to SMEs based on both speciality in specific field and basic knowledge in other fields
- Person having ability to give diagnosis and advice in wide-ranging fields based on his/her practical work-experience although he/she does not have speciality in specific field.
- Other:()

2. Which do you think is important as assessment factors of SME Consultant ? (Please choose plural)

- Ethics & Reliability
- Knowledge in specific field
- General knowledge in wide-ranging field
- Practical coaching ability
- Advisory ability (Communication ability)
- Human network with experts in specific field and Government's SME support program)
- Other:()

3. Which do you think is preferable as assessment method of SME Consultants ? (Please choose plural)

- Document assessment
- Test (knowledge)
- Test (case study)
- Interview
- Presentation of actual case
- Actual diagnosis of SME
- Other:()

4 Do you think a renewal system of SME Consultant certification is needed to maintain and improve consultancy ability? Please describe the reason along with your judgment.

- Necessary (Reason :)
- Not Necessary (Reason:)

5. What do you think consultants should do to maintain and improve consultancy ability? (Please choose plural)

- Self-development
- Training at Training Institutions
- Information exchange by establishing network
- Other:()

6. Which problem of SMEs do you think causes obstacles in disseminating consulting service? (Please choose plural)

- Lack of managers' understanding on management problems of his/her enterprise (He/She believes there is no problem in his/her enterprise)
- Hesitate to disclose enterprise information out of strong belief in that enterprise is his/her own belongings.
- False financial statements
- No trust in consultants
- Demand for shortsighted profits
- Other:()

7. Which do you think is needed to expand market for 'SME Consultant' ? (Please choose plural)

- Public Relation by KOSGEB
- Enlargement of opportunity for SME Consultant activity (e.g. Extension into chambers of commerce and industry from KOSGEB)
- Social recognition activity such as establishment of 'Best SME Consultant Award'
- Establishment of transparent and reasonable consulting fee
- Other:()

8 Please describe what you want KOSGEB to do to improve consulting service of KOSGEB?

- (1) _____
- (2) _____
- (3) _____

Thank you for your cooperation.

Source: Prepared by JICA Study Team

5.3.2 Analysis of Responses

Responses to questions 1 – 7 in the questionnaire are analyzed as follows (Figure 5-19).

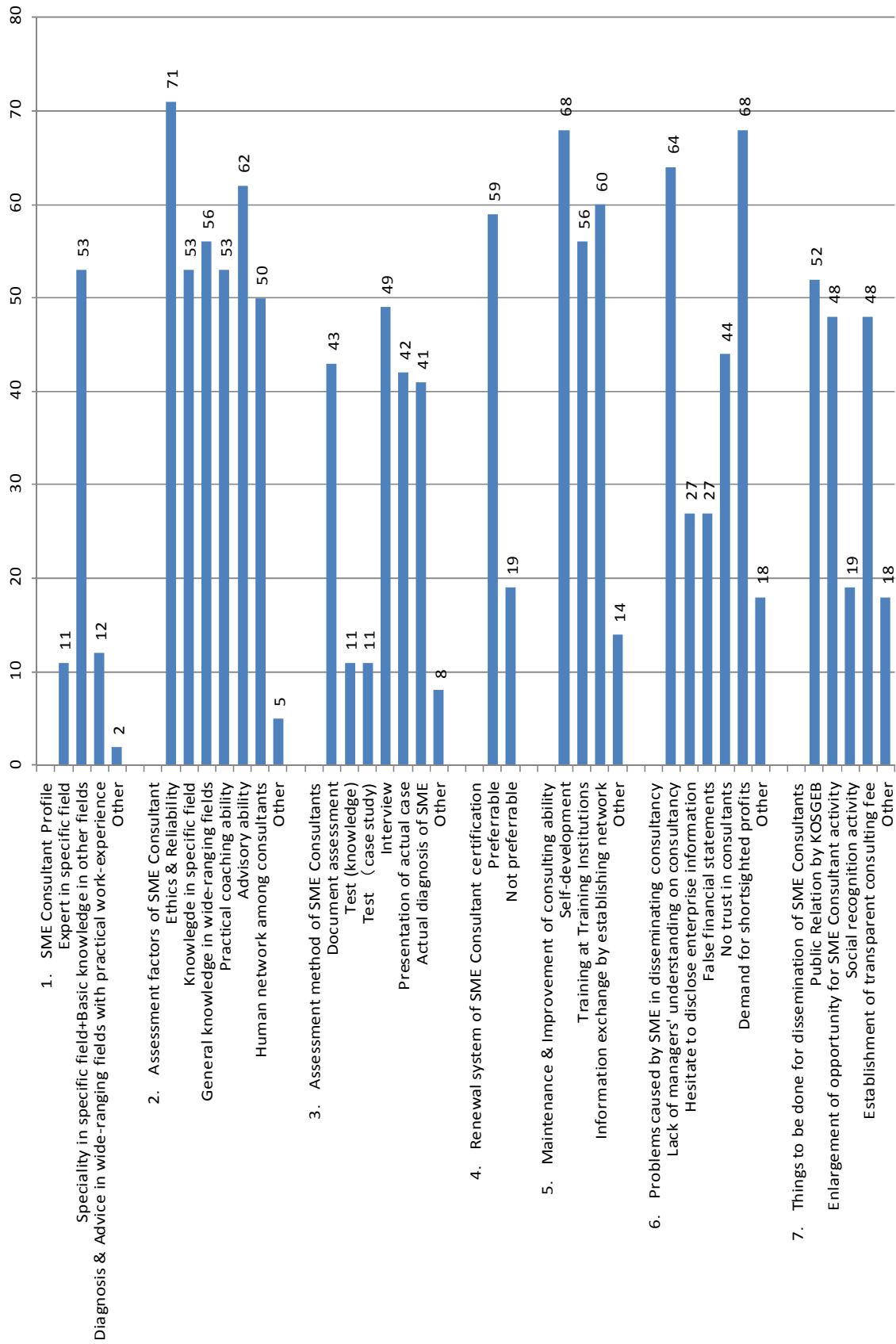
- (1) As for desirable profiles of SME consultants, 53 respondents (67.9% of the total) chose “the person having ability to give an overall and basic diagnosis and advice to SMEs based on both specialty in a specific field and basic knowledge in other fields.”

On the basis of interview with 44 consultants, they are roughly divided into three types: 1) those who worked for a private company and then have started working as an independent consultant; 2) those who work at a consulting service organization like VGM after graduation from college; and 3) those who hold Ph.D. degree and teach at a university. Many of consultants in type 1) operate a consulting firm employing 2-4 consultants. This type seems to account for the highest percentage of the consultant community in terms of number. As many consultants are specialized in a specific field where they have work experience, they recognize the need for basic knowledge and advisory skill in related fields in order to provide adequate consulting service for SMEs.

- (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).

The interview with consultants suggests that many consultants are already active with expertise in a specific field and in their middle years, i.e., they may not like sitting for an exam like students. On the other hand, a consultant commented that the test was an objective measures to assess competence, while there are younger people who would be less reluctant.

- (4) 59 respondents (75.6%) think that the renewal system is needed. Various reasons are indicated, e.g., “a consultancy ability that was considered as effective in past would become obsolete over time and is replaced with a different one,” and “intensifying competition on a global scale necessitates the renewal of consultancy ability as well as information.



Source: Questionnaire for Consultants by JICA Study Team

Figure 5-19 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.”

Comments by interviewed consultants include: “there is the lack of efforts in the country to build a network for consultants, while a place for exchanging information and experience is required, such as participation in KALDER’s annual seminars;” and “although there are organizations that provide management training, such as VGM and ODTÜ (Orta Doğu Teknik Üniversitesi), there is no training institute focusing on improvement of consultant’s ability.” To ensure maintenance and improvement of consultancy ability, therefore, it is imperative to provide a self-development tool and establish a network organization that allows regular information exchange.

- (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).”

On the other hand, 18 respondents (23.1%) selected “other” and commented, among other things: “lack of understanding on specific content or importance of consulting activity;” “lack of awareness to relate knowledge to paid service;” and “high burden due to financial difficulty.”

- (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.

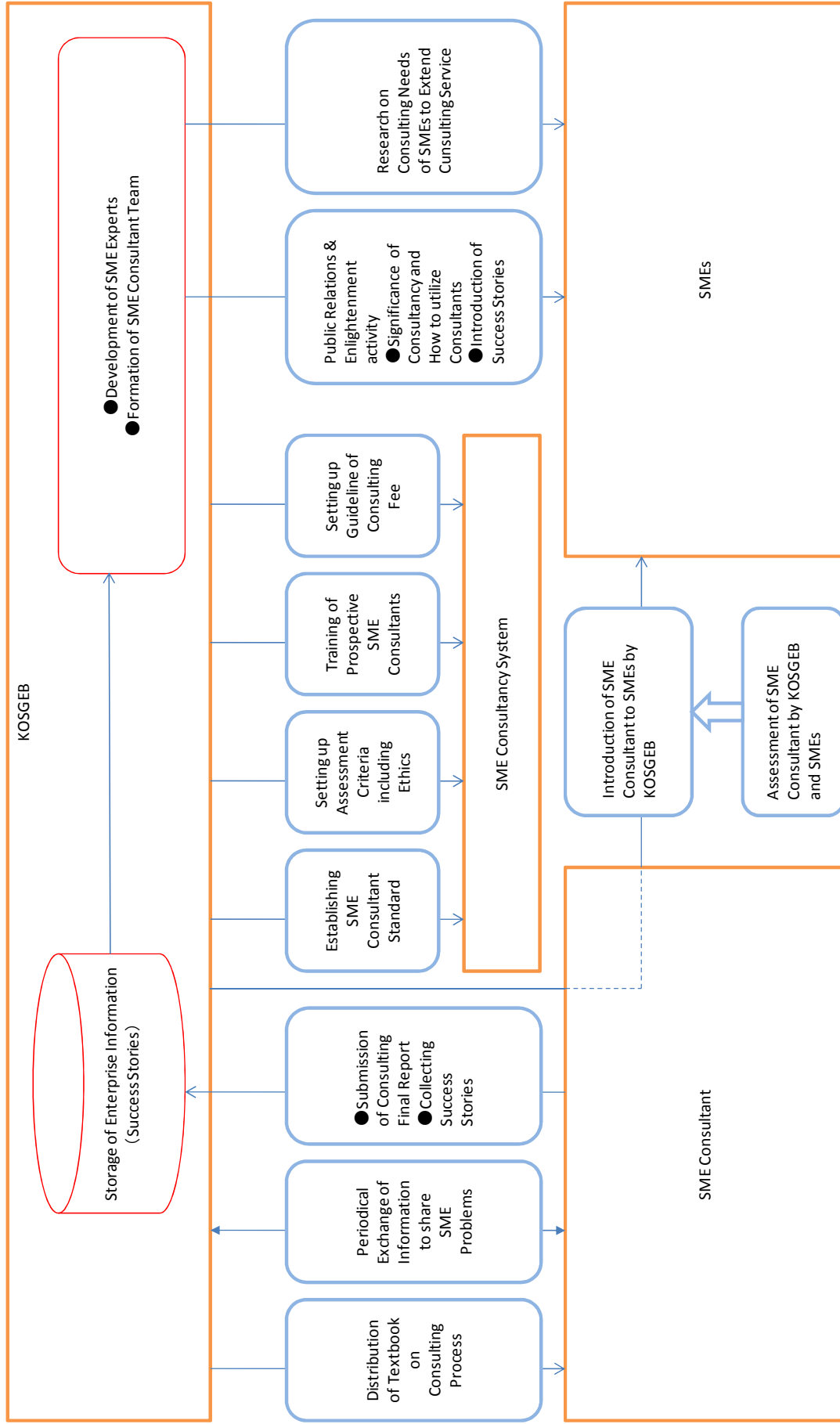
On the other hand, 18 respondents (23.1%) selected “other” and indicated comments including: “ease of access to information on consulting firms;” “strengthening of consulting firms’ financial base;” and “the establishment of a network of consultants.”

- (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

Figure 5-20 summarizes activities expected for KOSGEB to implement consulting service, as compiled from responses to the questionnaire survey.



Source : Questionnaire Survey for Consultants

Figure 5-20 What Consultants want KOSGEB to do to Improve Consulting Service of KOSGEB

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 organizations¹⁵, 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.

On the other hand, a consultant specialized in "work safety" gives advice closely associated with day-to-day operation, e.g., analysis of factory machinery as to compliance with related laws and regulations, and use of signboards and direction boards conducive to work safety. Thus, consultants are expected to have practical knowledge used for day-to-day factory operation.

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.

¹⁵ 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."

(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%)

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." Also, TGSD indicates that: "A major problem about SMEs is the lack of willingness to learn about their own companies through diagnosis. Many falsely believe that they understand their companies very well. They need to know their real capability, for instance, through SWOT analysis by an outside consultant."

Thus, 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: "Some consultants declare that they know everything and give inadequate or wrong advice;" and "there are consultants who give advice without evaluating the company's conditions."

Finally, the consulting fee 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 microenterprises¹⁶.

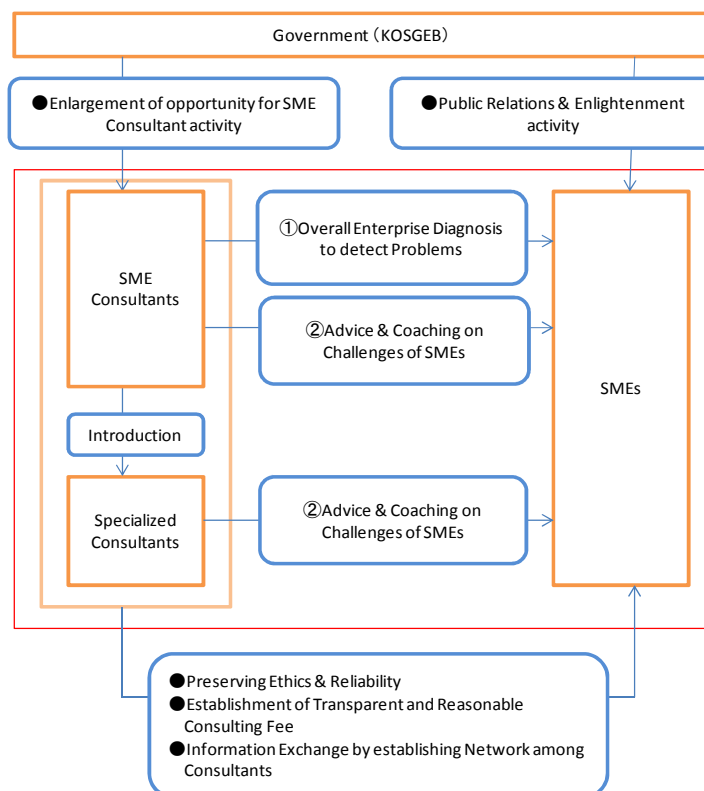
(3) Desirable form of the consulting scheme

Figure 5-21 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.

¹⁶ 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.

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 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 5-21 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.

Comments obtained from the interview survey are as follows: “Consultants must win confidence of SME owners, and to do so, they have to have knowledge on a wide range of fields including business administration, human resource management, finance, and marketing;” and “consultants in the field of production management should acquire knowledge on related fields, especially finance and business administration.”

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 process¹⁷ is essential in establishing and maintaining public confidence in the consultant system.

5.4 Written Examination

5.4.1 Purpose and Composition of the Examination

The JICA Study Team asked consultants to solve problems on a written examination to know their spheres and depths of knowledge. The means of execution is as follows.

1) Examinees

We asked consultants registered to ABIGEM, PRODER, and YDD as well as those who used to be registered to KOSGEB. Some register(ed) to multiple institutions, and actual head-count is smaller than around 730, the sum of the number of registered consultants in each institution.

2) Composition of the Examination

The examination covers four areas, business management, production management, marketing and finance. Problems are easier than those of the first stage examination set to certify SME management consultants in Japan. 100 points are allocated to each area. In the first three areas, multiple choice questions account for 70 percent of the overall score and written exams do for 30 percent. In finance, most are computational problems presenting specific case examples.

¹⁷ 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.

3) How to distribute the examination and collect answers

We e-mailed question and answer sheets directly or via TOBB, PRODER and YDD in December 2010, asking them to send back their answers by January 15, 2011.

4) The Number of Returned Answers

Unfortunately, only 22 of them returned their answers. Collection rate is about four percent.

5.4.2 Results and Analysis

We can only describe rough tendency of the results, because limited number of returned answers makes it almost impossible to analyze them statistically.¹⁸

(1) Results

1) Profiles of Respondents

- 45 percent of them have bachelor's degrees, 50 percent have advanced degrees, and the rest did not answer.
- 19 percent of them have hands-on experience in business management, 27 percent in production management, 18 percent in human resources management, 9 percent in finance, and 27 percent in the other areas.
- On average, they have been consultants for 8.5 years.
- 55 percent serve for manufacturing enterprises, 14 percent do for those in commerce and services, and 31 do for those in the other fields.
- 45 percent (based on multiple answers) of them give advice on business management, 32 percent on production management, 41 percent on marketing, 18 percent on finance, 9 percent on information technology, 32 percent on human resources management, 32 percent on ISO, and etc.

2) Scores

Table 5-10 shows the rating results.

¹⁸ Accurate statistical estimation is possible when the number of responses to a survey is large enough even if the collection rate is low. However, 22 responses are too small; an answer account for as much as 4.5% of the total responses.

Table 5-10 Scores

	Average of four areas	Business management	Production management	Marketing	Accounting and finance
Average points	31.6	36.4	31.2	52.6	6.2
Standard deviation	9.8	18.8	19.9	19.9	9.8
Coefficient of variation ¹⁹	0.31	0.52	0.64	0.38	1.59

Source : Prepared by JICA Study Team

The average score of the finance section is much lower, and possible reasons include

- Good knowledge is necessary to calculate them correctly, because problems ask figures.
- Even those who can solve might not answer, because calculation took time.
- There may be difference in the accounting system between Turkey and Japan, because many answers on journalization were close to correct.

- 3) Average of the total scores is 31.6 points. The highest is 64 points, whereas the lowest is 19 points.
- 4) Even setting aside scores of the finance section which is too low, a respondent tends to score higher in some and low in the others. It shows that consultants are specialized in specific fields.

(2) Analysis

As described in 5.2.2, many SMEs want consultants to specialize in something as well as have knowledge covering all basic aspects of general management. However, consultants seem to fail to meet their expectations. A planned certification system for SME consultants needs to fill in the gaps between ideal and reality. Given that just evaluating their knowledge levels might make the number of successful applicants small, it may need to include a scheme to have applicants learn basic aspects of general management. For instance, it may need to prepare a standard textbook intended for consultants or set up training programs.

¹⁹ Coefficient of variation is defined as the ratio of the standard deviation to the mean. In general, standard deviations tend to be larger when means are large. Coefficient of variation is useful when comparing data sets with widely different means.

Chapter 6

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

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

This chapter first reorganizes findings of the fact-finding surveys on SME consultants and consulting services in Turkey by theme. Then, it presents the ideas of the JICA Study Team on what consulting service for SMEs should be like as well as on what SME consultants should be like.

At the end, this chapter presents the basis for discussions and trials in pilot projects for achieving the objective of the Study, namely draft proposals for the improvement of KOSGEB's consulting service quality¹.

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

Interviews with SMEs reveal that a large proportion of small and microenterprises consider marketing and sales (such as boosting sales and securing sales channels) as priority issues. As they grow in size, SMEs are more likely to cite management in general as major concerns.

Meanwhile, many SME experts and consultants name poorly-organized corporate structure as a major problem commonly found in small enterprises and microenterprises, arguing that many of them are not operated as modern business organizations. Its major causes are tininess and authoritarian management, which is characteristic of family enterprises; owners try to do everything by themselves.

Among the SMEs surveyed, around 80% of them have hired consultants. Exporting SMEs are more likely to have done so. However, many of them do/did so to obtain technical support in specific fields, to receive support for obtaining international certification in particular. Small enterprises, which are prone to be financially constrained, tend to use consulting service for specific problems on an ad-hoc basis. Consulting topics coincide with priority issues they cite.

¹ The draft proposals were first presented in the interim report. This report keeps the original tense.

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. See the section 5.1 for exemplary latent problems identified by the JICA Study Team in the course of the fact-finding survey.

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, it can be said that there are sizable potential needs for comprehensive consultations among an enormous number of resource-poor small enterprises and microenterprises.

While arguing that such potential needs should be explored by publicity campaigns or other effective means, SME experts and consultants recognize that there are problems, on both SME and consultant sides, which can impede the development of the market of SME consultations. Problems on SME side include closed nature peculiar to family business, insufficient recognition on their business challenges (e.g. a belief that there are no problems) and/or that on the nature of consulting service (e.g. now-now-ism). On the other hand, consultants are criticized for the lack of work ethics and poor performance, which results in loss of confidence from client companies; many respondents surveyed indicate cases of unethical conducts in particular.

6.1.2 Profiles of desirable SME consultants

Based on the questionnaire survey of SME experts, Chapter 5 has discussed how SME consultants should be in terms of the quality and competence which all kinds of consultants need to possess and those SME consultants need to have.

The quality and competence which consultants of any kind have to possess include communication skills, planning and presentation techniques, leadership, and work ethics such as

keeping secrecy obligation and charging reasonable fees. Not only SME experts but SMEs, which are clients of SME consultants, list them as qualifications for 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 (such as economic and market conditions, public SME promotion policies and support programs, and public/private financial support schemes).

Being highly-educated specialists themselves, many SME experts admit that essential for giving a SME a checkup is not in-depth knowledge in specific fields but extensive knowledge and experience in management. However, they argue, many consultants in Turkey do not have such knowledge and experience. In addition, they often redirect the attention of clients to their own fields of specialties, which is a major subject of complaints from SMEs. Some SME experts believe that SME experts also need to have the knowledge and experience expected of SME consultants while the scope of their service has yet to be very clear as it is not long after KOSGEB have changed their job specifications.

More than 80% of consultants surveyed recognize the necessity of knowledge extending all basic areas in management. Some reasons they give are that business problems are largely interrelated, and that interdisciplinary knowledge is essential for winning confidence of SME owners. Consulting on organizational design, a common consultation topic for small enterprises and microenterprises, is a typical example; functional organizational structures can be established only when all sections get involved with organization work to align their operations in one direction. Given that many of consultants surveyed are experts in specific fields as discussed in 5.3, their responses seem to be based on lessons and reflections of their own work experience.

Note that responses of SMEs indicate that there are also needs for consultants who do not have quality characteristics of ideal SME consultants (e.g. those having knowledge and experience of a wide range of management fields while lacking expertise in specific fields, and vice versa), depending on the stage of support and/or specific needs of individual companies. Similarly, some consultants point out that SMEs often need assistance of specialists, while indicating at the same time that they should have checkups which aim at identifying priority issues before they receive consultations in specific themes.

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.

While dividing in their opinion as to who to give checkups (namely SME consultants or consultants), SME experts agree on desirable steps of SME consultation, which starts with a checkup identifying problems and priorities which is followed by activities tackling them. Some point out that the lack of checkups in the current procedure of KOSGEB's consulting support results in mismatches between SMEs' needs and expertise of appointed consultants.

A consultant informs that he makes it a rule to give checkups before starting consultations instead of immediately trying to address problems indicated by clients as he often find other problems which should be tackled first; he signs consulting contracts after identifying priority issues in checkups for by ethical standards. An ex-KOSGEB-registered consultant also underlines the need for checkups before consultation, stating that he gave checkups on a voluntary basis before starting consultations when he was hired for the KOSGEB's consulting service program.

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. Registered usually as specialists in a variety of fields, consultants serve different types and sizes of companies. 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. As consulting service programs usually let companies select consultants, it is no wonder that companies need reliable predictors of consultants' competence.

SME experts cite the absence of such a consultant assessment and registration system as a cause of SMEs' discontent with work ethics and competence of consultants. 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.

As for assessment items, some question whether it is valid to make them academic background-oriented. Companies argue that qualification requirements should include work experience, communication skills and work ethics, let alone knowledge.

A new qualification system should benefit both companies and consultants and should be operated on a sustainable basis. Interviewees list the following to make them possible: 1) to maintain the quality of registered consultants at a level acceptable to society; 2) to operate the qualification system in a fair manner; 3) to establish a mechanism to ensure that certification (registration) leads to more business opportunities for consultants; 4) to explore the potential consultation needs; and 5) to establish a mechanism to train those who want to obtain certification. In relation to 1) above, many consultants surveyed emphasize the need for a renewal system in it for the purpose of encouraging registered consultants to maintain professional capacities including learning new knowledge and skills.

6.2 SME Promotion and Consultants

This section discusses the importance of the role which consultants play in SME promotion based on the SME consultant registration system in Japan as well as experience of members of the JICA Study Team in similar studies in Asia and Latin America.

6.2.1 Role of SME consultants and market characteristics

In any country, SMEs are an important pillar in national economy, representing major portions (80 to 90%) in terms of the number of companies as well as employees. Turkey is no exception to this. As pointed out in Chapter 1, SMEs have a smaller share of GDP relative to the number of companies and employment.

Most countries including Turkey view SME promotion as an integral part of economic policies and carry out programs to invigorate SMEs. Support for SMEs (especially support for microenterprises) is often a part of social welfare programs, aiming to eradicate poverty, promote employment, and correct income inequality. At the same time, however, SME promotion forms an important part of industrial policies in consideration of their significant

contribution to the industrial development. As discussed in Chapters 3 and 4, the Turkish government has implemented a variety of public SME support programs from this viewpoint.

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.

As discussed in Chapter 4, a wide variety of SME supports in which consulting firms or individual consultants are hired are provided in the country. These consultants mainly provide technical advice, on-site employee training, and information on markets, industries, and financial services for SMEs who have limited access to information. Consultants also often serve as speakers at seminars on management for managers and employees of SMEs.

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 because: 1) it is often the case that SMEs often do not recognize the need for or value of improving their operation and/or management; 2) even if they realize such need and/or value, many of them cannot afford to hire consultants; or 3) SMEs are reluctant to use it because doing so does not always produce immediate results while demanding considerable time and efforts on the company side. For these reasons, 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.

- Public support projects are not very attractive for consulting firms that primarily serve well-funded large enterprises, whereas it is fairly expensive for SMEs to ask consultations for consulting firms. As a result, 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

Just as the term SME consultants indicates, SME consultants give consultations for SMEs. However, there are an endless variety of SMEs; both microenterprises with only a few employees and medium-sized enterprises with sizes close to the upper limit of SME definition fall into the category of SMEs; every enterprise have diverse needs. Every consultant has different expertise with different level of competence and its own track record. Companies select consultants after having evaluated candidates according to their own standards. 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. Due to the nature of SME consultations, such a system should evaluate and register individuals rather than consulting firms.

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 .

As discussed in 6.1.4, all the three stakeholders surveyed, namely companies, consultants, and KOSGEB's SME experts point out the need for a qualification system that guarantees competence and quality of SME consultants.

(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. The need for such ability is substantiated by the following facts/observations: 1) specialist consultants are less likely to look at client enterprises holistically, focusing only on their areas of their specialties; and 2) SME owners often take charge of all administrative functions of their companies.

SME consultants are expected to fulfill the following two functions.

- (a) Advisers acting as close partners for SME owners who give checkups and advice from a professional viewpoint, enable the owners to solve various management issues, and thereby 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.

Although they, as coordinators, often need to find specialists in specific fields to work with depending on the needs of client enterprises, SME consultants usually serve SMEs by themselves. Therefore, 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.

As discussed in 6.1.2, all the stakeholders surveyed indicate that ideal SME consultants are generalists in the sense that they have knowledge and experience of all basic areas of management.

For reference, in Japan, the need for all-around SME consultants became recognized for a long time ago; it has operated a national qualification system for SME consultants which were established around 60 years ago. Both the public and private sectors appreciate the system (i.e., the competence of registered SME consultants), which attracts a large number of applicants. Some registered SME consultants work for SME support programs of the central and local governments while others work for private enterprises (including financial institutions) as in-house consultants.

Seeing SME consultation as a specialty, the qualification system in Japan certifies those who are able to analyze and advise on all basic aspects of SME management (except engineering technology used by manufacturers) as specialists or experts in SME management.

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

The Study primarily aims to improve the quality of consulting service offered as part of KOSGEB's SME support programs by helping KOSGEB to establish a SME consultant system as well as to enhance the competence of SME experts who stand the forefront of public SME assistance. For discussions with KOSGEB and other related parties and trials in pilot projects, the JICA Study Team presents the basis of ideas (draft proposal) on what kind of ability SME consultants should have as well as how a qualification system should be. The draft proposal is based on the findings in the fact-finding surveys and is composed of four items.

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.

In Turkey, experts specialized in certain fields provide guidance and advice for companies of various sizes as enterprise consultants. Typical specialty fields are management strategy, human resources management, finance, marketing, operation, sales, and production technology. It is no wonder that there are a variety of segmented fields in production technology. The field of production management also divides into separate fields, and production management consultants usually specialize in one or some of them (for example, consultants in quality control). The idea that consultants refer to specialists in specific fields takes a firm hold even among owners of SMEs. And yet, the JICA Study Team proposes to introduce the concept of SME consultants as generalist-type consultants who has knowledge on all basic aspects of SME management.

Figure 6-1 depicts a conceptual view showing the scope (width and depth) of consulting work in which the JICA Study Team believes SME consultants should be engaged. The width dimension consists of three elements: 1) sectors (i.e. manufacturing and trade/service); 2) management functions (i.e. business administration, human resources management, etc.); and 3) the service process to be involved with (from the start to the end of consultations). The depth

dimension shows the level of service or level of required ability; to provide the minimum level of service, SME consultants have to be able to address common day-to-day issues.

The JICA Study Team proposes that SME consultants should be able to cover all basic aspects in SME management. However, it is impossible for them to maintain the same level of competence in all aspects as that of specialists of respective field. Instead, whichever fields they fall in, SME consultants should have the ability to give checkups to find problems facing SMEs of any size and in any industry as well as to prioritize them according to the level of the need for improvement.

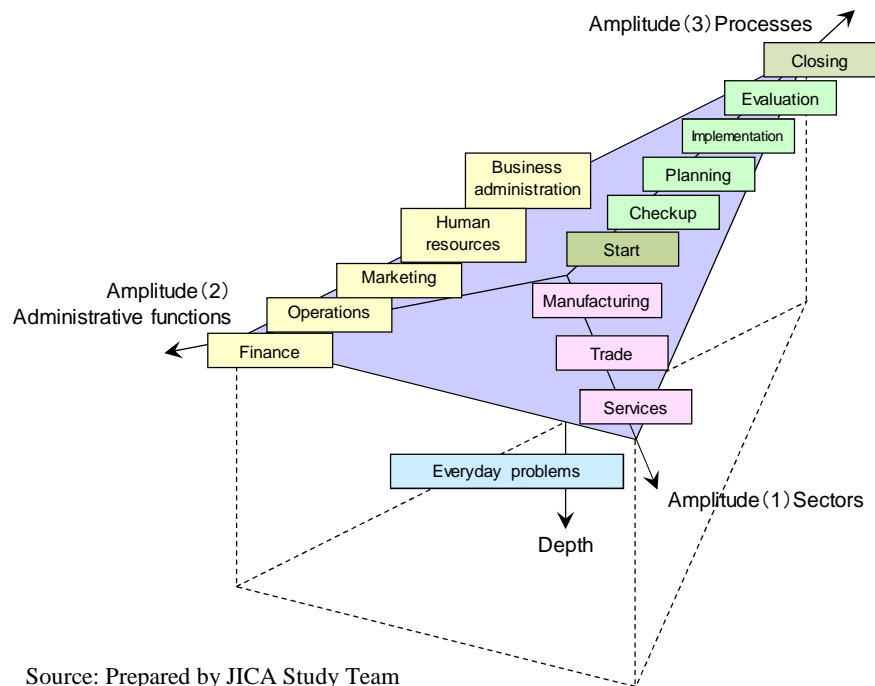
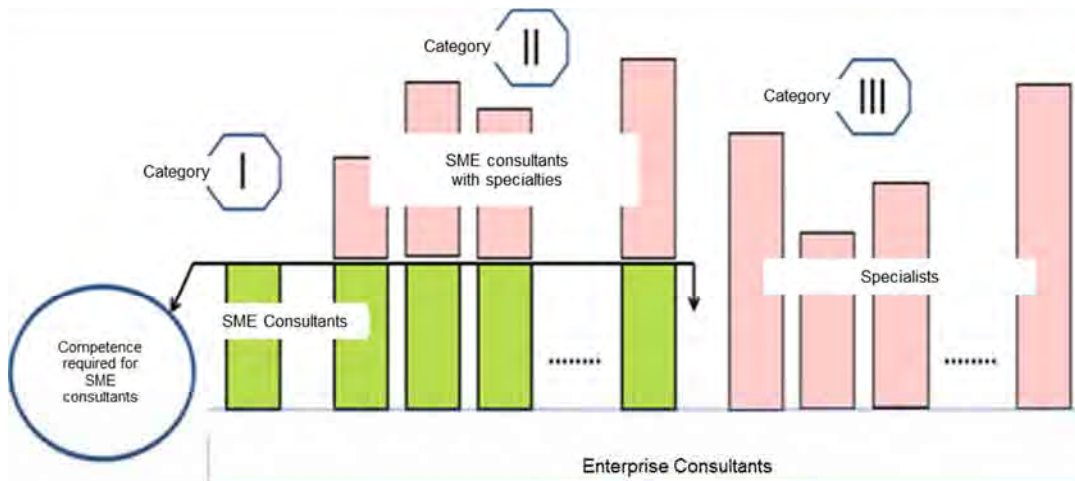


Figure 6-1 Scope of Service of SME Consultants

Figure 6-2 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. It is obviously beneficial for both client companies and generalist-type SME consultants themselves if they have specialties in specific industries and/or management functions; such consultants are likely to have more business opportunities, and client enterprises can receive better consultations.



Source: Prepared by JICA Study Team

Figure 6-2 Three Categories of Enterprise Consultants

6.3.2 SME Consultant Qualification System

All the stakeholders argue that the government should establish a formal system which assures the competence and quality of qualified consultants as it takes charge of SME promotion and hire consultants for public support programs. Although organizations handling the assessment and registration process has not been determined, 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.

A qualification system certifies those who have competence and quality required to perform a job or task. Note that the primary objective of the proposed qualification system for SME consultants is to prevent those who are not competent enough from working as SME consultants, not to standardize the competence and quality of consultants.

In the free market, holding a SME consultant qualification does not ensure job opportunities; they will lose clients if certified consultants fail to meet their expectations. On the other hand, if holding the qualification is set a condition to apply for certain tasks, it will assure more business opportunities though it still does not guarantee them.

As discussed in Chapter 4, some organizations in Turkey maintain qualification standards for enterprise consultants. These standards assure competence of registered consultants, and yet none of them are equivalent to the competence and quality expected of SME consultants which are discussed in 6.3.1.

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.

The following summarizes key considerations given in relation to the setting of a SME consultant qualification system:

- (1) Entrusting operation and management of the new system to a third party organization is desirable from the viewpoint of securing the objectivity and neutrality of SME consultant qualifications. Doing so is compatible with the framework of the national accreditation system administered by MYK. It should be noted, however, that the new system will be the first case of handing authorized certifications for consultants serving SMEs. KOSGEB is supposed to hold a leading position to formulate its core elements such as the establishment and changes of benchmark ability criteria, evaluation process and assessment tools although listening to opinions of related organizations is necessary.
In Japan, the management of the SME consultant registration system is contracted out to a private organization. Originally, the system was intended for consultants working for the government's support programs. Through refinements under the government leadership, the certification now serves as a measure to assure competence of enterprise consultants.
- (2) The new system certifies those who are able to handle all basic areas of SME management. In the course of SME consultations, they often need to work with specialists in various fields to tackle problems of client enterprises. Competence of specialist-type consultants is necessary too, and yet the assurance of their competence is out of the scope of the new system, as it is unrealistic that a public organization is involved with all kinds of qualifications (including those related to specific engineering technology in manufacturing). Management of qualifications which assure competence of specialist consultants should be left to other organizations.
- (3) KOSGEB has started project-based support programs, which experts of various fields are involved with. These experts are also out of the scope of the new qualification system. If they need to have some knowledge, it should be taught at seminars or training programs held as part of each project.

- (4) As discussed above, securing a sufficient number of capable SME consultants is a pressing issue. As a way to do so, the JICA Study Team proposes to require consultants working for KOSGEB's support programs to hold SME consultant certificates as it is likely to serve as an incentive for getting certified. In a similar vein, the evaluation process and assessment tools of the new system should be designed so that they serve as training for applicants.

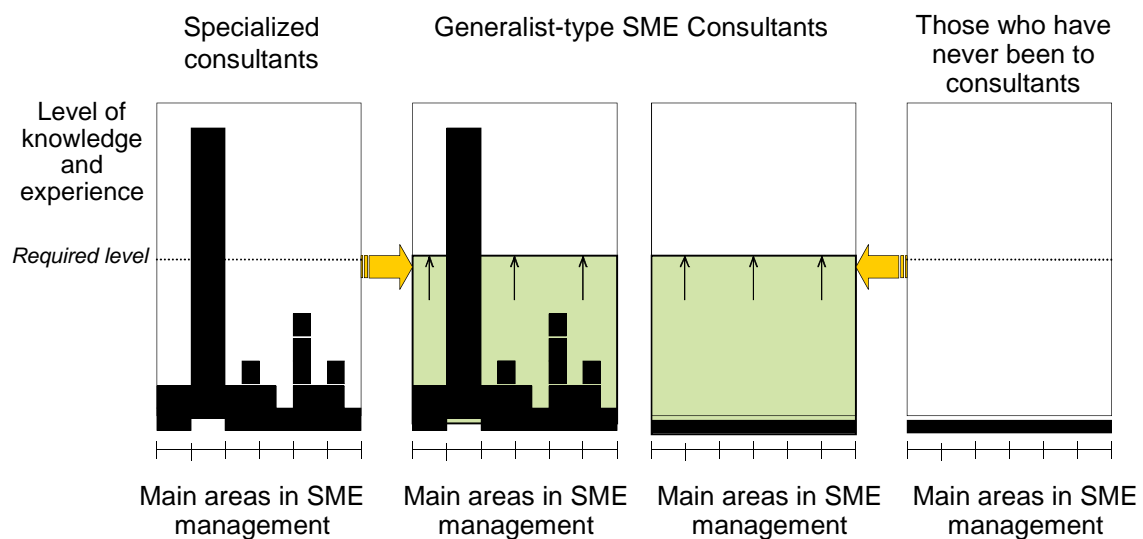
A large proportion of the candidate SME consultants will be specialist consultants and college graduates (or those who have never been consultants). Figure 6-3 shows a conceptual image of training for these two groups.

1) Specialist consultants

While having deep knowledge in specific fields, specialist consultants lack knowledge extending broad areas. To be qualified as generalist-type SME consultants, they have to acquire extensive knowledge.

2) College graduates

Those who have never been to consultants have to learn knowledge on all basic areas in management as well as practical skills.



Source: Prepared by JICA Study Team

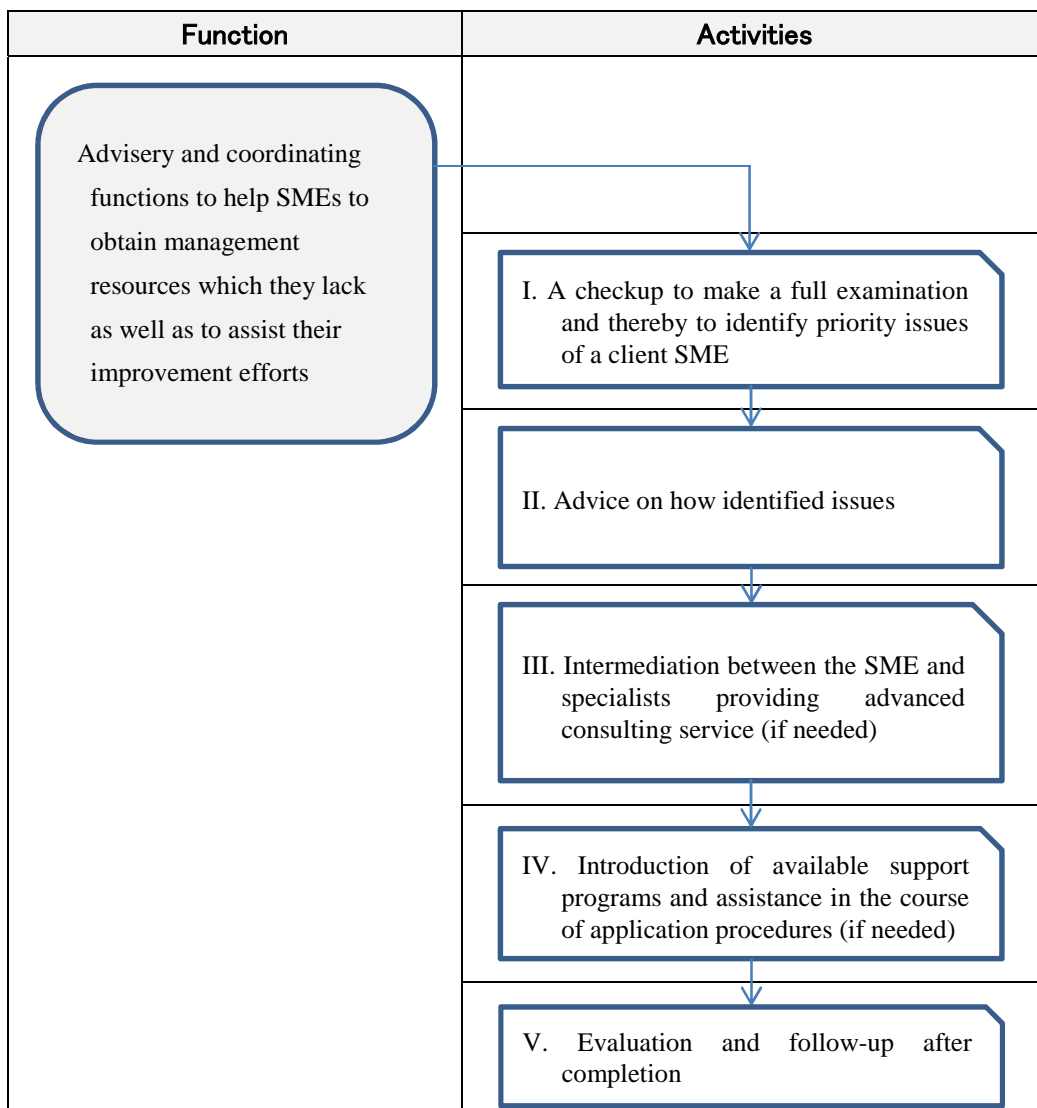
Figure 6-3 Two Cases of Training of Generalist Consultants

When one talks about training consultants, the subject of discussion tends to be how to train people who have never been consultants, namely those who belong to the group 2), namely. However, specialist consultants belonging to the group 1) are also candidate for certified SME consultants. In actual, the stakeholders surveyed view SME consultants with specialties are as the most desirable.

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. All the stakeholders surveyed point out the need for checkups. In particular, some SME experts believe that their primary role is to find true problems facing SMEs through observations and interviews and thereby to introduce suitable support programs or consultants.

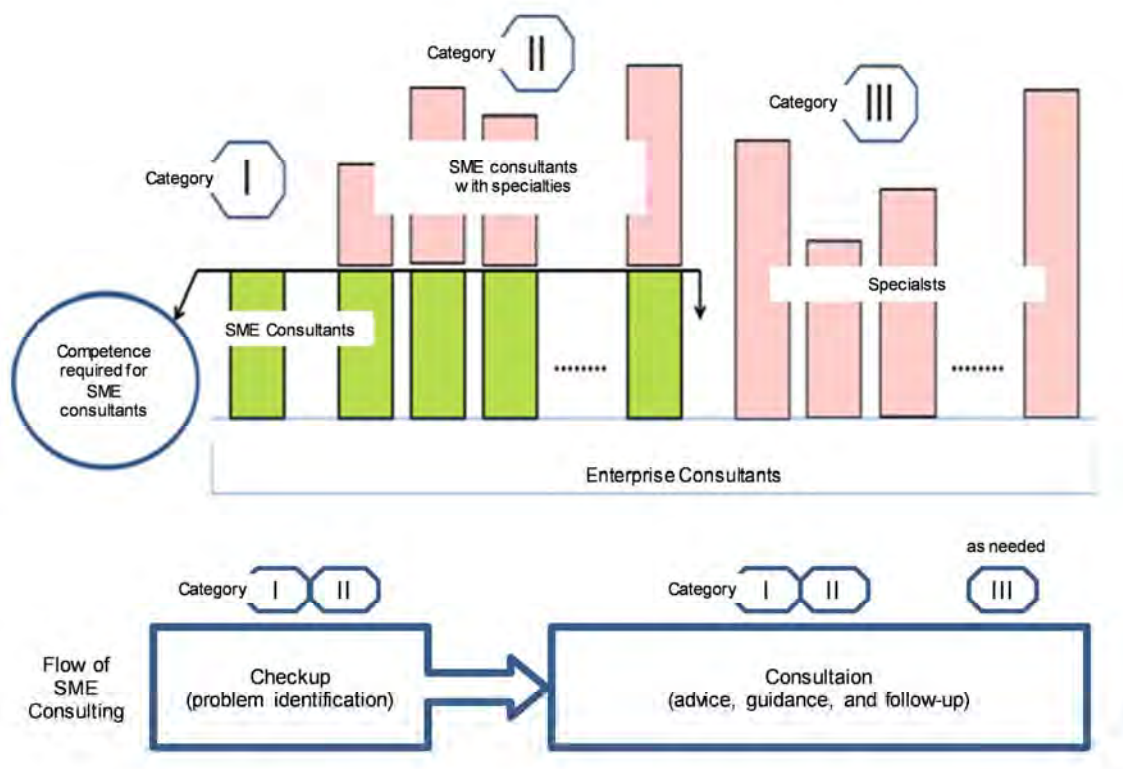
Figure 6-4 summarizes a SME consulting process which the JICA Study Team proposes as the basis for discussions and trials in pilot projects. It is composed of five steps or activities.



Source: Prepared by JICA Study Team

Figure 6-4 Five Steps of SME Consulting

According to the three categories of enterprise consultants shown in Figure 6-2, Figure 6-5 summarizes the relationship between each category of consultants and the flow of the SME consulting process listed in Figure 6-4; generalist-type SME consultants give checkups (the first step) and continued to be involved all the way. When the assistance of specialists (Category III consultants) is needed, they undertake the following processes together with them.



Source: Prepared by JICA Study Team

Figure 6-5 Management Consultant for SME Consulting

6.3.4 SME consultant standard and the assessment process

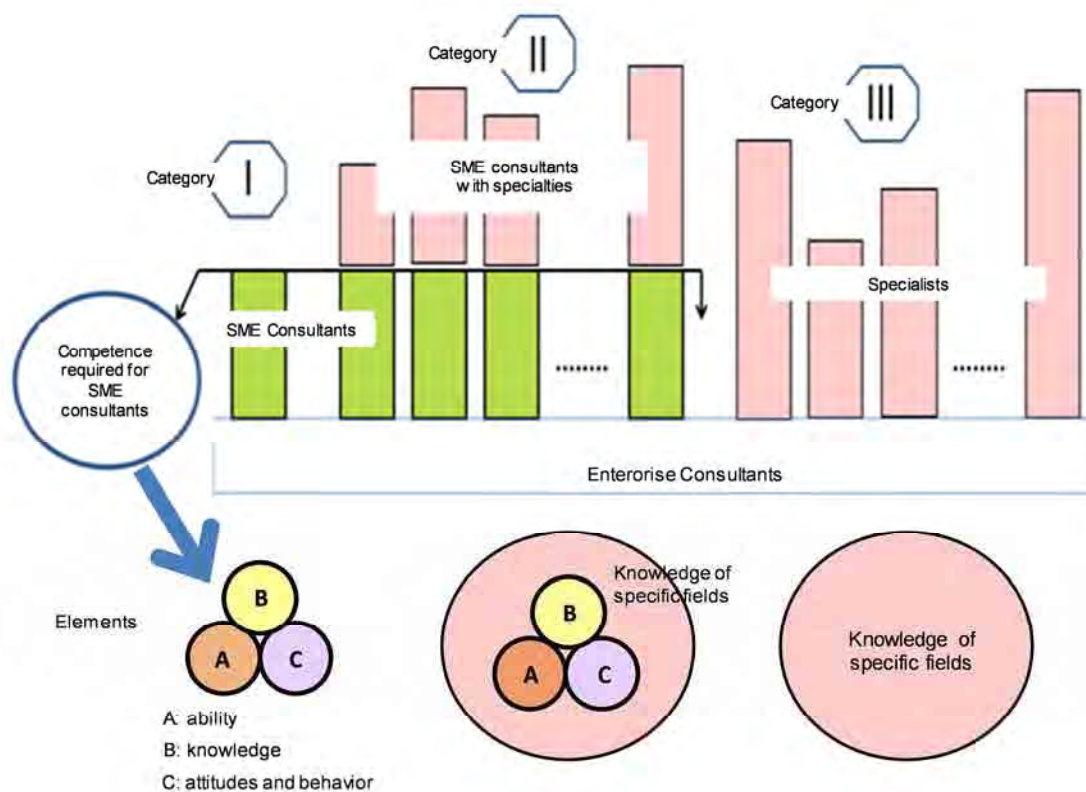
The JICA Study Team believes that the following three categories should be established for assessment of competence in developing a competence standard for SME consultants: 1) ability; 2) knowledge; and 3) attitudes and behavior; applicants who are up to par are certified as SME consultants.

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. As discussed in 6.3.1, it should also include latest knowledge on SME support programs (in both the public and private sectors) and basic knowledge in various fields which makes it possible to find and introduce appropriate specialists.

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. Work ethics is important too as pointed out in the fact-finding surveys.

Figure 6-6 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 6-6 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

Then, Table 6-2 delineates the scope of “knowledge on basic areas in SME management and ability to use it in practice” indicated in Table 6-1 by listing items to be included in the scope.

Table 6-2 Scope of Knowledge on Basic Areas in SME Management

Business administration
<p>Management and managers: Quality requirements, leadership, etc.</p> <p>Business environment analysis: SWOT, positioning analysis, 5 forces</p> <p>Business activities: Management philosophy (vision), management plans (long-term, annual, management cycle (PDCA), KPI, etc.), 5S, Kaizen</p> <p>Management strategy: Growth strategy covering product, market matrix, etc., competitive strategy, network strategy, strategic alliance, and industrial cluster</p> <p>Management organization: Management structure (function, matrix, etc.), authority and responsibility, division of labor (function, hierarch, etc.)</p> <p>Ethics: Customer satisfaction (CS), corporate social responsibility (CSR), PL, global environment, etc.</p>
Human resource management
<p>Employment and labor relations: HR planning (recruitment, assignment, transfer), qualification and authority, job description, working conditions, etc.</p> <p>Assessment of employee's performance: Management by objectives, evaluation, award and penalty, etc.</p> <p>Remuneration system: System and type, performance evaluation, qualification and salary, etc.</p> <p>Education and training: Capacity development policy, training method (hierarch, objective, etc.), OJT/Off JT, etc.</p> <p>Invigoration of organization: Small group activity, motivation, etc.</p>
Marketing
<p>Basic concept: Product out and market in, etc.</p> <p>Goal/Target setting/management: Sales plan, sales target, profit goal, market share, assessment, etc.</p> <p>Marketing strategy: 4P (product, price, channel/distribution, promotion), consistency with management resources, etc.</p> <p>Market study: Objective of market study, target, type and scope of study, assessment and measures, etc.</p>

<p>Operation</p> <hr/> <p><u>Manufacturing sector</u></p> <p>Product development: Goal setting and planning, product design, design type and drawings, design standardization, etc.</p> <p>Production management: Type of production, production planning, scheduling and production control, work management, layout, etc.</p> <p>Materials procurement, inventory management: MRP, order system, supplier control and guidance, etc.</p> <p>Equipment maintenance and quality control: Preventive maintenance, periodical maintenance, capacity utilization rate, QC techniques</p> <p>Work environment and safety: 4R (refuse, reduce, reuse, recycle), waste management, safety and hygiene measures, etc.</p> <p><u>Commerce and service sector</u></p> <p>Store facilities: Store function, design, product display, etc.</p> <p>Product purchase and sales: Product planning, product management and budgeting, product purchase, pricing, sales promotion, etc.</p> <p>Physical distribution and transport management: Streamlining and distribution network</p> <p>Customer management: Supplier and customer management, management of accounts payable and receivable, after-sales service, etc.</p>
<p>Financial management</p> <hr/> <p>Financial statements: Balance sheet, profit and loss statement, cash flow statement, etc.</p> <p>Management analysis: Profitability, liquidity, turnover ratio/period, productivity, break-even point analysis, etc.</p> <p>Cost accounting: Classification and structure, actual/standard costs, total/individual cost, management accounting, etc.</p> <p>Financing and foreign exchange risk: Types of financing and cost, foreign exchange risk and future contract</p> <p>Investment analysis: Free cash flow, economic/financial viability of capital investment, etc.</p>
<p>Legal aspects</p> <hr/> <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>

Information system
Information technology: Operating system and application software, database, network, security
Information system: Business decision and information, process innovation, information dissemination and decision making routes, etc.
Information system plan: Medium-term plan, annual plan, budget management
Information management: Rules, storage, updating and risk, outsourcing

Source: Prepared by JICA Study Team

For information, registration in the SME consultant registration system in Japan does not require professional experience. Knowledge level is the main subject of evaluation and thus persons who have no consulting experience can take and pass the examination although all successful applicants have to complete a pre-registration training program. That is, the system is designed to serve as a nursery for consultants; it registers qualified persons for the purpose of providing them with opportunities to gain professional experience. Originally, the qualification was intended for the personnel who were in charge of examining loan applications for government's financial support programs, although it is not a requirement any more. A rationale is that requiring experience might encourage to those who do not have necessary competence to do consultation work just for gaining experience. The system was started as such in consideration of the social and economic conditions in Japan at that time.

Generally, professional qualification should be given to a person who meets competence and quality requirements. The international competence certification system, recently introduced to Turkey, is based upon this principle.

The SME consultant qualification standard, assessment items and methods, as proposed in this chapter, are designed under the same principle.

Chapter 7
Pilot Project

Chapter 7 Pilot Project

This chapter covers plans and results of the pilot projects which were conducted based on the provisional proposal presented in Chapter 6. The proposal is summarized in the following three points:

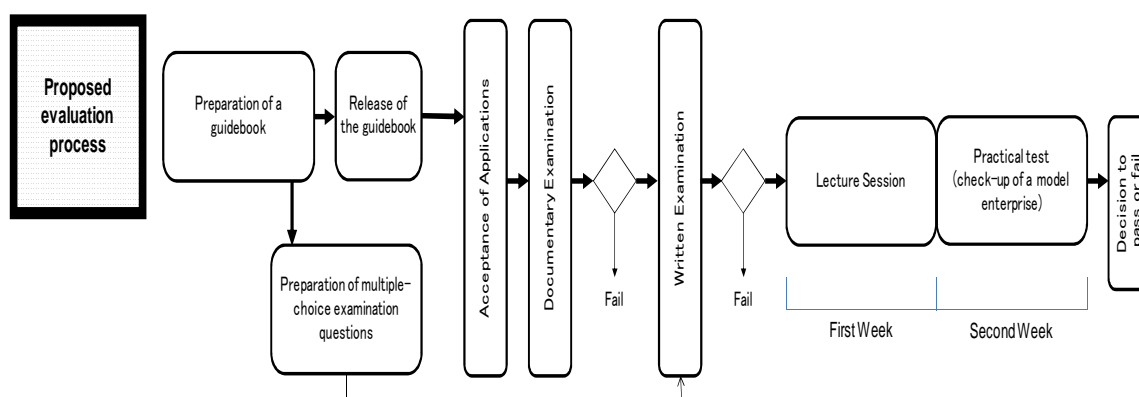
- To introduce a new concept of what a SME consultant should be like: he is supposed to be a generalist-type consultant; he specializes not in some specific area(s) and/or function(s) in business management but in SMEs as a whole
- To get a SME consultant to check up a SME wishing to receive consultations so that the consultant identify problems and set agenda before the SME's receiving consultation
- To evaluate one's ability as a SME consultant in terms of his 1) ability, 2) knowledge, and 3) attitudes and behavior in three steps, namely in 1) documentary examination, 2) written examination, and 3) practical test

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.



Source: JICA Study Team

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. As shown in Figure 7-1, the JICA Study Team proposes incorporating a lecture session in the process.

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"> ● To grade educational background and career experience (especially that as consultants and/or instructors) according to a predetermined scoring criteria ● To be fair, to use an application form and to require documentation
Written Examination*	To evaluate applicants' level of theoretical knowledge	<ul style="list-style-type: none"> ● To set multiple-choice questions in five major areas in business management
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"> ● 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.

* 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. As a result, production management and sales and store management are mandatory elements of knowledge for all applicants.

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.

For the organizer and applicants both, time and monetary costs increase in order of a documentary examination, a written examination, a lecture session, and a practical test. The

JICA Study Team proposes that only successful applicants go to the next step as burdens to organize/attend a lecture session and a practical test are heavy.

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.

Major evaluation items include experience and results as consultants, which should be documented (ex. reports submitted to clients). If needed, contacting listed clients for reference has to be made. Some are prerequisites. The JICA Study Team proposes that an applicant be rejected irrespective of his total score if he fails to meet any one of pre-requisites.

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, and applicants are more likely to be consultants specializing in specific area(s) and/or function(s) with limited or possibly no knowledge of the other areas or functions. Natural conclusion is that they need to study new areas to become certified SME consultants in a new system.

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. Specialized books are available for the purpose, but the scope and depth covered are varied from books to books. 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.

Setting examinations and publishing a study guide helps would-be SME consultants to study by themselves, which will ultimately lead to an increased pool of consultants with basic knowledge in business management. The JICA Study Team also expects that they will study in training programs held by educational and/or training institutions to supplement their self-study.

7.2.5 Written Examination

Written examinations aim to see if applicants have a broad range of knowledge necessary for SME consultants. The committee preparing and revising the study guide described above is supposed to prepare them too. In principle, topics covered in questions have to be consistent with those covered in the study guide and 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. They interview the presidents and managers, observe work sites and employees, and analyze documents and other provided information. They need to identify weaknesses, problems and their root causes, and prepare reports in which activities for improvement as well as results of analyses are presented. Then, they make presentations for the representatives of model enterprises in front of instructors-cum-evaluators. Ideally, individual applicants prepare reports and make presentations.

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.

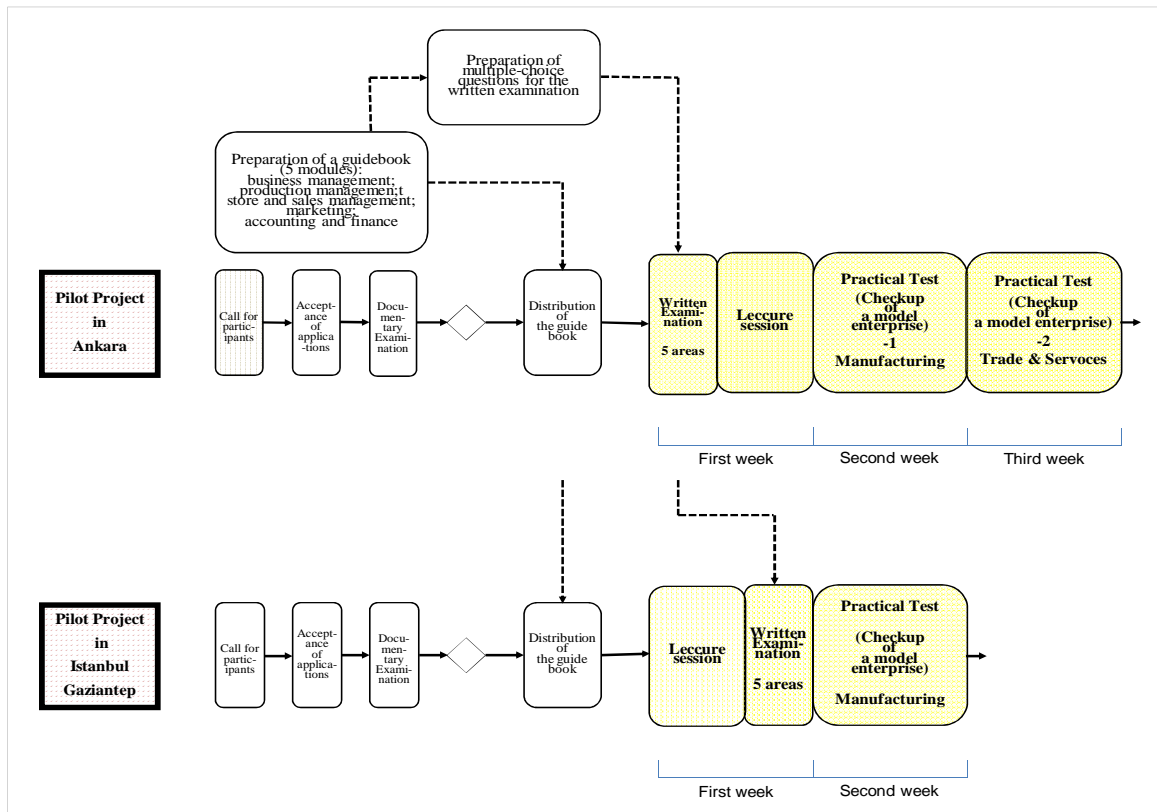
7.3 Plan of the Pilot Projects

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. The pilot project was for three weeks in Ankara, and they were for two weeks in Istanbul and Gaziantep.

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.

To see the validity of the assessment procedures, that is, how well active consultants in Turkey do in the examinations prepared for the pilot projects, it is ideal to advertise widely for participants as well as to drop those who fail to obtain scores equal to a predetermined cutoff score or more at each step. Unfortunately, however, the reality is that KOSGEB and JICA Study Team needed to ask institutions engaged in SME promotion activities to send their personnel; it

seemed impossible to secure a sufficient number of participants necessary to conduct a practical test as planned in a meaningful way if unsuccessful participants were rejected along the way.

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, given that KOSGEB started to support SMEs in trade and services in addition to those in manufacturing which it had supported, 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. Table 7-3 shows the role allocation.

KOSGEB, mainly the staff who had participated in the training in Japan, had reviewed draft questions prepared for written examinations. It had also advertised for participants, evaluated applications, looked for model enterprises, and served as an instructor for two areas: SME promotion policy and support measures and business ethics. As all of the pilot projects were held at KOSGEB service centers, it was also in charge of part of logistics.

Table 7-3 Role Allocation in the Pilot Project

Task	JICA Study Team	KOSGEB	Turkish Expert
Preparation of an application form	○	○	
Determination of the evaluation criteria of documentary examinations	○	○	
Call for participants	○	○	
Acceptance of applications		○	
Documentary examinations		○	
Preparation of a guide book	○		
Revision of the guide book			○
Distribution of the guice book to participants		○	
Preparation of a pool of exam questions	○		
Revision of the exam questions		○	○
Selection of exam questions for written examinations	○		
Written examinations - securing venues		○	
Written examinations - the other logistics	○	○	
Written examinations - grading	○		
Determination of the composition of lecture sessions	○	○	
Lecture sessions - securing venues		○	
Written examinations - the other logistics	○	○	
Lecture sessions - lecturers	○	○	○
Preparation of a practical test manual	○		
Revision of the practical test manual		○	○
Practical tests - selection of model enterprises	○	○	
Practical tests - preliminary survey	○	○	○
Practical tests - securing venues		○	
Practical tests - logistics	○	○	
practical tests - lecturers-cum-evaluators	○		○
Practical tests - evaluation	○		○

Source: JICA Study Team

As KOSGEB had planned to entrust the operation of a new system to a third party after determining an occupational standard of SME consultants and a screening process for certification, the involvement of Turkish experts was necessary to modify ideas of the JICA Study Team in line with Turkish contexts as well as to make the system sustainable. The JICA Study Team made a contract with seven Turkish experts on an individual basis to ask them to 1) review a study guide draft prepared by the JICA Study Team, 2) review a pool of exam questions prepared by the JICA Study Team, and 3) serve as instructors in lecture sessions. In addition, four of them 4) served as instructors-cum-evaluators in practical tests. Six of them are professors of either Istanbul University or Gazi University, and the rest is a private consultant.

KOSGEB and the JICA Study Team asked the professors of Gazi University to look for participants, too.

The JICA Study Team had first planned to ask for cooperation the then National Productivity Centre of Turkey (MPM)¹ [currently General Directorate of Productivity (VGM)²] having a variety of experts, which was unfortunately unrealized as it was under a restructuring process of ministries and agencies.

7.6 Preparation

7.6.1 Call for Participants

The JICA Study Team considered 15 to 20 (seven to 10 participants per model enterprise) to be an appropriate number of participants which go to a practical test at each site. The JICA Study Team had asked KOSGEB to give some incentives to them to attract a sufficient number of participants, which was unfortunately unrealized. Eventually, as already described, KOSGEB and the JICA Study Team held a meeting to ask VGM, European Turkish Business Centers (ABIGEM)³, and associations of consultants, namely Management Consultants Association (YDD)⁴ and Association of Professional Consultants (PRODER)⁵, to send their staff or members to the pilot projects.

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 7-4 shows the application form and Table 7-5 the evaluation criteria of the documentary examination, both of 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.

¹ Milli Prodüktivite Merkezi

² Verimlilik Genel Müdürlüğü

³ Avrupa Birliği Türkiye İş Geliştirme Merkezleri

⁴ Yönetim Danışmanları Derneği

⁵ Profesyonel Danışmanlar Derneği

Table 7-4 Application Form

<u>Application Form</u>		
Address		
Name		
Birth Date (DD/MM/YYYY)		
Contact Information	1) Tel:	
	2) e-mail address	
Educational Background (degree certificates required)		
Job Experience at Enterprises (documentation required)	1) Years of Experience (including years in managerial positions)	
	2) Years in Management Positions	
Consulting Experience	1) Years of Experience (documentation verifying your first consulting experience is required)	
	2) List of Success Cases (up-to three cases)	
	(1) a. Client enterprise b. Duration (from when to when) c. Contact information	
	(2) a. Client enterprise b. Duration (from when to when) c. Contact information	
	(3) a. Client enterprise b. Duration (from when to when) c. Contact information	
	Please list up-to three certifications and/or professional licenses (documentation required)	
	1:	
Certifications and Professional Licenses ^(*)	2:	
	3:	
Training	Please list relevant training programs you participated in together with hours of each program (certificate[s] required)	
	Please list relevant training programs you have instructed (documentation required)	
Foreign Language Proficiency	Please attach a score report of KPDS, TOEIC, TOEFL, or IELTS	
Please describe your motivation to serve for small and medium-sized enterprises as a consultant.		
Please make a self-assessment in five-point scale in terms of the following elements (Highest - Lowest)		
1) Business ethics	5 4 3 2 1	
2) Trustworthiness	5 4 3 2 1	
3) Planning ability	5 4 3 2 1	
4) Initiative	5 4 3 2 1	
5) Kindness	5 4 3 2 1	

(1*) The following certifications/licenses are considered.

- 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

Source: JICA Study Team

Table 7-5 Evaluation Criteria of the Documentary Examination

Item	Criteria	Point
Educational Background		20
(*) 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
Job Experience at Enterprises		16
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
Consulting Experience		38
(*) 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
Certification		8
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
Training		8
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
Foreign Language Proficiency		4
Test Scores (*4)	4 points if getting required scores in KPDS, TOEIC, TOEFL, or IELTS	4
Statement on Motivation and Self-assessment		6
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
Total		100

(*) 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 (PBT) 470; IELTS 6 or over
Score equivalence based on YÜKSEKÖĞRETİM KURUMU (YÖK)

Source: JICA Study Team

Table 7-6 shows evaluations of hypothetical applicants with different educational and career profiles. Based on the result, the JICA Study Team set 60 points as a cutoff point.

Table 7-6 Evaluation of Hypothetical Applicants

hypothetical age	40		40		40		40		40		40		40		40	
	point		point		point		point		point		point		point		point	
Educational Background																
Bachelor's degree			○	14	○	14	○	14								
Master's degree									○	17	○	17	○	17		
Doctoral degree															○	20
Job Experience at Enterprises and/or Other Organizations															○	20
Years of experience	10	8	7	7	5	5	5	5	10	8	5	5	5	5	5	5
Years in Management Positions	3	6	0	0	0	0	0	0	2	4	2	4	0	0	2	4
Consulting Experience																
Years of experience	5	15	8	21	10	21	3	9	3	9	8	21	3	9	3	9
Number of success cases	3	17	5	17	5	17	1	6	3	17	3	17	2	12	2	12
Certification																
Number of certifications	1	3	1	3	0	0	0	0	1	3	1	3	1	3	1	3
Training																
Relevant Training Received			100	2	100	2	100	2	100	2	100	2	100	2	150	3
Experience as a Lecturer			×	0	×	0	×	0	○	4	○	4	○	4	○	4
Foreign Language Proficiency																
Foreign Language Proficiency	○	4	○	4	○	4	○	4	○	4	○	4	○	4	○	4
Statement on Motivation and Self-assessment																
Motivation	○	3	○	3	○	3	○	3	○	3	○	3	○	3	○	3
Self-assessment	○	3	○	3	○	3	○	3	○	3	○	3	○	3	○	3
Total		59		74		69		46		74		83		62		70

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 serves as a guide for would-be certified SME consultants who are more likely to be those specialized in specific area(s) and/or function(s); it 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. Table 7-7

shows the contents of the study guide. At the end of each module, it lists reference books selected by the Turkish experts.

Table 7-7 Contents of the Study Guide

Contents	
Module I	Business Management
	1. Leadership
	2. Business activities
	3. Business strategies
	4. Organizational structure
	5. Human resources management
Module II	Production Management
	1. Production management
	2. Procurement and inventory control
	3. Measures for production improvement
	4. Safety management and environment control
Module III	Store and Sales Management
	1. Store design and display
	2. Merchandizing
	3. Logistics
Module IV	Marketing
	1. Basic concepts in marketing
	2. Marketing management
	3. Information system for marketing
	4. Consumer behavior
	5. Marketing strategies
Module V	Accounting and Finance
	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

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. Table 7-8 summarizes the preparation (original drafts) by the JICA Study Team, suggestions by the Turkish experts, modifications and selection of questions to be set in the written examinations.

Table 7-8 Original Drafts, Suggestions by the Turkish Experts, Modifications, and Selection of Exam Questions

		Preparation (Original Draft)	Suggestions from /Review by Turkish Experts	Modification/Selection of Questions
Business Management	Guide Book	Contents 1. Leadership 2. Business activities 3. Business strategies 4. Organizational structure 5. Human resources management 6. Corporate responsibility	1) To increase the number of theories covered in leadership 2) To add QC circle and seven QC tools in business activities	Reflected suggestions 1) and 2)
	Examination	Prepared 54 questions	Evaluated the difficulty of the 54 questions in three levels (easy, average, difficult)	Selected 20 questions among those which were rated as easy or average
Production Management	Guide Book	Contents 1. Production management 2. Procurement and inventory control 3. Measures for production improvement 4. Safety management and environment control 5. Information system for production control	To explain more on some concepts and add more theories to make the study guide easier to understand for the Turkish: 1) In production control to explain more on flow control and cell manufacturing system and increase the number of theories on demand forecast covered 2) In procurement and inventory control to explain more on material requirements planning, ABC analysis, and subcontract control 3) In measures for production improvement to explain more on charts used in operation management and industrial engineering 4) In information system for production control to explain more on Product Data Management	Reflected suggestions 1), 2), 3), 4)
	Examination	Prepared 106 questions	Evaluated the difficulty of 97 out of the 106 questions in three levels (easy, moderate, difficult) Prepared a question on cycle time	Selected 20 questions (including one on cycle time); nine easy questions, five average questions, and five difficult question. One question was prepared by a Turkish expert.
Store and Sales Management	Guide Book	Contents 1. Store design and display 2. Merchandizing 3. Logistics 4. Information system for sales control	1) To add the bar-code system used in Turkey in information system for sales control	Reflected suggestion 1)
	Examination	Prepared 54 questions	Evaluated the difficulty of the 54 questions in three levels (easy, moderate, difficult)	Selected 20 questions; eight easy questions, seven average questions, and five difficult questions.
Marketing	Guide Book	Contents 1. Basic concepts in marketing 2. Marketing management 3. Information system for marketing 4. Consumer behavior 5. Marketing strategies 6. New developments in marketing	To add more details on some concepts to make the study guide fit for Turkish contexts: 1) In basic concepts in marketing to add the definition by the American Marketing Association 2) In marketing management to explain more on target marketing 3) In marketing strategies to explain more on three levels of a product; to add an example of the product mix by a Turkish home appliance manufacturer; to explain more on services marketing, especially on its characteristics; to explain more on promotion strategies, especially on advertising and personal selling; to add recent developments in promotion 4) In new developments in marketing to explain more on one to one marketing, direct marketing, and web marketing	Reflected suggestions 1), 2), 3), 4)
	Examination	Prepared 65 questions	Evaluated the difficulty of the 65 questions in three levels (easy, moderate, difficult)	Selected 20 questions (including one on cycle time); eight easy questions, eight average questions, and four difficult question.
Accounting and Finance	Guide Book	Contents 1. Financial statements 2. Financial analysis 3. Cash flow analysis 4. Break-even point analysis 5. Investment evaluation 6. Cost calculation	1) To explain basics on working capital management (using equity capital, borrowed capital, and short-term/long-term capital) to get readers to understand how to evaluate the liquidity and stability of financial standing of enterprises; students in Turkey spend much time on learning them 2) To add an independent section on current value and future value	Reflected suggestions 1), 2) Explanation on current value and future value was added in the section of investment evaluation
	Examination	Prepared 53 questions	1) Evaluated the difficulty of the 53 questions in three levels (easy, moderate, difficult) 2) Prepared nine questions on working capital management	Selected 20 questions (including those on working capital management prepared by a Turkish expert) among those which were rated as easy or moderate

Source: JICA Study Team

7.6.5 Lecture Session

Table 7-9 shows subjects and instructors in the lecture sessions. In addition to the five areas in the study guide, they include information technology, laws and regulations related to SMEs, SME promotion policy and support measures, business ethics, and consulting skills; as

already described, SME consultants have to have a decent knowledge on them although they are unsuitable for exam subjects.

Table 7-9 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.

The lecture by a Turkish expert in information technology included electronic commerce and software used for inventory control and quality management, and the lecture by another Turkish expert in laws and regulations cover revised commercial laws.

Lecturers by KOSGEB outlined SME promotion policy and details of KOSGEB's SME support measures such as financial support, consulting support and support for R&D activities.

7.6.6 Schedule

Table 7-10 shows the detailed schedule of the pilot project in Ankara, Table 7-11 Istanbul, and Table 7-12 Gaziantep. 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.

Table 7-10 Schedule in Ankara

Ankara																
Lectures: A Turkish experts and JICA experts KOSGEB and JICA experts KOSGEB A Turkish experts																
Lecture																
	2011/10/17	2011/10/18	2011/10/19	2011/10/20	2011/10/21	2011/10/22										
	Mon	Tue	Wed	Thu	Fri	Sat										
am	9:00-9:15	Opening Ceremony					9:00-10:00	Production management	9:00-10:00	Accounting and finance	9:00-10:00	Accounting and finance	9:00-10:00	Marketing	9:00-10:00	Laws and regulations
	9:15-10:45	Written examination (Business management & Production management)	9:00-10:00	Production management	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break
	10:45-11:00	break	10:15-11:15	Production management	10:15-11:15	break	10:15-11:15	Accounting and finance	10:15-11:15	Accounting and finance	10:15-11:15	Accounting and finance	10:15-11:15	Marketing	10:15-11:15	Laws and regulations
	11:00-12:30	Written examination (Marketing & Store and sales management)	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break
Lunch break																
pm	13:30-14:30	Written examination (Accounting & finance)	13:30-14:30	Production management	13:30-14:30	Accounting and finance	13:30-14:30	Information technology	13:30-14:30	Store and sales management	13:30-14:30	Store and sales management	13:30-14:30	Store and sales management	13:30-14:30	SME support policy and measures
	14:30-15:00	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break
	15:00-15:45	Business administration	14:45-15:45	Production management	14:45-15:45	Accounting and finance	14:45-15:45	Information technology	14:45-15:45	Store and sales management	14:45-15:45	Store and sales management	14:45-15:45	Store and sales management	14:45-15:45	Business ethics
	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break
	16:00-16:45	Business administration	16:00-17:30	Production management	16:00-17:30	Accounting and finance	16:00-17:30	Information technology	16:00-17:30	Store and sales management	16:00-17:30	Store and sales management	16:00-17:30	Store and sales management	16:00-17:30	Accounting skills
	16:45-17:00	break														
	17:00-18:00	Business administration														
Practical test - First week -																
	2011/10/24	2011/10/25	2011/10/26	2011/10/27	2011/10/28	2011/10/29										
	Mon	Tue	Wed	Thu	Fri	Sat										
am	9:00-10:00	Orientation					9:00-10:00	Orientation	9:00-10:00	Analysis & report writing						
	10:00-10:15	break					10:00-10:15	break	10:00-10:15	break						
	10:15-11:15	Orientation	9:00-12:30	First visit to model enterprises	10:15-11:15	Identification of weak areas	9:00-12:30	Second visit to model enterprises	10:15-11:15	Analysis & report writing						
	11:15-11:30	break					11:15-11:30	break	11:15-11:30	break						
11:30-12:30	Orientation					11:30-12:30	Identification of weak areas	11:30-12:30	Analysis & report writing							
Lunch break																
pm	13:30-14:30	Preliminary analysis					13:30-14:30	Analysis: identification of weak areas	13:30-14:30	Analysis & report writing						
	14:30-14:45	break					14:30-14:45	break	14:30-14:45	break						
	14:45-15:45	Preliminary analysis	14:30-17:30	First visit to model enterprises	14:45-15:45	Analysis: identification of weak areas	13:30-17:30	Second visit to model enterprises	14:45-15:45	Analysis & report writing						
	15:45-16:00	break					15:45-16:00	break	15:45-16:00	break						
16:00-17:30	Preliminary analysis					16:00-17:30	Analysis: identification of weak areas	16:00-17:30	Analysis & report writing							
Practical test - Second week -																
	2011/10/31	2011/11/1	2011/11/2	2011/11/3	2011/11/4	2011/11/5										
	Mon	Tue	Wed	Thu	Fri	Sat										
am	9:00-10:30	Presentation					9:00-10:30	Presentation	9:00-10:30	Analysis & report writing						
	10:30-11:00	break	9:00-12:30	First visit to model enterprises	10:30-11:15	Analysis: identification of weak areas	10:14-11:14	Analysis & report writing	10:30-11:00	break						
	11:00-12:30	Presentation					11:15-11:30	break	11:15-11:30	break						
							11:30-12:30	Analysis: identification of weak areas	11:30-12:30	Analysis & report writing	11:00-12:30	Presentation				
Lunch break																
pm	13:30-14:30	Preliminary analysis					13:30-14:30	Analysis & report writing	13:30-14:30	Evaluation						
	14:30-14:45	break					14:30-14:45	break	14:30-14:45	break						
	14:45-15:45	Preliminary analysis	13:30-17:30	First visit to model enterprises	13:30-17:30	Second visit to model enterprises	14:45-15:45	Analysis & report writing	14:45-15:45	Evaluation						
	15:45-16:00	break					15:45-16:00	break	15:45-16:00	break						
16:00-17:30	Preliminary analysis					16:00-17:30	Analysis & report writing	16:00-17:30	Analysis & report writing							

Source: JICA Study Team

Table 7-11 Schedule in Istanbul

Istanbul															
Instructors:		 A Turkish expert and a JICA expert	 KOSGEB and a JICA expert												
		 KOSGEB	 A Turkish expert												
Lecture															
2011/11/21		2011/11/22		2011/11/23		2011/11/24		2011/11/25		2011/11/26					
Mon		Tue		Wed		Thu		Fri		Sat					
am	9:00-9:15	Opening Ceremony		9:00-10:00	Production management	9:00-10:00	Accounting and finance	9:00-10:00	Accounting and finance	9:00-10:00	Marketing	9:00-10:00	Business administration		
	9:15-10:00	Laws and regulations				10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break
	10:00-10:15	break				10:15-11:15	Production management	10:15-11:15	Accounting and finance	10:15-11:15	Accounting and finance	10:15-11:15	Marketing	10:15-11:15	Business administration
	10:15-11:15	Laws and regulations				11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break
	11:15-11:30	break				11:30-12:30	Production management	11:30-12:30	Accounting and finance	11:30-12:30	Accounting and finance	11:30-12:30	Marketing	11:30-12:30	Business administration
	11:30-12:30	SME support policy and measures				12:30-1:30	Production management	12:30-1:30	Accounting and finance	12:30-1:30	Accounting and finance	12:30-1:30	Marketing	12:30-1:30	Business administration
Lunch break															
pm	13:30-14:30	SME support policy and measures		13:30-14:30	Production management	13:30-14:30	Accounting and finance	13:30-14:30	Accounting and finance	13:30-14:30	Store and sales management	13:30-15:00	Written examination (Business management & Production management)		
	14:30-14:45	break		14:30-14:45	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break				
	14:45-15:45	Business ethics		14:45-15:45	Production management	14:45-15:45	Accounting and finance	14:45-15:45	Information technology	14:45-15:45	Store and sales management	15:00-15:15	break		
	15:45-16:00	break		15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:15-16:45	Written examination (Marketing & Store and sales management)		
	16:00-17:30	Consulting skills		16:00-17:30	Production management	16:00-17:30	Accounting and finance	16:00-17:30	Information technology	16:00-17:30	Store and sales management	16:45-17:00		break	
												17:00-18:00	Written examination (Accounting & finance)		

Practical test															
2011/11/28		2011/11/29		2011/11/30		2011/12/1		2011/12/2		2011/12/3					
Mon		Tue		Wed		Thu		Fri		Sat					
am	9:00-10:00	Orientation		9:00-12:30	First visit to model enterprises	9:00-10:00	Analysis: identification of weak areas	9:00-12:30	Second visit to model enterprises	9:00-10:00	Analysis & report writing	9:00-10:30	Presentation		
	10:00-10:15	break				10:00-10:15	break			10:00-10:15	break				
	10:15-11:15	Orientation				10:15-11:15	Analysis: identification of weak areas			10:15-11:15	Analysis & report writing			10:30-11:00	break
	11:15-11:30	break				11:15-11:30	break			11:15-11:30	break			11:00-12:30	Presentation
	11:30-12:30	Orientation				11:30-12:30	Analysis: identification of weak areas			11:30-12:30	Analysis & report writing				
Lunch break															
pm	13:30-14:30	Preliminary analysis		13:30-17:30	First visit to model enterprises	13:30-14:30	Analysis: identification of weak areas	13:30-17:30	Second visit to model enterprises	13:30-14:30	Analysis & report writing	13:30-14:30	Evaluation		
	14:30-14:45	break				14:30-14:45	break			14:30-14:45	break	14:30-14:45	break		
	14:45-15:45	Preliminary analysis				14:45-15:45	Analysis: identification of weak areas			14:45-15:45	Analysis & report writing	14:45-15:45	Evaluation		
	15:45-16:00	break				15:45-16:00	break			15:45-16:00	break	15:45-16:00	break		
	16:00-17:30	Preliminary analysis				16:00-17:30	Analysis: identification of weak areas			16:00-17:30	Analysis & report writing				

Source: JICA Study Team

Table 7-12 Schedule in Gaziantep

Gaziantep														
Instructors		A Turkish expert and a JICA expert		KOSGEB and a JICA expert		KOSGEB		A Turkish expert						
Lecture														
	2011/12/12		2011/12/13		2011/12/14		2011/12/15		2011/12/16		2011/12/17			
	Mon		Tue		Wed		Thu		Fri		Sat			
am	9:00-9:15	Opening Ceremony												
	9:15-10:00	Laws and regulations	9:00-10:00	Production management	9:00-10:00	Accounting and finance	9:00-10:00	Accounting and finance	9:00-10:00	Marketing	9:00-10:00	Business administration		
	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break	10:00-10:15	break		
	10:15-11:15	Laws and regulations	10:15-11:15	Production management	10:15-11:15	Accounting and finance	10:15-11:15	Accounting and finance	10:15-11:15	Marketing	10:15-11:15	Business administration		
	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break	11:15-11:30	break		
	11:30-12:30	SME support policy and measures	11:30-12:30	Production management	11:30-12:30	Accounting and finance	11:30-12:30	Accounting and finance	11:30-12:30	Marketing	11:30-12:30	Business administration		
Lunch break														
pm	13:30-14:30	SME support policy and measures	13:30-14:30	Production management	13:30-14:30	Accounting and finance	13:30-14:30	Accounting and finance	13:30-14:30	Store and sales management	11:30-15:00	Written examination (Business management & Production management)		
	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break	14:30-14:45	break				
	14:45-15:45	Business ethics	14:45-15:45	Production management	14:45-15:45	Accounting and finance	14:45-15:45	Information technology	14:45-15:45	Store and sales management	15:00-15:15	break		
	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:45-16:00	break	15:15-16:45	Written examination (Marketing & Store and sales management)		
	16:00-17:30	Consulting skills	16:00-17:30	Production management	16:00-17:30	Accounting and finance	16:00-17:30	Information technology	16:00-17:30	Store and sales management	16:45-17:00	break		
											17:00-18:00	Written examination (Accounting & finance)		
Practical test														
	2011/12/19		2011/12/20		2011/12/21		2011/12/22		2011/12/23		2011/12/24			
	Mon		Tue		Wed		Thu		Fri		Sat			
am	9:00-10:00	Orientation	9:00-12:30	First visit to model enterprises	9:00-10:00	Analysis: identification of weak areas	9:00-12:30	Second visit to model enterprises	9:00-10:00	Analysis & report writing	9:00-10:30	Presentation		
	10:00-10:15	break			10:00-10:15	break			10:00-10:15	break				
	10:15-11:15	Orientation			10:15-11:15	Analysis: identification of weak areas			10:15-11:15	Analysis & report writing			10:30-11:00	break
	11:15-11:30	break			11:15-11:30	break			11:15-11:30	break			11:00-12:30	Presentation
	11:30-12:30	Orientation			11:30-12:30	Analysis: identification of weak areas			11:30-12:30	Analysis & report writing				
Lunch break														
pm	13:30-14:30	Preliminary analysis	13:30-17:30	First visit to model enterprises	13:30-14:30	Analysis: identification of weak areas	13:30-17:30	Second visit to model enterprises	13:30-14:30	Analysis & report writing	13:30-14:30	Evaluation		
	14:30-14:45	break			14:30-14:45	break			14:30-14:45	break	14:30-14:45	break		
	14:45-15:45	Preliminary analysis			14:45-15:45	Analysis: identification of weak areas			14:45-15:45	Analysis & report writing	14:45-15:45	Evaluation		
	15:45-16:00	break			15:45-16:00	break			15:45-16:00	break				
	16:00-17:30	Preliminary analysis			16:00-17:30	Analysis: identification of weak areas			16:00-17:30	Analysis & report writing				

Source: JICA Study Team

7.6.7 Selection of Model Enterprises

KOSGEB looked for model enterprises according to the following criteria the JICA Study Team had set. KOSGEB picked enterprises which they knew much and were not far away from the KOSGEB service centers where the pilot projects were held. As can be seen in Table 7-13 which lists selected model enterprises, however, they do not necessarily meet all the criteria.

- (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)

Table 7-13 List of Model Enterprises

Site		Sector	Number of employees
Ankara	M-1	Manufacturing of heating equipment parts	15
	M-2	Metal processing and machining of mechanical parts	15
	S-1	Production and sales of western confectionery	92
	S-2	Production and sales of dairy produce	11
Istanbul	M-1	Manufacturing of transmitters, receivers, etc.	35
	M-2	Manufacturing of locks, hinges, and gaskets	148
Gaziantep	M-1	Manufacturing of chassis	240
	M-2	Manufacturing of pounded wheat and lentil operating systems	90

M: enterprise in manufacturing

S: enterprise in trade and services

Source: JICA Study Team

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.

Table 7-14 shows the composition of the manual.

Table 7-14 Composition of the Practical Test Manual

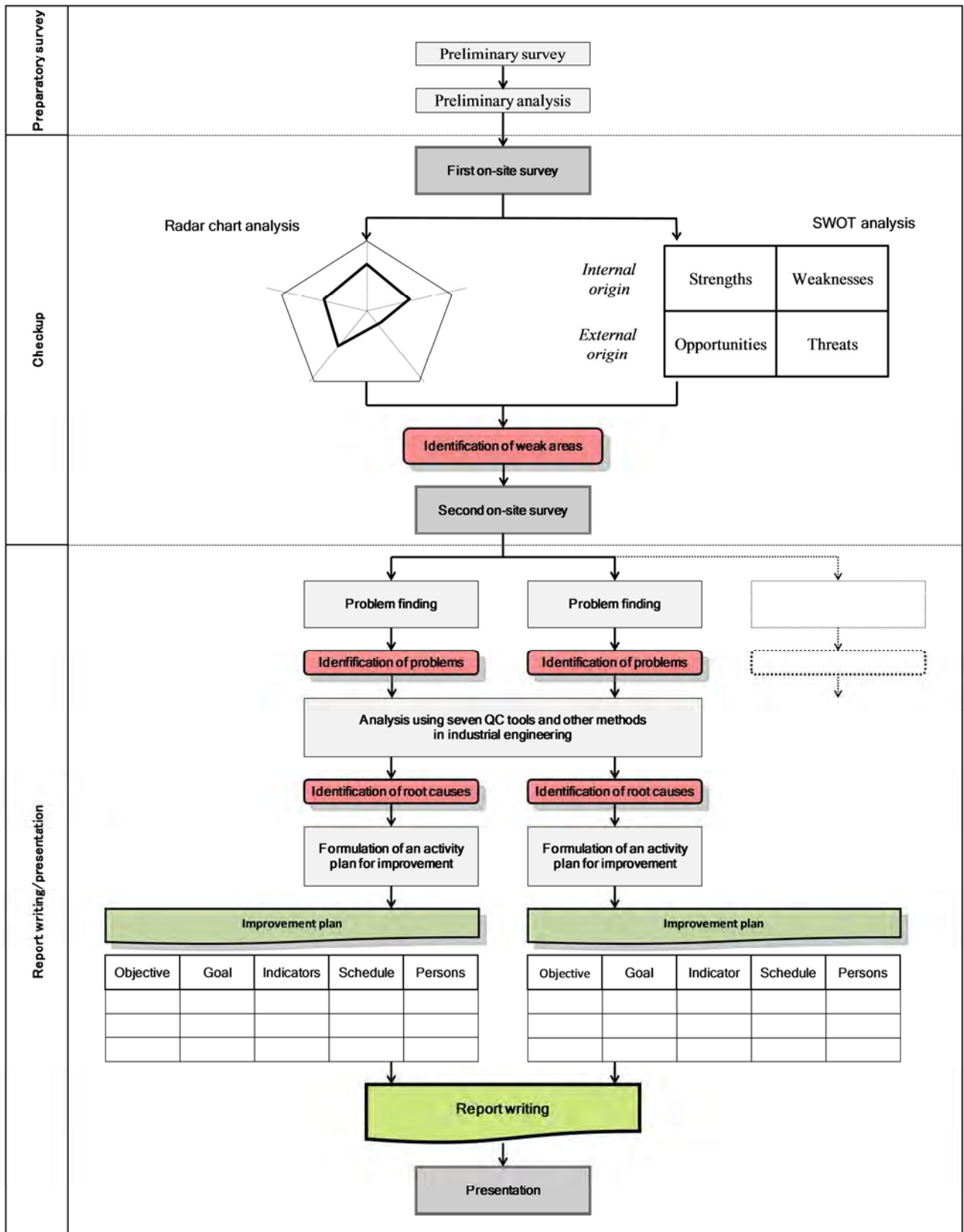
1.	Schedule
2.	Methodology and procedures
3.	Guidelines
4.	Evaluation criteria
Attachment-1	Basic survey form
Attachment-2	Survey items (questions) for radar chart analysis (manufacturing)
Attachment-3	Survey items (questions) for radar chart analysis (trade and services)
Attachment-4	Contents of a check-up report
Attachment-5	Questionnaire (model enterprise)
Attachment-6	Questionnaire (applicants)

Source: JICA Study Team

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. Figure 7-3 shows the steps of a checkup in the pilot projects.

Table 7-15 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. In principle, evaluation should be based on consensus of instructors-cum-evaluators, and yet final evaluation is the average of their rating when their opinions remain apart.



Source: JICA Study Team

Figure 7-3 Steps of a Checkup in the Pilot Projects

Table 7-15 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	Be unprofessional (Not comply to professional ethics which SME consultants must follow)		O		0.05	Weighted average score

Source: JICA Study Team

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.

After visiting model enterprises in Ankara, KOSGEB, the Turkish experts and the JICA Study Team had a meeting on the schedule, the methodology of the practical tests and role allotment.

7.6.10 Practical Tests

See Table 7-10, 7-11 and 7-12 for the schedule of the practical test at each site.

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.

Attachment 2 is the questionnaire of participants and Attachment 3 is that of model enterprises.

7.7 Result of the Pilot Projects

7.7.1 Participants

In total, 64 persons registered for the pilot projects. Table 7-16 shows the composition of the registrants by pilot project site. 35 of them (54.7%) are consultants and eleven (17.2%) are

SME Experts⁶. Note that only active consultants are classified into consultants; those who used to be consultants are not.

Table 7-16 Composition of the Registrants

	Ankara	Istanbul	Gaziantep	Total		Composition	
Private consultant	6	15	8	29	35	45.3%	54.7%
VGM consultant	2	1	1	4		6.3%	
ABIGEM consultant	0	1	1	2		3.1%	
Lecturer at universities	2	1	3	6		9.4%	
KOSGEB SME expert	3	4	4	11		17.2%	
Other government officials	4	0	0	4		6.3%	
Others	3	0	5	8		12.5%	
Total	20	22	22	64		100.0%	

Source: 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 applications⁷. Table 7-17 shows individual scores of the documentary examination. Table 7-18 and Figure 7-4 summarize them by attributes. 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.

⁶ 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.

⁷ KOSGEB graded the applications. It did not disclose scores of SME experts.

Table 7-17 Individual Scores of the Documentary Examination

No. [point]	Educational Background	Job Experience at Enterprises	Years in Management Positions	Consulting Experience	Success Cases	Certification	Training	Lecturers	Foreign Languages	Motivation	Self-Assessment	Total
A 3	17	-	-	6	8	-	4	4	-	3	3	45
A 4	17	-	-	-	-	-	-	-	-	1	3	21
A 6 *	17	8	8	15	17	-	4	4	-	3	3	79
A 8 *	17	8	4	9	17	-	2	4	-	3	3	67
A 9	14	8	8	-	-	-	-	-	-	2	3	35
A 10	17	-	-	6	17	-	3	4	-	1	3	51
A 11 *	14	-	-	12	17	3	4	4	-	2	3	59
A 13 *	17	8	8	21	17	-	4	4	-	3	3	85
A 14 *	14	-	-	12	17	3	4	4	-	2	3	59
A 17 *	14	8	8	15	12	-	1	4	-	3	3	68
A 19	17	1	-	-	-	-	-	-	-	-	3	21
A 20 *	17	7	8	21	17	-	1	4	-	2	3	80
I 1 *	20	8	8	15	17	-	1	4	-	1	3	77
I 2 *	17	8	8	21	17	3	4	4	4	2	3	91
I 3 *	14	8	8	21	17	-	2	4	-	2	3	79
I 4 *	17	8	8	21	17	6	4	4	-	-	3	88
I 5 *	17	-	-	21	17	3	3	4	-	3	3	71
I 6 *	14	7	6	18	17	3	2	4	-	2	3	76
I 7 *	17	5	-	15	17	3	4	4	-	2	3	70
I 9 *	14	8	8	21	17	-	1	4	-	2	3	76
I 11 *	17	8	8	21	17	6	3	4	-	3	3	90
I 12 *	14	8	8	18	17	-	-	4	-	3	3	75
I 13 *	14	8	8	9	17	-	1	4	-	3	3	63
I 14 *	14	8	8	3	17	-	2	4	-	3	3	62
I 15	17	8	4	-	-	-	1	4	-	1	3	34
I 16 *	17	6	5	21	17	3	1	4	-	2	3	79
I 17 *	14	8	8	12	17	-	-	-	-	3	3	65
I 19 *	14	5	6	9	17	-	2	4	-	2	3	62
I 20 *	20	8	8	21	17	6	3	4	-	2	3	92
I 22 *	17	8	8	12	17	-	-	4	-	3	3	72
G 1 *	17	8	8	6	17	3	4	4	-	3	3	73
G 2	14	8	8	6	6	-	2	4	-	2	3	49
G 3 *	14	8	8	21	17	8	3	4	-	1	3	87
G 4 *	14	8	8	9	12	-	1	4	-	3	3	62
G 6 *	14	-	-	-	-	-	1	-	-	1	-	16
G 7 *	14	-	-	21	17	3	-	4	4	1	3	67
G 8	14	8	8	-	-	-	-	-	-	1	3	34
G 9	14	-	-	3	6	-	-	-	-	2	3	28
G 11	14	6	4	6	17	-	3	4	-	1	3	58
G 12 *	14	8	8	21	17	-	3	4	-	2	3	80
G 16	14	1	-	3	17	-	-	4	-	3	3	45
G 17	17	3	2	6	17	-	-	4	4	3	3	59
G 19 *	17	8	8	12	17	3	1	4	-	1	3	74
G 20 *	-	2	-	-	6	3	2	4	-	1	3	21
G 22 *	17	8	8	3	6	3	4	4	4	3	3	63

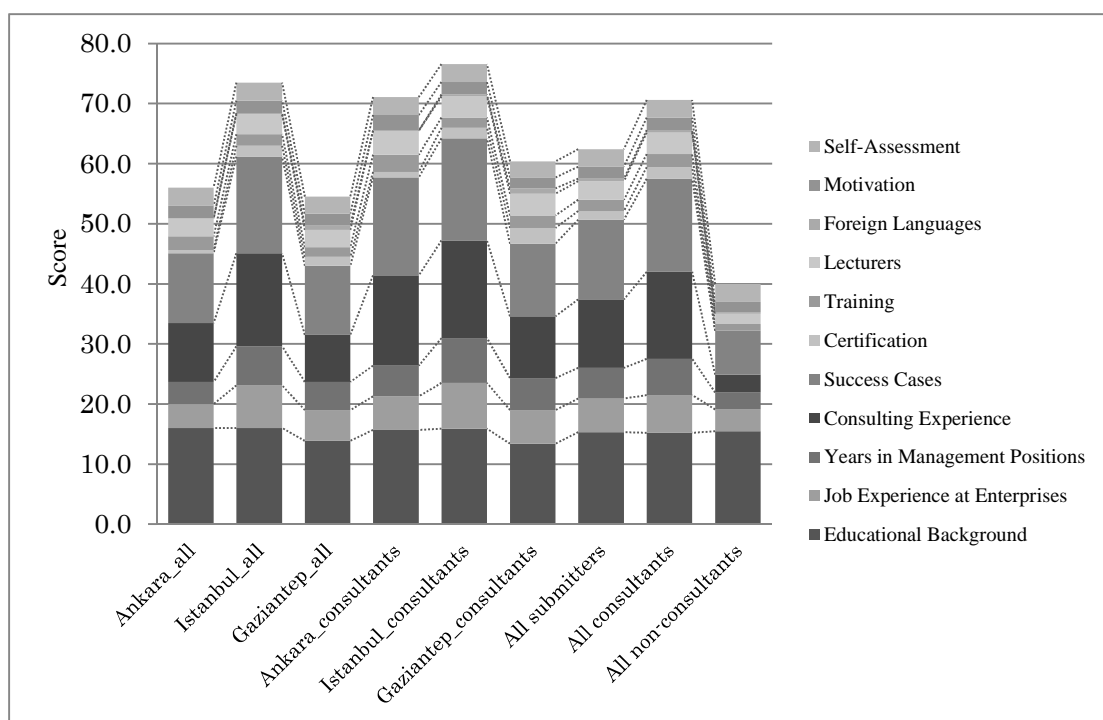
Asterisks indicate that the relevant registrants are consultants.

Source: JICA Study Team

Table 7-18 Summary Result of the Documentary Examination

	All Applicants				Consultants				Non-Consultants
	Ankara	Istanbul	Gaziantep	3 Sites Combined	Ankara	Istanbul	Gaziantep	3 Sites Combined	
Number of Applicants	12	18	15	45	7	17	9	33	12
Number of Successful Applicants [Point]	5	17	7	29	5	17	7	29	0
Educational Background	[20]	16	13.9	15.3	15.7	15.9	13.4	15.2	15.5
Job Experience at Enterprises	[8]	4	5.1	5.6	5.6	7.6	5.6	6.3	3.6
Years in Management	[8]	3.7	4.7	5.1	5.1	7.5	5.3	6.0	2.8
Consulting Experience	[21]	9.8	7.8	11.4	15	16.2	10.3	14.5	3.0
Success Cases	[17]	11.6	11.5	13.3	16.3	17	12.1	15.5	7.3
Certification	[8]	0.5	1.5	1.4	0.9	1.8	2.6	1.9	0.0
Training	[4]	2.3	1.6	1.9	2.9	1.7	2.1	2.2	1.1
Lecturers	[4]	3.0	2.9	3.1	4	3.5	3.6	3.6	1.7
Foreign Languages	[4]	0.0	0.8	0.4	0	0.3	0.9	0.4	0.3
Motivation	[3]	2.1	1.9	2.0	2.6	2.1	1.8	2.1	1.7
Self-Assessment on Attitude	[3]	3	2.8	2.9	3	3	2.7	2.9	3.0
Total	[100]	55.8	54.4	62.4	71.0	76.5	60.3	70.5	40.0

Source: JICA Study Team



Source: JICA Study Team

Figure 7-4 Summary Result of the Documentary Examination

As described in 7.6.2, 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. Among the four disqualified consultants, two have gotten almost 60 (59 points), but the remaining two have earned much lower than that. The former two have met the conditions 1) and 2) , while the latter two have just become consultants and thus have not earned points for consulting experience⁸. Seven out of twelve non-consultants have earned points for consulting experiences, and yet their total scores are below 60 points; two of them have earned points close to 60 points (58 and 59 points respectively).

(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

⁸ An unsuccessful consultant is studying to obtain a bachelor's degree now, and thus does not meet the requisite of educational background either.

and/or experiences in managerial positions in order to make up for the shortage of points gained for consulting experience. It means that working for years whether as consultants or not is also a must. On average, successful applicants have earned a total of 45.8 points for their career experience, namely job experience at enterprises, experience in managerial positions, consulting experience and success cases. Nine applicants who have met the first two conditions have failed to get 60 points or more, and the average points gained by them for the same four elements are 23.8 points.

Two unsuccessful consultants who have earned 59 points can pass a year later if they continue to be consultants, but the remaining two need at least a few years of consulting experience. Two unqualified non-consultants who have gotten nearly 60 points also can pass by earning more points for job experience at enterprises, experience in managerial positions, or training, because their points for them have not reached the ceiling points yet. 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.

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 so⁹.

Table 7-19 shows individual scores and Table 7-20 summarize 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, Figure 7-5 shows the mean by area and Figure 7-6 shows the mean of five-area averages and mean of the lowest scores.

⁹ 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.

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 4.0¹⁰, 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.

¹⁰ 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 7-19 Individual Scores of the Written Examination (All Test-Takers)

No	Business Management	Production Management	Store & Sales Management	Marketing	Finance & Accounting
A 1 *	64	37	50	45	-
A 2	53	41	65	50	40
A 3	73	60	50	40	34
A 4	60	40	15	10	37
A 6 *	55	33	55	50	48
A 7	33	41	35	35	33
A 8 *	73	30	55	50	41
A 9	47	21	50	35	32
A 10	73	30	60	25	39
A 11 *	89	50	40	40	62
A 12	38	21	50	20	-
A 13 *	68	57	60	35	54
A 14 *	84	68	40	45	62
A 15	57	32	60	30	-
A 16	49	38	50	25	42
A 17 *	73	25	55	25	27
A 18	31	15	25	35	32
A 19	63	27	50	30	28
A 20 *	68	30	50	30	50
I 1 *	73	63	55	35	41
I 2 *	73	40	55	30	59
I 3 *	54	58	65	60	62
I 4 *	43	42	50	30	49
I 5 *	77	42	40	40	64
I 6 *	57	36	45	25	39
I 7 *	66	27	45	45	52
I 8	72	37	50	25	51
I 9 *	66	57	35	45	39
I 10	57	59	60	60	57
I 11 *	80	43	55	25	50
I 12 *	63	63	65	45	57
I 13 *	42	45	50	40	55
I 14 *	55	35	70	50	47
I 15	62	30	60	30	31
I 16 *	58	59	45	30	59
I 17 *	75	56	65	45	71
I 18	84	57	60	35	50
I 19 *	85	26	55	55	41
I 20 *	54	48	70	30	41
I 21	62	40	45	45	28
I 22 *	47	28	50	15	48
G 1 *	53	47	50	55	37
G 2	41	31	40	30	64
G 3 *	63	48	50	30	68
G 4 *	56	32	70	45	59
G 5	54	28	50	20	52
G 6 *	48	30	45	25	46
G 7 *	64	42	75	45	67
G 8	83	43	50	35	28
G 9	50	36	50	30	56
G 11	62	31	35	10	52
G 12 *	69	49	60	35	49
G 13	48	37	55	15	71
G 14	68	47	45	45	47
G 15	38	45	45	35	72
G 16	74	57	65	60	55
G 17	53	37	50	35	57
G 18	55	46	25	40	4
G 19 *	38	30	50	50	61
G 20 *	59	52	45	40	37
G 22 *	76	43	45	50	33

Asterisks indicate that the relevant test-takers are consultants.

Source: JICA Study Team

Table 7-20 Summary Result of the Written Examination (All Test-Takers)

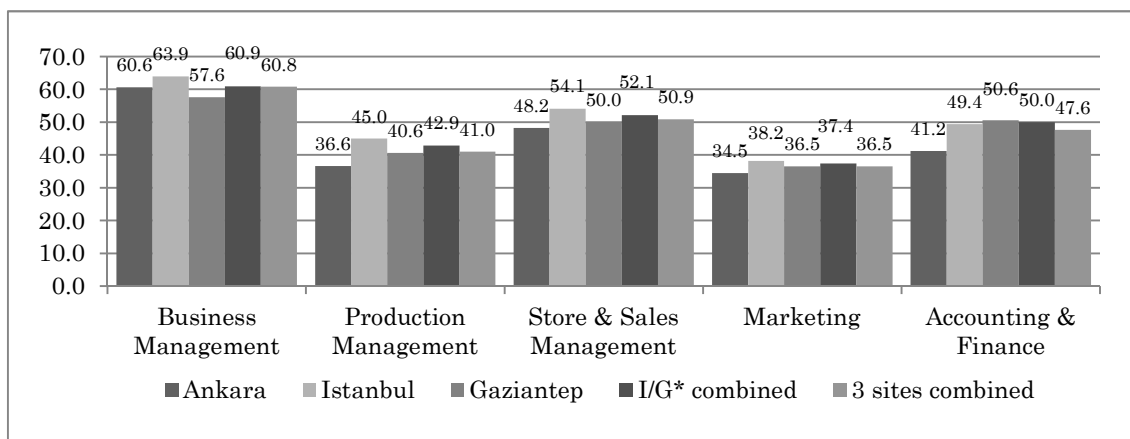
		BM	PM	SSM	M	AF	Five-Area Average	Lowest Score
Ankara	Test-takers	19	19	19	19	16	16	16
	Average	60.6	36.6	48.2	34.5	41.2	44.7	29.0
	S/D*	15.7	13.6	12.2	10.6	10.7	8.7	8.4
	Highest	89	68	65	50	62	59.7	40
	Lowest	31	15	15	10	27	27.5	10
	Median	63	33	50	35	40	45.6	30
Istanbul	Test-takers	22	22	22	22	22	22	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.

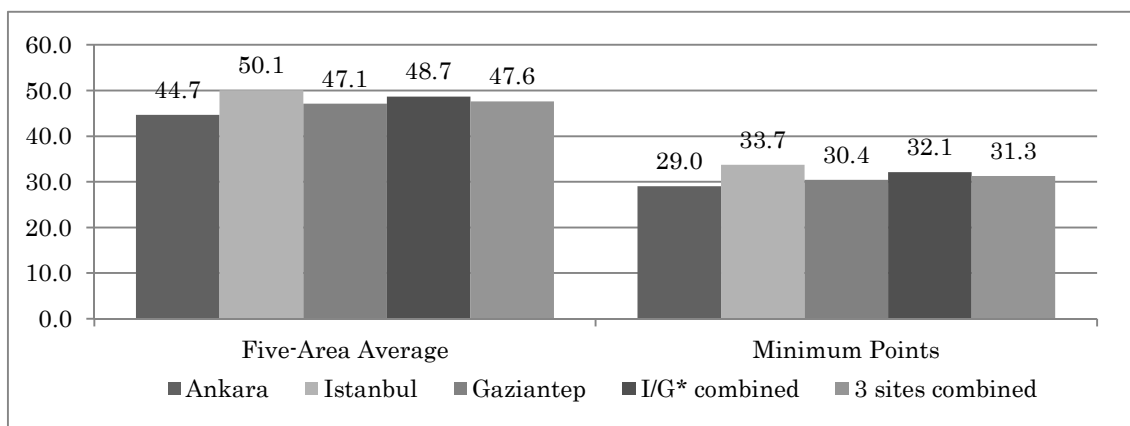
Source: JICA Study Team



*I/G: Istanbul/ Gaziantep

Source: JICA Study Team

Figure 7-5 Mean Scores by Area (All Test-Takers)



*I/G: Istanbul/ Gaziantep

Source: JICA Study Team

Figure 7-6 Mean of Five-Area Averages and Mean of the Lowest Scores (All Test-Takers)

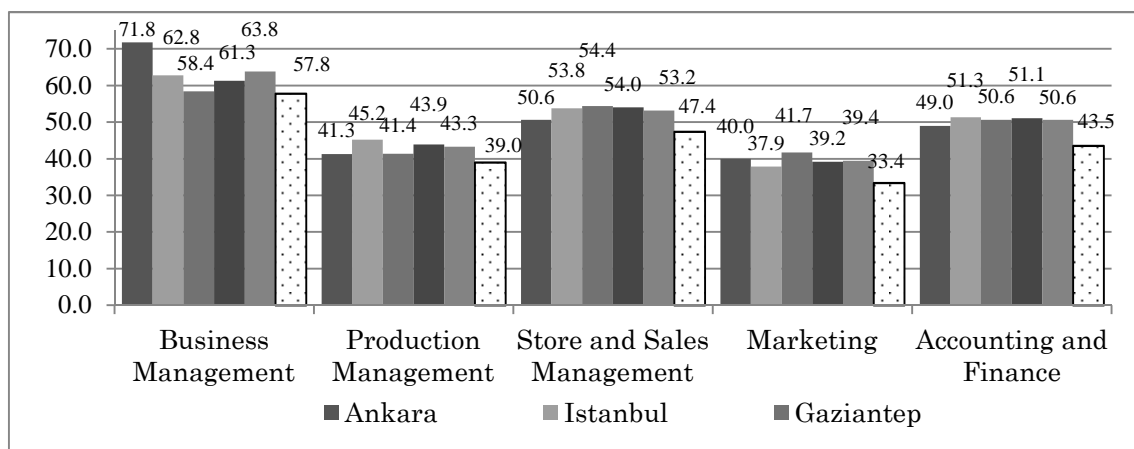
Like Table 7-20, Table 7-21 summarizes scores of consultants only. For comparison, the averages of non-consultants are also presented at the bottom. Also, Figure 7-7 shows mean scores by area and Figure 7-8 shows the mean of five-area averages and mean of the lowest scores. In Ankara, the mean of five-area 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 7-21 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
	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

		BM	PM	SSM	M	AF	Five-Area Average	Lowest Score
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
<Non-consultants>								
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

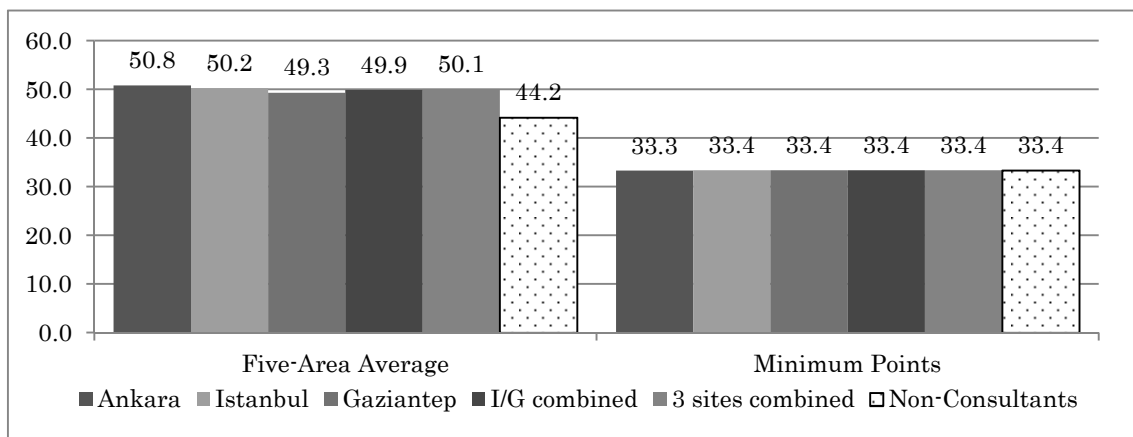
Source: JICA Study Team



*I/G: Istanbul/ Gaziantep

Source: JICA Study Team

Figure 7-7 Mean Scores by Area (Consultants only)



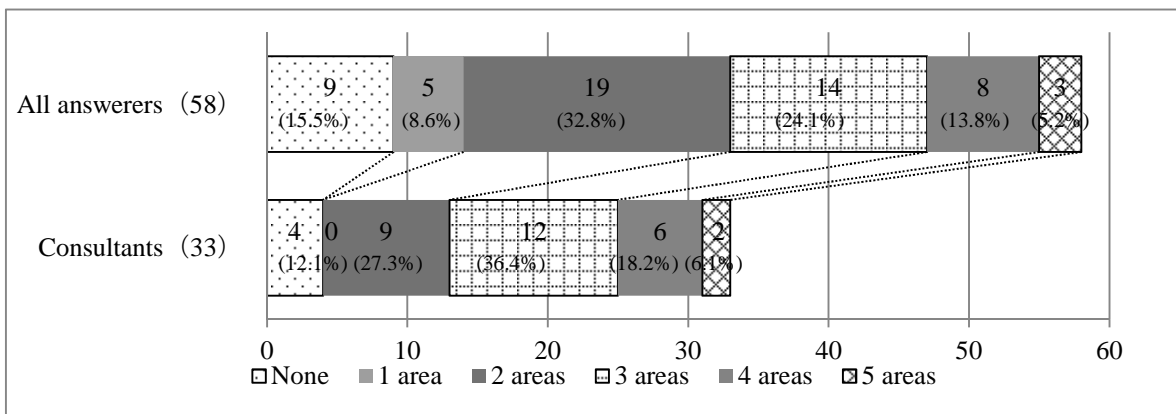
*I/G: Istanbul/ Gaziantep

Source: JICA Study Team

Figure 7-8 Mean of Five-Area Average and Mean of the Lowest Score (Consultants only)

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 7-9). 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 it¹¹

¹¹ Their points in the documentary examination are 88, 76 and 72.



Source: JICA Study Team

Figure 7-9 Number of Areas which Test-Takers Have Scored Above-Average Points

Table 7-22 shows individual standard scores computed from exam scores. 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 7-10, 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 finance¹².

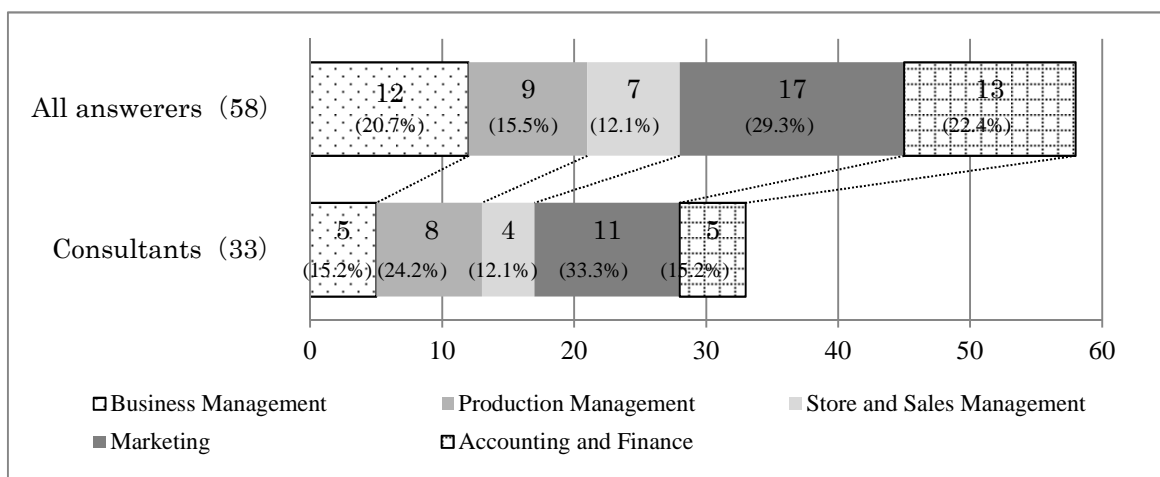
¹² Note that the exam scores in production management and accounting and finance rose by statistically significant points in Istanbul and Gaziantep where the written examination was held after lecture sessions. It is possible that lecture sessions worked.

Table 7-22 Standard Scores of the Written Examination (All Answers)

No.	Business Management	Production Management	Store & Sales Management	Marketing	Finance & Accounting
A 2	44.3	50.0	62.7	61.4	44.5
A 3	59.0	65.9	49.2	53.0	39.8
A 4	49.4	49.2	17.8	27.6	41.7
A 6 *	45.7	43.3	53.7	61.4	50.3
A 7	29.5	50.0	35.7	48.7	39.1
A 8 *	59.0	40.8	53.7	61.4	44.7
A 9	39.8	33.3	49.2	48.7	38.2
A 10	59.0	40.8	58.2	40.3	43.8
A 11 *	70.7	57.5	40.2	53.0	60.4
A 13 *	55.3	63.4	58.2	48.7	55.0
A 14 *	67.1	72.5	40.2	57.2	60.4
A 16	41.3	47.5	49.2	40.3	45.6
A 17 *	59.0	36.6	53.7	40.3	34.6
A 18	28.1	28.3	26.8	48.7	38.0
A 19	51.6	38.3	49.2	44.5	35.5
A 20 *	55.3	40.8	49.2	44.5	52.0
I 1 *	59.0	68.4	53.7	48.7	44.7
I 2 *	59.0	49.2	53.7	44.5	58.5
I 3 *	45.0	64.2	62.7	69.9	60.6
I 4 *	36.9	50.8	49.2	44.5	51.2
I 5 *	61.9	50.8	40.2	53.0	62.4
I 6 *	47.2	45.8	44.7	40.3	43.6
I 7 *	53.8	38.3	44.7	57.2	52.9
I 8	58.2	46.7	49.2	40.3	52.2
I 9 *	53.8	63.4	35.7	57.2	43.8
I 10	47.2	65.0	58.2	69.9	56.6
I 11 *	64.1	51.7	53.7	40.3	51.8
I 12 *	51.6	68.4	62.7	57.2	56.8
I 13 *	36.2	53.3	49.2	53.0	55.7
I 14 *	45.7	45.0	67.1	61.4	49.2
I 15	50.9	40.8	58.2	44.5	37.4
I 16 *	47.9	65.0	44.7	44.5	58.7
I 17 *	60.4	62.5	62.7	57.2	67.1
I 18	67.1	63.4	58.2	48.7	52.0
I 19 *	67.8	37.5	53.7	65.7	44.7
I 20 *	45.0	55.8	67.1	44.5	44.9
I 21	50.9	49.2	44.7	57.2	35.4
I 22 *	39.8	39.1	49.2	31.8	50.1
G 1 *	44.3	55.0	49.2	65.7	42.1
G 2	35.4	41.7	40.2	44.5	62.3
G 3 *	51.6	55.8	49.2	44.5	65.2
G 4 *	46.5	42.5	67.1	57.2	58.5
G 5	45.0	39.1	49.2	36.0	52.9
G 6 *	40.6	40.8	44.7	40.3	48.4
G 7 *	52.4	50.8	71.6	57.2	64.3
G 8	66.3	51.7	49.2	48.7	35.4
G 9	42.1	45.8	49.2	44.5	55.9
G 11	50.9	41.7	35.7	27.6	53.3
G 12 *	56.0	56.7	58.2	48.7	51.0
G 13	40.6	46.7	53.7	31.8	67.1
G 14	55.3	55.0	44.7	57.2	49.6
G 15	33.2	53.3	44.7	48.7	68.0
G 16	59.7	63.4	62.7	69.9	55.7
G 17	44.3	46.7	49.2	48.7	56.8
G 18	45.7	54.2	26.8	53.0	17.4
G 19 *	33.2	40.8	49.2	61.4	59.6
G 20 *	48.7	59.2	44.7	53.0	42.1
G 22 *	61.2	51.7	44.7	61.4	39.1
A 1 *	52.4	46.7	49.2	57.2	-
A 12	33.2	33.3	49.2	36.0	-
A 15	47.2	42.5	58.2	44.5	-

Asterisks indicate that the relevant participants are consultants.

Source: JICA Study Team



Source: JICA Study Team

Figure 7-10 Distribution of Areas in which Test-Takers Have Recorded the Lowest Standard Scores

Table 7-23 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. When the pass five-area averages is set at 40 and the pass lowest score at 20, 48 out of 58 test-takers (82.7%) including 31 participating consultants (93.9%) pass. When the former is set at 50 and the latter at 40, ten participants (17.2%) including seven consultants (21.2%) pass. With a tougher condition, the pass five-area averages at 60 and the pass lowest scores at 40, only two (3.4%) including one consultant (3.0%) pass.

Table 7-23 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	48	22	2	31	17	1
	30	37	20	2	26	15	1
	40	12	10	2	8	7	1
	50	-	3	1	-	1	0
	60	-	-	0	-	-	0

Source: 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. If they had had time to do so and besides if they had gotten motivated by some sort of incentives, the result might have been better. From a different angle, one can interpret that it shows the level of knowledge Turkish consultants exploit on a daily basis.

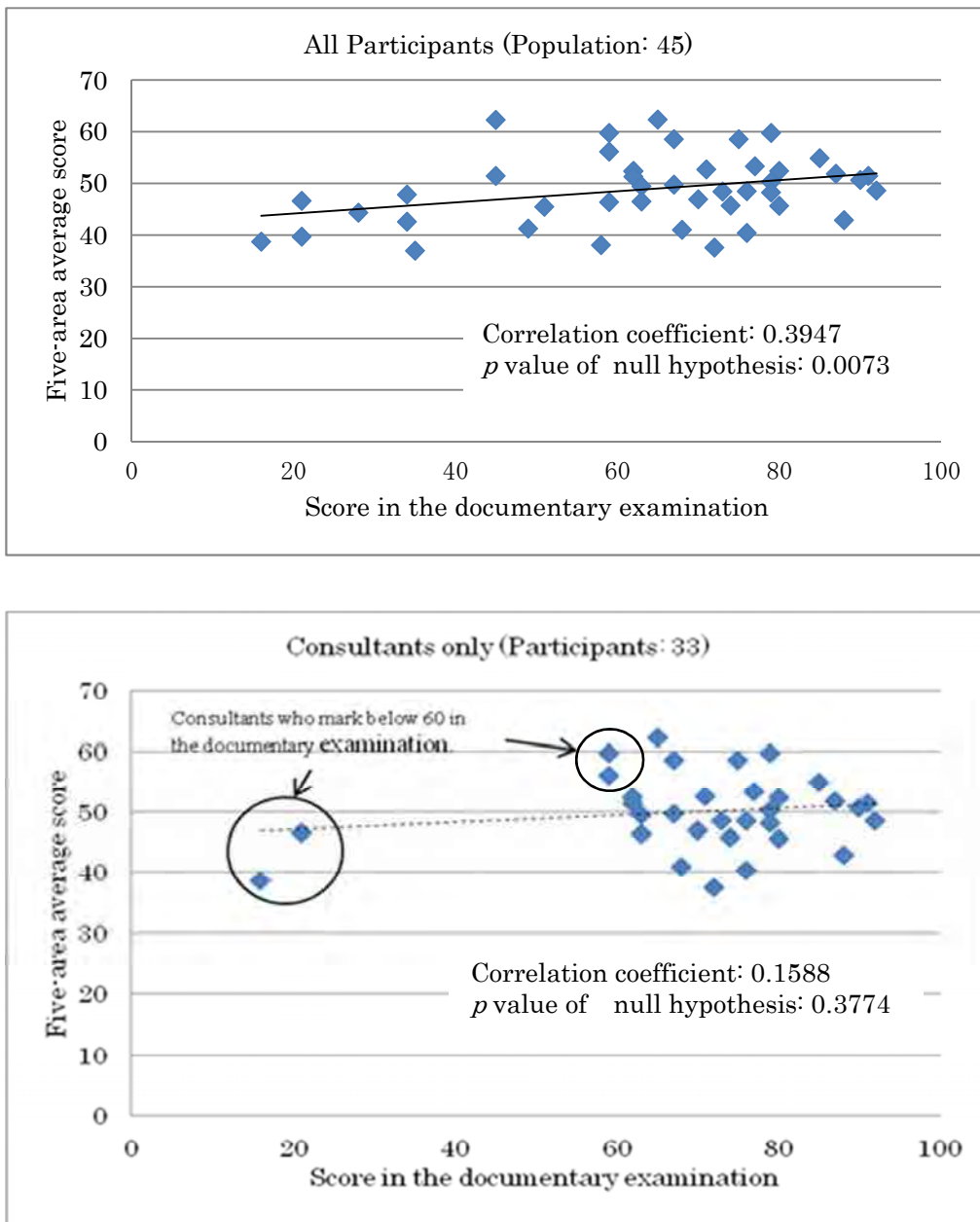
As described in 7.2.6, a purpose of lecture sessions in the pilot projects is to provide an opportunity to recognize what to learn more for participants. Though lectures just outlined basics needed for SME consultants in limited hours, the JICA Study Team had hoped that test-takers in Istanbul and Gaziantep, 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 1) higher five-area averages as well as 2) higher lowest scores. Unfortunately, the differences in both scores are small. 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^{13,14}. 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 7-4 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

¹³ The difference of average in accounting and finance is significant at the 5% level. That in production management is at the 10% level.

¹⁴ The differences might be just because participants in Istanbul and Gaziantep knew better about production management and accounting and finance.

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.



Source: JICA Study Team

Figure 7-11 Relation between Scores in the Documentary Examination and Five-Area Averages in the Written Examination (Scatter Diagrams)

Table 7-24 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 I19¹⁵.

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.

¹⁵ Among those who pass, the lowest five-area average is 42.9, lower by 9.4 than that of I19's.

Table 7-24 Pass-Fail Simulations (Details)

		Acceptability Criteria					Number of Test-Takers:58											
		PM	SSM	M	AC	40	40	40	50	50	50	50	60	60	60	60	60	
		Five-area Ave. Lowest Score				20	30	40	20	30	40	50	20	30	40	50	60	
		BM	PM	SSM	M	AC	Number of Successful Test-Takers											
Mean (all)		60.9	42.9	52.1	37.4	50.0	48	37	12	22	20	10	3	2	2	2	1	0
Mean (consultants)		63.8	43.3	53.2	39.4	50.6												
I	17 *	75	56	65	45	71	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	F
I	3 *	54	58	65	60	62	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
I	12 *	63	63	65	45	57	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
I	10	57	59	60	60	57	P	P	P	P	P	P	P	F	F	F	F	F
I	18	84	57	60	35	50	P	P	F	P	P	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
A	13 *	68	57	60	35	54	P	P	F	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
I	5 *	77	42	40	40	64	P	P	P	P	P	P	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
G	12 *	69	49	60	35	49	P	P	F	P	P	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
G	3 *	63	48	50	30	68	P	P	F	P	P	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
I	2 *	73	40	55	30	59	P	P	F	P	P	F	F	F	F	F	F	F
I	14 *	55	35	70	50	47	P	P	F	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
G	14	68	47	45	45	47	P	P	P	P	P	P	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
A	2	53	41	65	50	40	P	P	P	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
G	22 *	76	43	45	50	33	P	P	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
I	9 *	66	57	35	45	39	P	P	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
A	6 *	55	33	55	50	48	P	P	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
G	15	38	45	45	35	72	P	P	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
I	8	72	37	50	25	51	P	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
I	13 *	42	45	50	40	55	P	P	P	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
G	19 *	38	30	50	50	61	P	P	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
A	10	73	30	60	25	39	P	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
G	9	50	36	50	30	56	P	P	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
I	4 *	43	42	50	30	49	P	P	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
G	2	41	31	40	30	64	P	P	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
A	16	49	38	50	25	42	P	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
I	6 *	57	36	45	25	39	P	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
G	6 *	48	30	45	25	46	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
I	22 *	47	28	50	15	48	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
A	7	33	41	35	35	33	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
A	4	60	40	15	10	37	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

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: 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 unchanged¹⁶. The checkups were conducted according to the flow shown in Figure 7-3. A pair of a Turkish expert and a Japanese expert was assigned to each group to serve as instructors-cum-evaluators. They visited model enterprises together with participants, facilitated group discussions and give advice if needed. At the same time, they observed how pertinent their interview questions and/or views expressed in group discussions were, how much they contributed to the presentation and whether their attitudes were appropriate as consultants according to the evaluation items shown in Table 7-15. 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 ethics¹⁷; if instructors-cum-evaluators think of an element of a participant as superior (inferior), the point of the element was raised (lowered).

Tables 7-25 to 27 show individual evaluation scores of the practical test by site. 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.

¹⁶ Instructors-cum-evaluators changed.

¹⁷ Points for ethics were either one or five.

Table 7-25 Evaluation of the Practical Test (Ankara)

Weight	Component	A 1	A 2	A 3	A 4	A 5	A 6	A 7	A 8	A 9	A 10	A 11	A 12	A 13	A 14	A 15	A 16	A 17	A 18	A 19	A 20
0.1	Project Management	*	3	4	3		3	3	4	3	3	3		4	3		3	4		3	4
0.1	Information Collection		3	3	3		3	3	3	3	3			4	3		3	3		3	3
0.15	Problem Analysis and Agenda Setting		3	3	3		3	3	3	3	3			3	3		3	3		3	3
0.05	Coaching; Ability to Support and Influence Clients		3	3	3		3	3	3	3	3			3	3		3	3		3	3
0.05	Cooperation with Experts in Specific Fields		3	3	4		3	3	3	3	3			3	4		3	4		3	4
0.05	Strategic Planning		3	3	3		3	3	3	3	3			4	3		3	3		3	3
0.05	Cross-cutting Consultation; Knowledge in Multiple areas and Understanding of their Interconnectedness		3	3	3		3	3	3	3	3			3	3		3	3		3	3
0.2	Hands-on Approach (3Cs) ; Stress on Actuals		3	3	3		3	3	3	3	3			4	3		3	3		3	3
0.2	Trustworthiness, Persuasiveness; Communication skills, Presentation skills		3	4	2		3	3	4	3	3			3	3		3	4		3	4
0.05	Business Ethics		5	5	5		5	5	5	5	5			5	5		5	5		5	5
	Weighted average score		3.10	3.40	2.95		3.10	3.10	3.40	3.10	3.10			3.55	3.15		3.10	3.45		3.10	3.45
	Pass-Fail		○	○	×		○	○	○	○	○			○	○		○	○		○	○

Asterisks indicate that the relevant participants are consultants.

○ : Pass, × : Fail

Source: JICA Study Team

Table 7-26 Evaluation of the Practical Test (Istanbul)

Weight	Component	I 1	I 2	I 3	I 4	I 5	I 6	I 7	I 8	I 9	I 10	I 11	I 12	I 13	I 14	I 15	I 16	I 17	I 18	I 19	I 20	I 21	I 22
0.1	Project Management	3	3	4	3	3	3	3	3	3	3	3	4	3	3	2	4	4	3	3	4	3	3
0.1	Information Collection	3	3	3	3	3	3	4	4	3	4	3	4	5	3	4	4	4	3	3	4	4	3
0.15	Problem Analysis and Agenda Setting	3	3	3	4	3	3	3	4	3	4	3	3	4	3	3	4	3	3	3	4	3	2
0.05	Coaching; Ability to Support and Influence Clients	3	3	3	3	4	3	3	3	3	3	3	3	4	3	2	4	3	3	3	3	3	2
0.05	Cooperation with Experts in Specific Fields	3	3	3	3	3	3	3	3	3	3	3	3	4	3	3	4	3	4	3	3	3	1
0.05	Strategic Planning	3	3	3	4	3	3	3	3	3	3	3	3	4	3	3	4	3	3	3	3	3	3
0.05	Gross-cutting Consultation; Knowledge in Multiple areas and Understanding of their Interconnectedness	4	4	4	3	4	4	3	3	4	3	4	3	4	3	4	4	4	3	4	3	3	3
0.2	Hands-on Approach (3Gs) ; Stress on Actuals	3	3	3	3	3	3	4	3	3	3	3	4	3	3	2	4	3	4	3	3	3	2
0.2	Trustworthiness, Persuasiveness; Communication skills, Presentation skills	4	4	4	3	3	3	3	4	3	4	3	4	4	4	4	4	4	3	3	4	3	2
0.05	Business Ethics	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	Weighted average score	3.35	3.35	3.45	3.30	3.20	3.15	3.40	3.55	3.15	3.55	3.15	3.70	3.85	3.30	3.10	4.05	3.55	3.35	3.15	3.65	3.20	2.40
	Pass-Fail	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	×

Asterisks indicate that the relevant participants are consultants.

○ : Pass, × : Fail

Source: JICA Study Team

Table 7-27 Evaluation of the Practical Test (Gaziantep)

Weight	Component	G 1 *	G 2	G 3 *	G 4 *	G 5	G 6 *	G 7 *	G 8	G 9	G 10	G 11	G 12 *	G 13	G 14	G 15	G 16	G 17	G 18	G 19 *	G 20 *	G 21 *	G 22 *	
0.1	Project Management	3	4	2	4	3	3	3	2	3		3	5	3	3	3	3	3	3	3		3		3
0.1	Information Collection	3	4	3	4	3	4	4	2	3		3	4	3	3	3	3	3	3	3		3		3
0.15	Problem Analysis and Agenda Setting	3	3	3	3	3	3	3	2	3		3	3	3	3	3	4	4	3	3		3		3
0.05	Coaching; Ability to Support and Influence Clients	3	3	3	3	3	3	3	2	3		3	3	4	3	3	3	3	3	3		3		3
0.05	Cooperation with Experts in Specific Fields	4	3	3	4	3	3	3	2	3		3	4	2	3	3	3	3	3	3		3		4
0.05	Strategic Planning	3	3	3	3	3	3	3	2	3		3	3	3	3	3	3	3	3	3		3		3
0.05	Cross-cutting Consultation; Knowledge in Multiple areas and Understanding of their Interconnectedness	4	3	3	3	4	3	3	2	3		3	3	3	3	3	3	3	3	3		3		3
0.2	Hands-on Approach (3Cs) ; Stress on Actuals	4	3	4	3	3	3	3	2	3		3	3	3	3	3	3	3	3	3		3		3
0.2	Trustworthiness, Persuasiveness; Communication skills, Presentation skills	4	4	3	4	3	3	3	2	3		3	4	3	3	3	3	3	4	3		4		3
0.05	Business Ethics	5	5	5	5	5	5	5	5	5		5	5	5	5	5	5	5	5	5		5		5
	Weighted average score	3.60	3.50	3.20	3.55	3.15	3.20	3.20	2.15	3.10		3.10	3.65	3.10	3.10	3.10	3.25	3.45	3.10	3.30				3.15
	Pass-Fail	○	○	○	○	○	○	○	×	○		○	○	○	○	○	○	○	○	○		○		○

Asterisks indicate that the relevant participants are consultants.

○ : Pass, × : Fail

Source: JICA Study Team

7.7.5 Overall Analysis

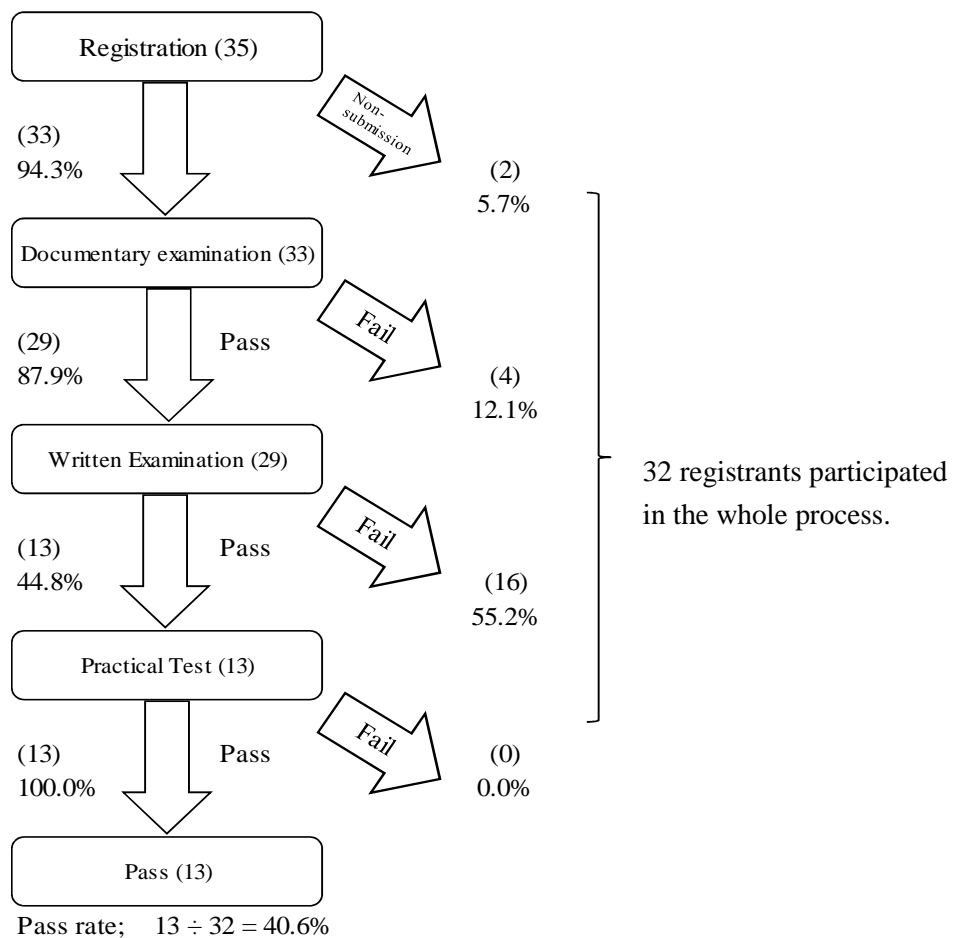
As shown in Figure 7-1, the JICA Study Team proposes dropping those who fail to earn a cutoff score at each step of the three evaluation process, namely documentary examination, written examination and practical test. Yet, in the pilot projects, all participating registrants went through the three steps 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. Setting acceptability criteria of the written examination determines the number of successful participants all though 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 7-12 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%¹⁸. 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.

¹⁸ 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: JICA Study Team

**Figure 7-12 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)¹⁹**

7.7.6 Result and Analysis of the Questionnaire Survey of the Participants²⁰

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 (refer to Attachment 2). 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

¹⁹ A consultant who did not participated 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.

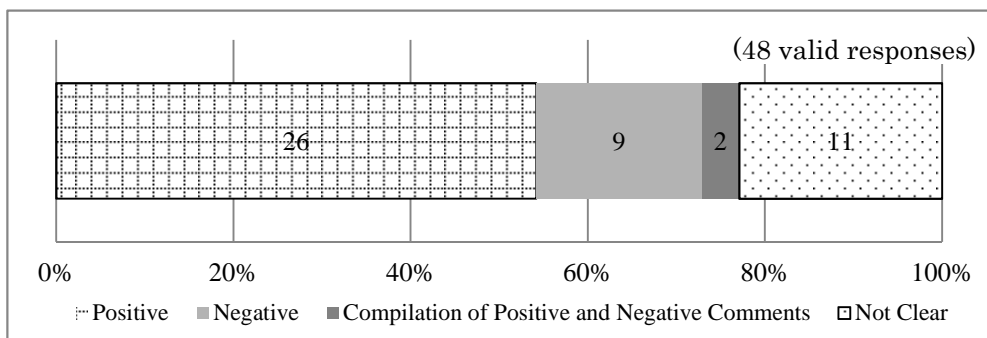
²⁰ Most of the participants did not seem to know that the pilot projects aimed to test the process to evaluate SME consultants. They answered the survey thinking that they were training programs. Model enterprises were also asked to answer questionnaire surveys (Attachment 3), but this report does not describe the result because the number of responses was not large.

had ever checked up enterprises²¹. 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. The questionnaire sheets were distributed after the orientation held in Monday morning of the second week and were collected after the presentation of the last day of the pilot project at each site. 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 contents²². 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 7-13, feedbacks from 26 out of 48 valid responses (54.2%) are positive, such as “good enough” and “well organized”²³. Meanwhile, nine responses (18.8%) include negative comments like “it does not serve the purpose,” or “it is not good enough.” Two respondents (4.2%) replied that it compiled basics well but that it was not good enough as a guidebook intended for consultants. Eleven respondents did not make it clear whether they thought the guidebook served the purpose or not.



Source: JICA Study Team

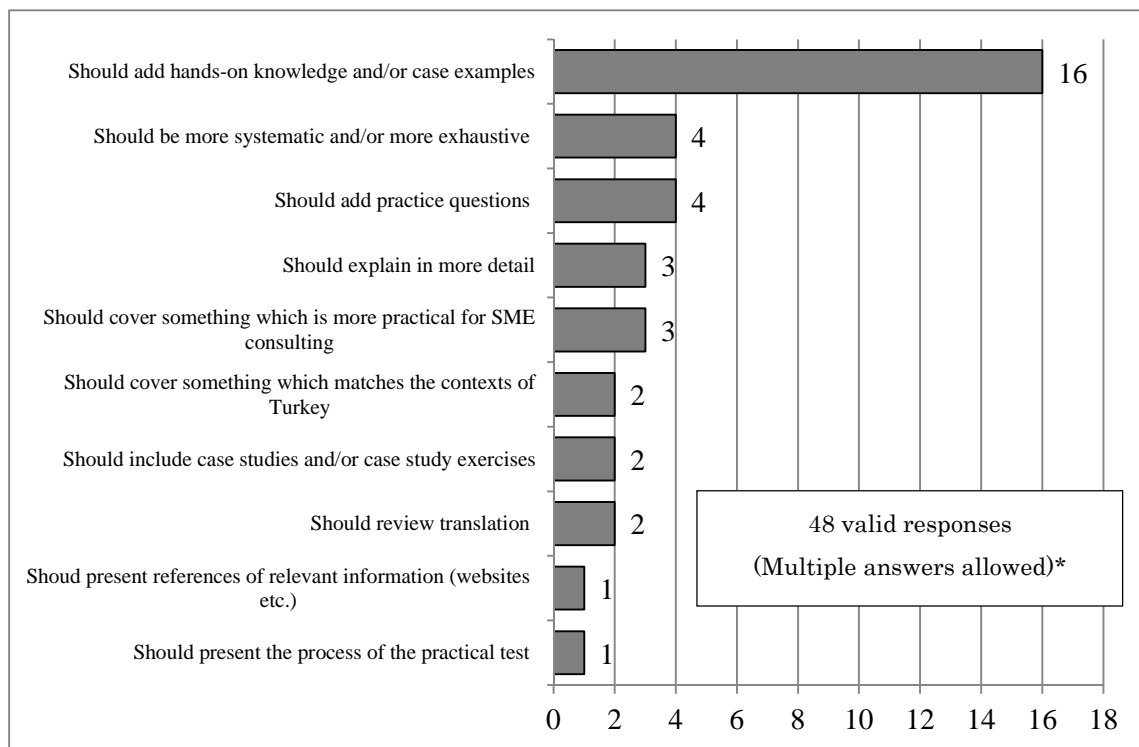
Figure 7-13 Result of the Questionnaire Survey: on the Guidebook

²¹ 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.

²² 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).

²³ Some of those who commented positively also add suggestions for improvement.

Figure 7-14 lists comments on the composition and/or exhaustiveness of the guidebook. In order of the number of comments, 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 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.



* The total number of comments is less than 48 although different comments by the same respondents were counted separately, because not all valid responses pointed out things needed improving.

Source: JICA Study Team

Figure 7-14 Result of the Questionnaire Survey: Suggestions for Improvement of the Guidebook

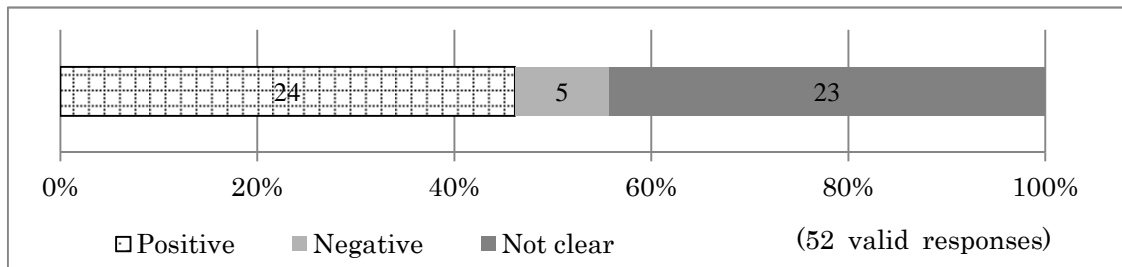
As already described, the guidebook shows the scope of knowledge necessary for SME consultants and key learning points. It is 160 pages long. Although it includes items which the JICA Study Team believes are minimum required, it is impossible to explain, in this

limited number of pages²⁴, 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 7-15). 23 respondents did not make it clear whether they think it served the purposes or not.



Source: JICA Study Team

Figure 7-15 Result of the Questionnaire Survey: on the Lecture Session

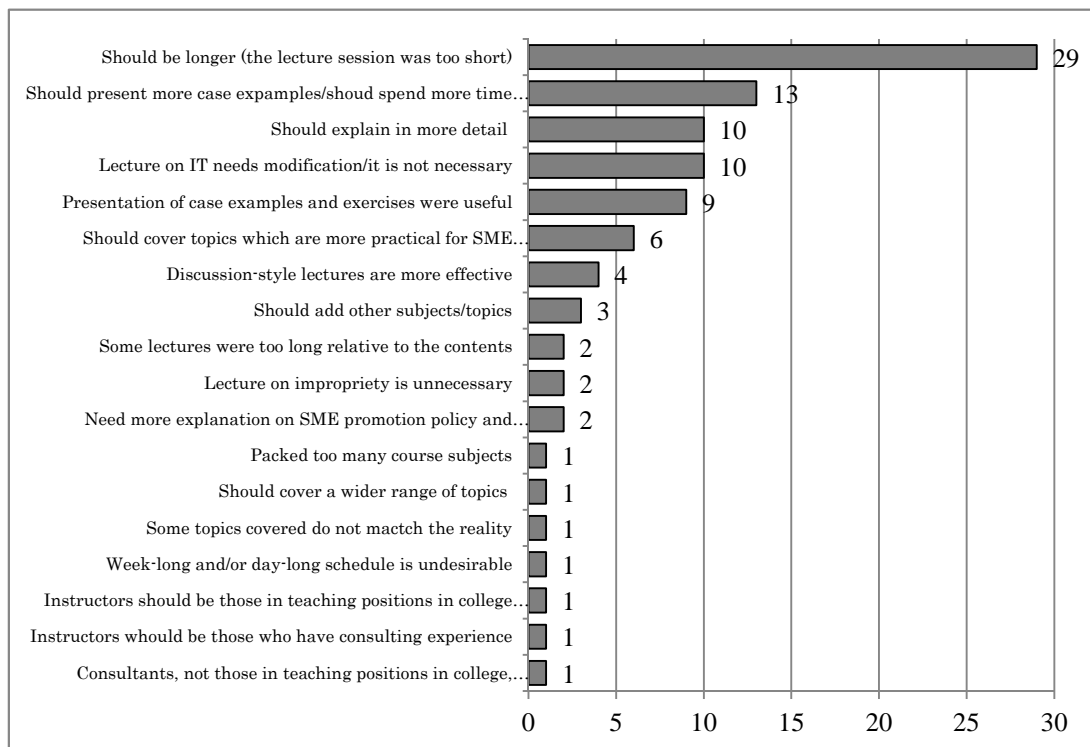
Figure 7-16 lists the comments in order of the number of responses. The largest number of respondents (55.8% or 29 respondents) answered “lecture session was too short (relative to the volume of topics covered)” or “there was not enough time²⁵.” This is probably because many participants wrongly expected that the pilot projects were training in which they learnt new knowledge. Although the JICA Study Team had prepared lecture materials covering all

²⁴ For example, a standard introductory textbook on marketing, *Marketing: An Introduction (7th Edition)* by Gary Armstrong, Philip Kotler is 700 pages long.

²⁵ Meanwhile, two commented that some lectures had been longer than it should be.

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.



Source: JICA Study Team

Figure 7-16 Result of the Questionnaire Survey: Suggestions for Improvement

Other comments include “The lecture on IT needs modification” or “It is not necessary (if the contents remain same)” (10 responses, 19.2%), “Topics more practical for SME consulting should be covered” (6 responses, 11.5%), “Lectures should be in a more interactive way” (four responses, 7.7%), and “Some topics need to be added”²⁶ (four responses, 7.7%). All negative comments on the lecture on IT were from the participants in Ankara or Istanbul. The JICA Study Team asked the instructor in charge to talk about something practical such as what to keep in mind when SMEs use IT for inventory control. However, he spent much time on explaining the history of computer and how to use basic software, about which many participants in Ankara complained. Before the lecture in Istanbul, the JICA Study Team asked him to change topics and he did, and yet participants in Istanbul also complained. Eventually, KOSGEB decided to look for a new instructor. Using the experience as a lesson, instructors on IT should be chosen carefully and thorough pre-discussion on what to cover should be made. The JICA Study Team also recommends lectures in which participants can present their views and experiences.

Three commented on who should become lecturers. Although their views are different, all of them argue that lecturers should have consulting experience. A respondent commented that the lecture by KOSGEB on SME promotion policy and support measures was useful, but two wanted more detailed explanation on them. SME consultants need to be familiar with them and thus the JICA Study Team hopes that KOSGEB will make it better²⁷.

(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.

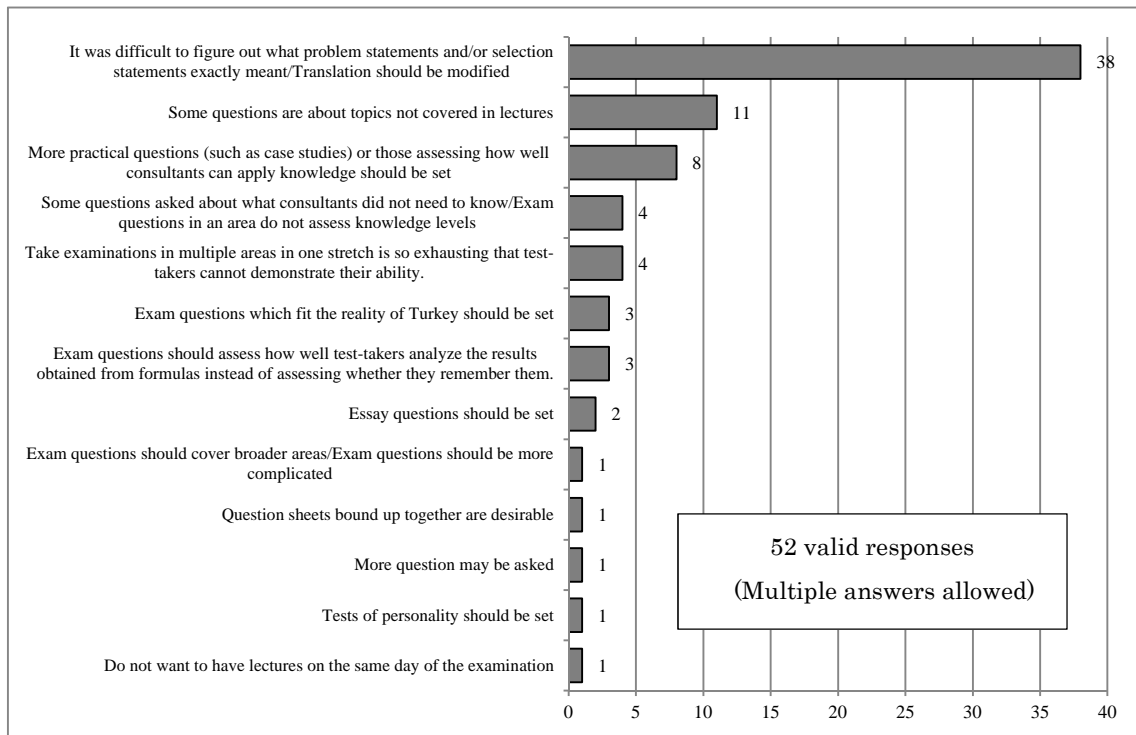
First, no one objects to setting written examinations whereas four respondents agree that it is a fair way. Although setting written examinations are not common in consultant registration systems existent in Turkey, making a written examination a part of evaluation for a new qualification system seems no problem from the perspective of consultants.

As shown in Figure 7-17, 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

²⁶ A respondent proposed making human resources an independent lecture area. Areas listed as topics which should be covered include R&D, industrial property rights, and project management.

²⁷ Some commented that the lecture on impropriety was unnecessary. Time allocation of lectures by KOSGEB may need to change.

meant (32 responses, or 73.1%)²⁸. 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 translation²⁹. Anyway, this kind of problem does not occur in the future when Turkish experts prepare exam questions.



Source: JICA Study Team

Figure 7-17 Result of the Questionnaire Survey: Improvement Necessary in the Written Examination

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.

²⁸ The 32 comments include those related to the obscurity of wording and/or translation such as “Sentences are too long.”

²⁹ 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.

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 Team proposes asking multiple-choice questions in the written examination and assessing applied skills in the practical test.

(4) Practical Test

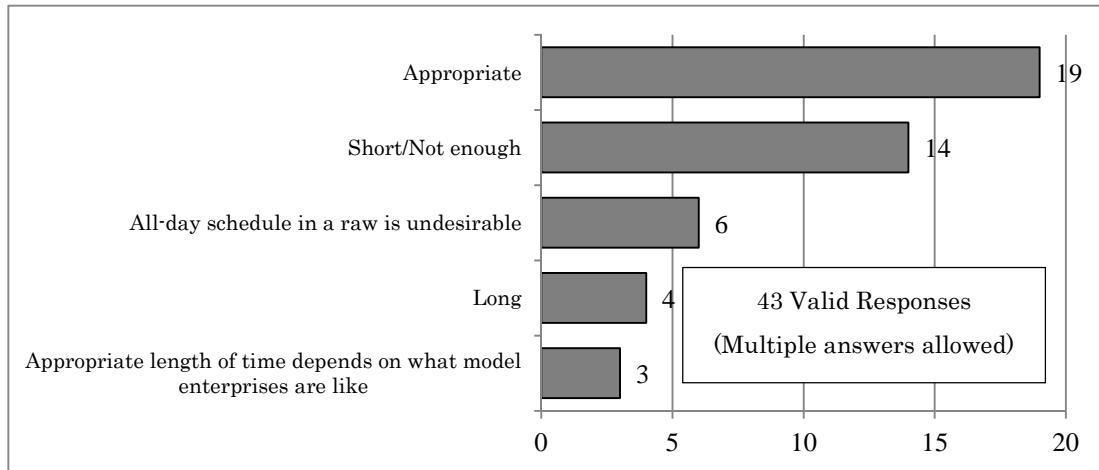
The questionnaire asked things to be improved if any in terms of six elements of the practical test, that is 1) the length, 2) the number of members in a group and background of group members, 3) the prescribed scheme of check-up, 4) a list of questions for radar chart analysis, 5) model enterprises, and 6) presentation of checkup result³⁰. 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 (see Figure 7-18). 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. Six (14.0%) commented something about the schedule of the pilot projects other

³⁰ 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

than the length, because lecture sessions, written examinations and practical tests were held in a row after a week-long lecture session³¹.



Source: JICA Study Team

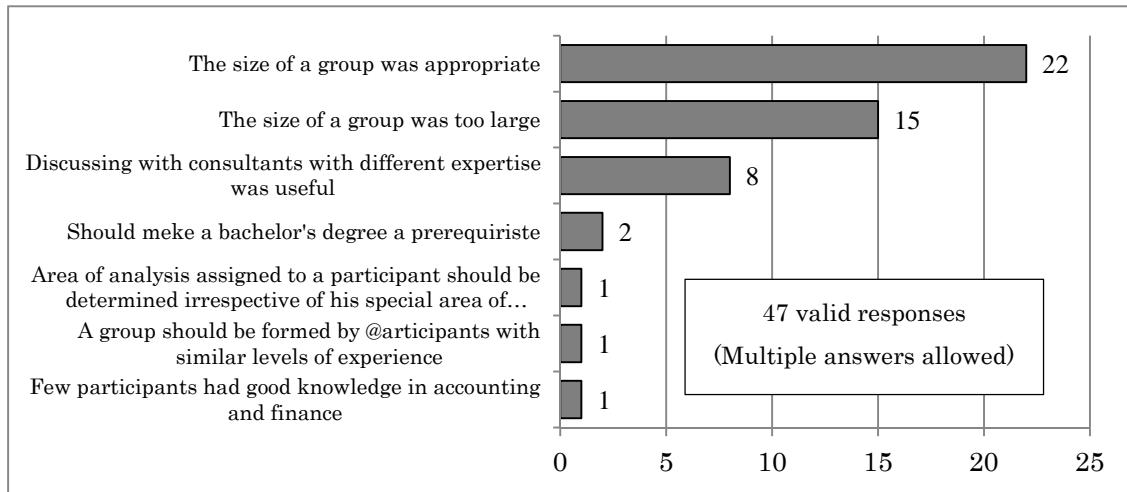
Figure 7-18 Result of the Questionnaire Survey: Length of the Practical Test

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

As shown in Figure 7-19, 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.

³¹ Comments include “There needs to be some days off between sessions,” “Securing time for a 9 to 5 schedule on consecutive days is difficult,” and etc.



Source: JICA Study Team

Figure 7-19 Result of the Questionnaire Survey: on the Number of a Group and Background of the other Group Members

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 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.

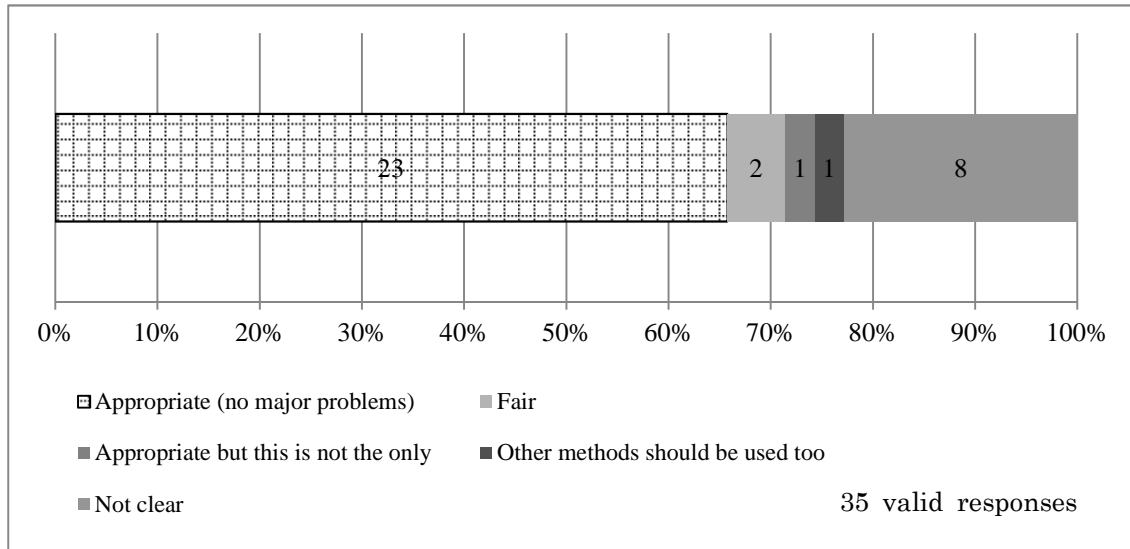
Five (10.6%) commented that discussing with other participants with different specialty areas was useful. One respondent commented “if SME consultants should be generalists, an area of analysis assigned to each participant should be determined irrespective of areas of his expertise.”

Regarding the backgrounds of participants, two argued that all participants should have at least bachelor’s degrees. One commented that participants with similar level of experience should form a group. Another respondent pointed out that few participants have knowledge in accounting and finance.

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 (See Figure 7-20). 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.



Source: JICA Study Team

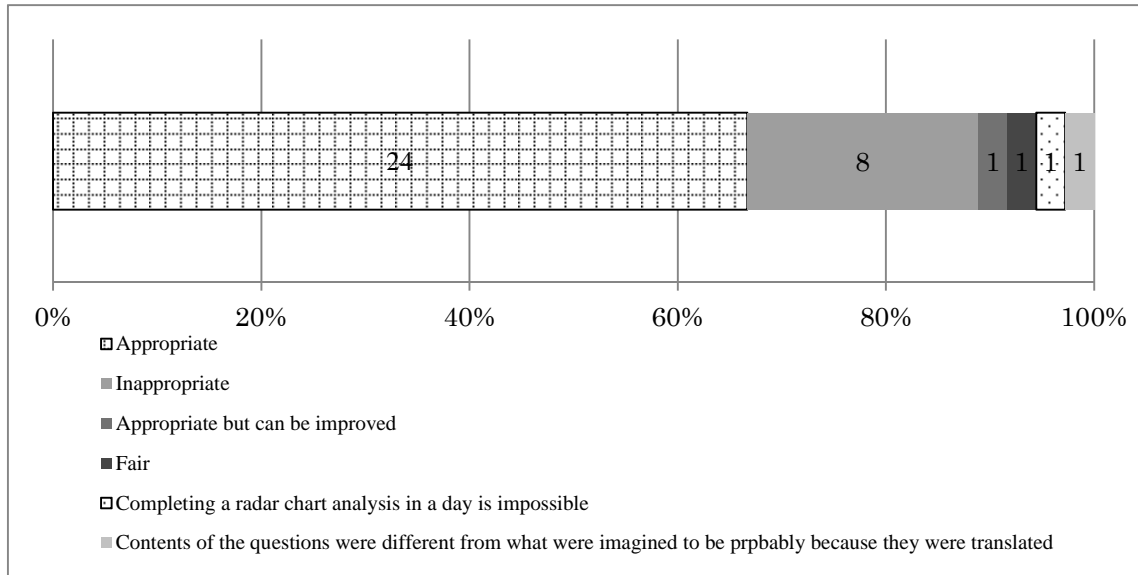
Figure 7-20 Result of the Questionnaire Survey: On the Checkup Method

Although they are not shown in Figure 7-20, 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

As shown in Figure 7-21, 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.)³².



Source: JICA Study Team

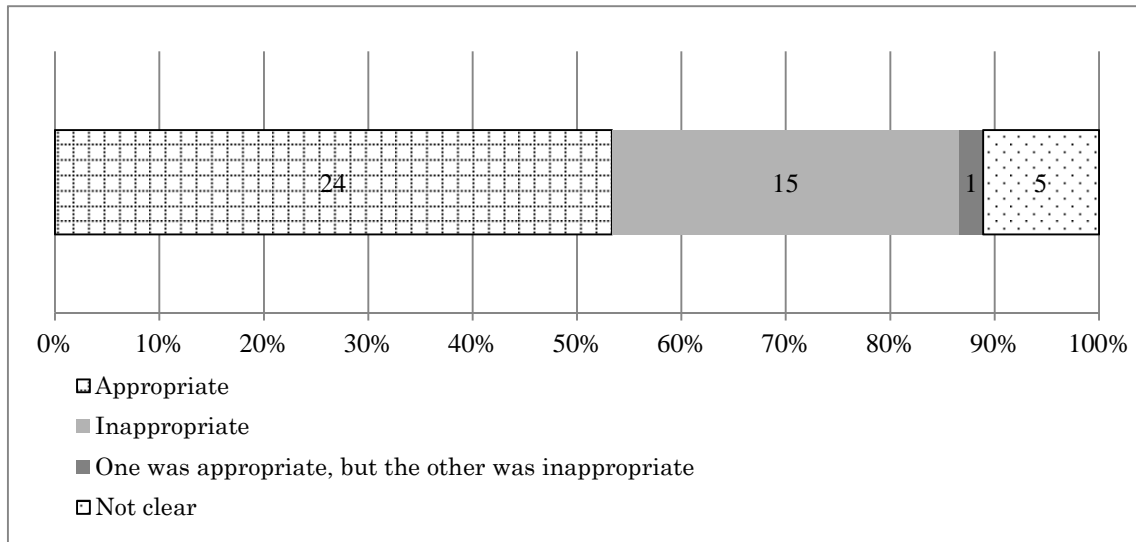
Figure 7-21 Result of the Questionnaire Survey: On Question Items Prepared for the Radar Chart Analysis

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 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. As shown in 7-22, 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.”

³² Other comments include “Translation should be reviewed,” and “Objective criteria for judgment should be added.”



Source: JICA Study Team

Figure 7-22 Result of the Questionnaire Survey: On Model Enterprises

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. The JICA Study Team hopes that the desirable criteria of model enterprises listed in 7.6.7 including the number of employees are used as a reference. In addition to checking these criteria, business categories and activities have to be confirmed in advance³³. Whether top management as well as contact persons are supportive of the practical test has to

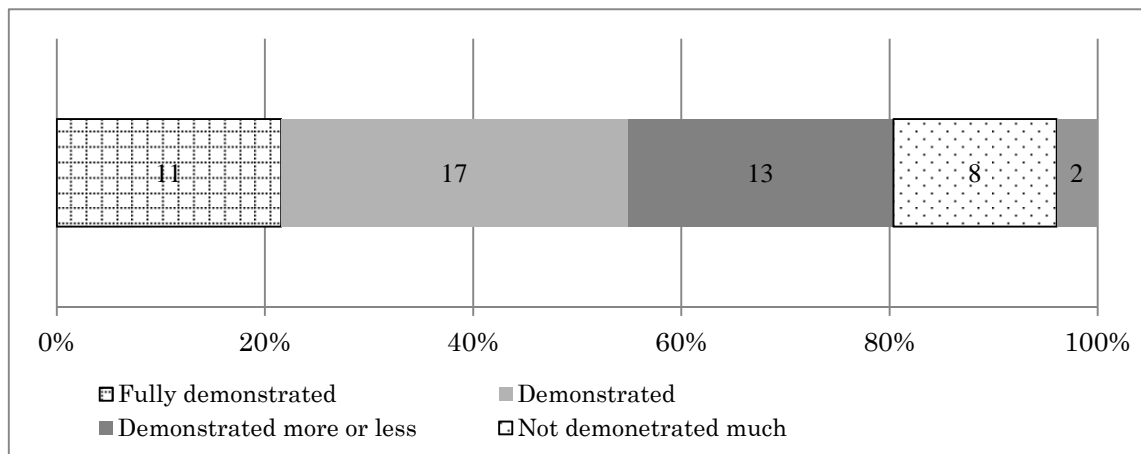
³³ A model enterprise chosen as one in trade and services had told that it sold their products at retail. During the practical test, however, it turned out that the volume of retail sales was negligible.

be confirmed too. Informing them of the purpose of the practical test, the schedule of the test and expected activities on the days of visit is necessary.

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 as shown in Figure 7-23, 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.

Meanwhile, eight (15.7%) answered that they thought they could not have shown their ability much. Two (3.9%) think they could not. As reasons, two answered that they could not have participated in the practical test much due to work commitments. Another two commented that their model enterprises were not so cooperative that they could not have made good analysis. A respondent cited too large number of group members as a reason. Other comments include: “concentrating on the area I was in charge, I could not express my views on the other areas”, and “I had not studied for a while.”



Source: JICA Study Team

**Figure 7-23 Result of the Questionnaire Survey:
on whether Participants think They Demonstrated their Consulting Ability**

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.