

# Evaluating Sustainability for SMEs in Turkey

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**Abstract**—This study aims to evaluate the sustainability concept for the small and medium-sized enterprises (SMEs) in Turkey. The main focus of the paper is to highlight the importance of sustainability and SMEs for Turkey since they generate 99.8% of all employment in the country. Also, this study underlines the Turkey's perspective of sustainability while elucidating the supporting programs on sustainability for SMEs. The findings of this study reveal five major steps to achieve the determined sustainability goals for SMEs in Turkey. These steps are raising awareness, describing the sustainable business model, understanding the future benefits, developing a road map, and implementing and monitoring the sustainability process, respectively.

**Index Terms**—sustainability, SMEs in Turkey, sustainability support programs

## I. INTRODUCTION

Small and Medium Enterprises (SMEs) are the backbone of the global economy. According to the Association of Chartered Certified Accountants SMEs account for 67% of all employment together with 52% of private sector value added globally [1]. In the last decades, global environmental problems and threats of the depletion of natural resources have become such an important issue so that the concept of sustainability has turned out to be one of the main topics of SMEs.

Most of the SMEs are focused more on production and growth without considering the environmental pollution. The need for strengthening the application of sustainability among SMEs to balance the economic, social and environmental issues has emerged, since they make up more than fifty percent of the employment and businesses almost in every economy.

SMEs are the key players in the context of a balanced economic, social and environmental development of the world. With their people oriented approach SMEs should give priority to environmental protection, increase social welfare and use balanced resources. This goal can be achieved through the understanding and implementation of the sustainability concept. Therefore, this paper

highlights the importance of the sustainability concept from the perspective of SMEs in Turkey.

## II. IMPORTANCE OF SMEs IN TURKEY

The definition of SMEs in Turkey is specified by the "Regulation on Definition, Qualifications and Classification of Small and Medium Sized Enterprises" which is published in the Official Newspaper No.790 at 04.11.2012. According to the regulation SMEs have been identified in three-detailed categories [2].

- **Micro sized SMEs:** enterprises that incorporates less than 10 people as an annual employment and whose annual sales revenue or annual financial balance sheet totals do not exceed 1 million TL.
- **Small sized SMEs:** enterprises that incorporates less than 50 people as an annual employment and whose annual sales revenue or annual financial balance sheet totals do not exceed 8 million TL.
- **Medium size SMEs:** enterprises that incorporates less than 250 people as an annual employment and whose annual sales revenue or annual financial balance sheet totals do not exceed 40 million TL.

SMEs play a major and crucial role in the development of Turkish economy and Turkish competitiveness in the intense competitive environment that is caused by the globalization. Globalization increases the technological development and within the acceleration of technology, the life spans of the products are getting shorter. Unfortunately, this technological development in the world has led consumers to change their preferences frequently. The importance of SMEs in the globalization is that they can easily adapt themselves for changing market conditions in the fastest way. In accordance with the structure, SMEs are one of the most important building blocks of social development on behalf of Turkey, since they contribute to employment and regional balance growth with their flexible production [3].

In Turkey, SMEs provide 74.2% of the total employment by generating 99.8% of all businesses. In addition, SMEs constitute 63.8% of the turnover, 54.7% of wages and salaries, 52.8% of value added at factor cost and 53.3% of gross investment in tangible goods [4].

SMEs in Turkey intensively take part in the trade sector. They are accounted for 39.9% in wholesale and retail trade, 15.7% in transport and storage and 12.6% in manufacturing industry. The employment share of SMEs in trade sector is 28.3% [4].

In Turkey, SMEs generate 56.4% of the total exports. Among these 48.1% are exported to European countries and 35.5% are exported to Asian countries. Also, SMEs generate 91.6% of the total imports in Turkey. Among these 50.5% are imported from European countries and 39.8% are imported from Asian countries [5]. These statistics shows that SMEs are indispensable economic units in the Turkish economic system.

### III. IMPORTANCE OF SUSTAINABILITY FOR SMEs

According to World Commission on Environment and Development, the definition of sustainability is being able to meet the current and future generations' needs with existing resources by not changing the amount and influencing the shape of those resources. [6]. The basic rationale behind sustainability is to increase the capacity and product quality by protecting resources which feeds the social, cultural and natural environment of the business sector by not contradicting to the interest of businesses, humans and environment [7]. According to Brundtland report sustainability has three meanings [8].

- **Physical meaning:** to supply goods and services in a fair way for human and ecology.
- **Intent meaning:** to enable progress with commonly available tools for education, health services and justice system.
- **Strategic meaning:** to protect the needs of future generations.

Indeed, sustainability is a development goal process for the world. This development goal started as an international attempt to lower environmental damage and to abolish threats on global environmental issues together with natural resources. It is believed that sustainability can solve the global problem of climate change by taking under control of the negative impacts of the economy and human activities that affect the climate.

In the scope of sustainability, SMEs play a crucial role. Taking into consideration 20 big markets globally, SMEs make up the 85% to 99.9% of overall business population. In addition, they generate 77% of private sector employment together with 50% of private sector value added. When data of all other countries added to this 20 big market data, SMEs account for 67% of all employment together with 52% of private sector value added globally [1]. These statistics show that SMEs have the largest ecological footprint on a global scale. Therefore, they are the key players in the transition towards a greener world.

Sustainability practices give consciousness to the SMEs that they can produce more and focus on growth with using less labor and causing less pollution to the environment. Sustainability practices include renewable energy applications that reduce greenhouse gas emissions, which protect the human health and overall environment. Additionally, they include saving water, recycling of

materials, use of environmental friendly chemicals in washing and cleaning, effective waste management, increasing awareness of administration/staff and saving energy. All of these practices not only contribute to the success of the SMEs, but they also have positive indirect effects to the economy in general [9, 10].

The main goal of SMEs is to earn more money to get bigger and benefit from the economies of scale, but they do not understand that practicing sustainability can cut down their current or potential costs and help them to achieve this goal in the long run. By engaging in environmental sustainable practices, SMEs can have cost savings by managing their wastes, energy, water, resources etc. [11]. SMEs have to think about their long-term success rather than focusing on short-term outcomes. To make them understand this issue, the most important thing is to provide assistance for improving the awareness to the administration and the staff in SMEs. Many national governments are now devoted some of their efforts to support sustainable practices among SMEs, since they make up to vast majority of all business.

Today, it is no longer a question for SMEs if they should invest in sustainability or not. Merely, the question is how and when to do so, since it must be in their strategy for remaining competitive to survive in the future. On the other hand, SMEs can easily adopt the sustainability operations to their business practices without costly transformation, since their structure is more flexible than the larger companies. Application of sustainability can also have additional advantages other than cost savings. These advantages may include establishing networks, increasing innovativeness of their workforce, producing a better flow of knowledge and making developments in the entire business environment [11].

### IV. PERSPECTIVE OF SUSTAINABILITY FOR SMEs IN TURKEY

Sustainability is being integrated in business models all over the world. The full-scale transition of the economy to sustainability cannot be done without the participation of SMEs in Turkey, since they represent 99.8% of all the companies in Turkey and provide 74.2% of the jobs. Therefore, it should be understood that they are the significant actors in the journey towards more environmentally aware Turkey [4].

Current and potential sustainability programs for SMEs should provide an encouraging context to support them to become greener. Incentive programs should be designed and implemented by the policy makers, since SMEs are one of the main contributions to the Turkish economy.

East Marmara Development Agency has introduced a "Clean Production Financial Support Program" for SMEs to increase the application of the environmental sustainability programs at national and international levels for boosting their competitiveness and profits correspondingly. This program has five main aims, which are reduction of waste, designing environmental

friendly products, using renewable energy sources, producing energy or high value added products from wastes and industrial symbiosis applications. The total amount of support is 3,000,000 TL. Each SME can get between 30,000TL and 40,000TL [12].

Another sustainability incentive or inspiration is organized by the Sustainability Academy by giving “Sustainable Business Awards” to the successful sustainable business models in Turkey, since 2014. There are eight main categories for the awards, which are carbon and energy management, water management, social impact, sustainability communication, cooperation, supply chain management, waste management and, diversity and inclusion. Sustainable Business Awards are open to all sectors, not only to large firms but also to SMEs [13].

Technology Development Foundation of Turkey also supports SMEs in terms of sustainability under “Environmental Project Supports” programs, which includes two sub programs of “Environmental Technologies Support” and “Energy Efficiency Support” programs. These two programs try to encourage the right technology usage of the businesses to implement energy efficiency, cleaner and sustainable production and reduction of the greenhouse gas emission [14]. Likewise, Ministry of Food Agriculture and Livestock of Turkey supports SMEs under “Supports for Protecting Environmental Based Agricultural Land” and “Area Based Agriculture Supports” program [15].

Furthermore, Small and Medium Enterprises Development Organization of Turkey (KOSGEB) provides incentives to SMEs under climate and environment programs. There are five main programs. “LIFE Project” aims to establish integrated Information System with the European Union (EU) Environmental Acquis Cohesion for SMEs in Turkey. “Elimination of Ozone Depleting Substances Project” aims to reduce the use of gases that damage the ozone layer. “Eco-Management and Audit Scheme” aims to establish a system implementation of technical assistance to Turkey. “Eco-Industrial Park Environmental Support System Project” aims to support environment in industrial areas. “Matra” project aims to raise awareness in usage of chemicals. KOSGEB also encourages SMEs with “Energy Efficiency Project” to improve energy efficiency and environmental performance [16].

#### V. STEPS TO BE TAKEN TO INCREASE SUSTAINABILITY FOR SMEs IN TURKEY

In recent years, both the EU and the Organization for Economic Co-operation and Development (OECD) are given great importance to Green Growth and many studies are being conducted in this regard. One of the main priorities for SMEs in the context of relations with the EU (Europe 2020 Strategy) is to have sustainable growth by using more efficient resources to become green and to have competitive economy correspondingly. Also, European Small Business Act includes a basic principle about sustainability, which concerns about

providing opportunities for SMEs to transform environmental challenges into opportunities [17].

Furthermore, According to the OECD report, Green Growth is a must for SMEs for sustainable development. In this respect, efforts should be exerted by SMEs to enhance the national and international compliance capabilities for sustainable development and growth. Since, this issue is sensitive, SMEs in Turkey put this topic as a strategic goal under 2015-2018 SME Strategy and Action Plan. This strategic goal mainly associated with the energy efficiency [17].

Nevertheless to achieve the determined sustainability goals for SMEs in Turkey, some steps should be taken.

**Step 1: Raising Awareness:** participants should understand how sustainability can improve the performance of the SME and what values can be created for them when they implement a sustainable approach to their business operations and practices. The introduction of the idea and scope of the sustainability concept to the SMEs is significant for the long-term success of them. They should know that they are not the only ones who practice sustainability [18].

**Step 2: Description of the Sustainable Business Model:** Having a strong and sound business model improves the survival chance of the SMEs in the market that they operate. Identifying and embedding the key instruments and methods of sustainability to the business model and operations, hence enhancing the performance of SMEs is vital. The existing business models of the SMEs can be used as a starting point to observe and evaluate the progress of the SME towards a sustainability-improved business model [19].

**Step 3: Understanding Future Benefits:** SMEs should understand that by applying sustainable business model they would have cost reductions through waste, energy, water management etc., by achieving increased competitive advantage, access to the financial incentives, improved brand reputation and customer demand [20].

**Step 4: Development of a Road Map:** a road map should guide SMEs to apply the sustainability into their business models. This map outlines an order of activities that must be accomplished in order to have a successful application of the sustainability instruments. The aim of generating such a road map is to come to a shared vision and understanding of the sustainability progression. It can be used as the foundation for SME management towards a greener approach [19].

**Step 5: Implementation and Monitoring of the Sustainability Process:** It is always possible that some unpredictable challenges and difficulties can emerge throughout the implementation process of sustainability. The resistance from different levels may influence the development and implementation of the key sustainability tools negatively. A thorough and clear understanding of the reasons of these difficulties and challenges against the success of the implementation of the sustainability process is crucial to overcome them. It is imperative to clearly underline the detailed explanations, why some tasks are not accomplished and

why some goals are not met through the sustainability process [19].

## VI. CONCLUSION

Numerous businesses from four corners of the world are spending their time, energy and resources to align the sustainability principles with their operations. Until recently the current standards were mainly developed for large enterprises, but now the world has understood that there is a need for sustainability development for SMEs, too. Many SMEs in Turkey do not understand the need to modify their current practices for sustainability, because of the lack of knowledge and a lack of proper evaluating methods to measure the costs and benefits. With the help of supporting programs for sustainability some SMEs in Turkey are moving forward by applying sustainable business models and understanding the direct costs and benefits. For the non-sustainable SMEs in Turkey the awareness should be raised, sustainable business models should be described, future benefits should be underlined, a road map should be developed, and sustainability process should be implemented and monitored. Starting from today SMEs must realize that there exist vast opportunities and advantages for the ones who practice sustainability into their operation.

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