

Full Length Research Paper

An evaluation on growth potential of the small and medium scale enterprises (SME) in Turkish furniture industry

Baki Aksu^{1*}, K. Hüseyin Koç² and Devrim Karademir³

¹Beykoz Vocational School of Logistics, 34805, Kavacak-Beykoz/Istanbul/Turkey.

²Istanbul University, Faculty of Forestry, Department of Forest Products Industry, 34473, Bahçeköy Sarıyer/Istanbul/Turkey.

³Ordu University, Mesudiye Vocational School, Mesudiye/Ordu/Turkey.

Accepted 15th June, 2011

With its increasingly expanding uses, the furniture industry has become a basic industrial sector in the world, especially in the developed countries, and it represents 2% of the total labour and 2% to 4% of the total production. The global foreign trade of furniture was around \$174 billion in 2008. Though it has been growing fast, the furniture industry in Turkey is far from the level in the developed countries. In regard to the Turkish furniture industry, 99% of which consists of small and medium scale enterprises, just like all the other industries, few data are needed to be able to make accurate evaluations. The current conditions in the small and medium scale enterprises have been neatly described in this study. It tries to offer solutions to the problems, analyze the competition opportunities and shed light for future studies by eliminating inadequate data. It is the first study in the field since there has not been such research which covers the whole country except for the regional ones. Also, this project is supplementary to the studies carried out by the researchers on the large-scale enterprises, the whole industry is analyzed.

Key words: Furniture, furniture industry, small and medium scale furniture enterprises.

INTRODUCTION

Opportunities and risks are increasing in numbers and varieties for businesses in today's world where changes are multi-dimensional and fast, competition is intense, ambiguities are ever-increasing, and globalization is effective in almost every area. With their ability to rapidly adapt to changing conditions and improvements of this era, small and medium scale enterprises (SMEs) play an important role in bringing out the productive potential of a society. Within the framework of a countries socio-economic structure, SMEs indeed contribute to fulfilling a number of functions, such as increasing employment volume and achieving a more balanced income distribution. According to SMEs Performance Review,

between 2002 and 2008, the number of jobs in SMEs increased at an average annual rate of 1.9%, while the number of jobs in large enterprises increased by only 0.8% (Ardıç et al., 2011). SMEs also preserve competition and social harmony, provide training for qualified personnel in various branches in the industry, planned urbanization and eliminatE imbalances between regions (Yücel, 2000).

These enterprises usually share common characteristics like achieving a larger production volume and a wider product range with less investment, creating employment opportunities with smaller investment cost, being less prone to economic fluctuations, adapting to demand variations more easily and being more apt towards technological improvements (Gündoğdu et al., 2001).

The significance of SMEs' role in the world economy is being more and more emphasized especially after 1970s.

*Corresponding author. E-mail: bakiaksu@beykoz.edu.tr Tel: +90 4442569. Fax: +90 216 4139520.

With their small and flexible structures, SMEs constitute a considerable part of industry in the world. In developed countries, SMEs commonly follow “niche strategies,” using high product quality, flexibility, and responsiveness to customer needs as a means of competing with large-scale mass producers (Ardıç et al., 2011).

SMEs in USA, Japan and European Union states are regarded as important tools in increasing economic development (Oktay and Güney, 2002). Because of the total number of businesses and their large share in employment, SMEs in Turkey have great significant role in the economy.

SMEs form almost 95% of the enterprises in the world economy. These enterprises provide 66% of total employment and 55% of total production (KOSGEB, 2004). In Turkey, the number of SMEs, including the service sector, amount to 99.8% of all enterprises. These enterprises represent 76.7% of total employment. The share of SME investments in total investments is close to 38%, and 26.5% of total added value is created by these enterprises. Even though the share of SMEs in total export varies with years, on average it is 10%, while the share of these enterprises in total bank credits is below 5% (SPO, 2004).

In Turkey, a number of institutions have defined SMEs in different ways. In order to conform to the European Union regulations, Ministry of Industry and Commerce has prepared the “Regulation on Definition, Qualifications and Classification of Small and Medium Scale Enterprises” and published in Official Gazette on 18th November 2005. According to this definition; very small enterprises with 1 to 9 employees and whose annual net sales revenue or financial balance sheet is less than one million Turkish Liras are classified as ‘micro’; those with 10 to 49 employees and whose annual net sales revenue or financial balance sheet is less than five million Turkish Liras are classified as ‘small’; those with less than 250 employees and whose annual net sales revenue or financial balance sheet is less than twenty-five million Turkish Liras are classified as ‘medium’ sized enterprises (Eximbank, 2010). This study is based on the aforementioned definition.

Developments in furniture industry in the world and in Turkey

Furniture has a very special meaning for people who spend an average of 335 days of a year at home. As a requirement of a relaxed and comfortable life-style, the need for furniture will increase more and more in the future. Latest statistics indicates that the world production of furniture worth about US\$ 350 billion in year 2008. Of this, 61% of the world total was produced by developed countries, while the remaining 39% was by emerging countries (Boon-Kwee and Thiruchelvam, 2010).

In 2008, export value of furniture in the world has been

recorded as \$174 billion, and China, with her leap in the recent years, carried out 24.5% of furniture exports and maintained her title as the world’s largest exporter in this sector. China wooden furniture manufacturing is only 6.62% of the total sector turnover, indicating the perfect competition market of this industry. Following China in world furniture export are Germany, USA, Poland, Canada and France. Even though Turkey constitutes 2.7% of world furniture market with her production capacity of \$6 billion, her share in furniture export market in the world is close to 1% with an export volume of \$986 million in 2009 (Han et al., 2009; Sakarya, 2010; Sanayi Genel Müdürlüğü, 2010; Inlearncom, 2010). It is striking that the major furniture exporting countries are the industrially advanced economies. From 15 major exporters in the world, six (Brazil, China, Indonesia, Mexico, Malaysia and Thailand) are in the developing world (Kaplinsky et al., 2001). Despite the fact that Turkey was ranked the 20th amongst 221 exporter countries in 2008, when the potential of the country is taken into account, it is safe to assume that Turkey can rise above these figures easily (Sakarya, 2010; Sanayi Genel Müdürlüğü, 2010; Inlearncom, 2010).

The forestry products and enterprises of furniture industry within Turkish manufacturing industry is the third important field of industry where SMEs operate (Yeniçeri, 2005). In terms of number of workplaces, they have a share of about 25%. In creating employment, they hold a 10% share. With this structure and increasing number of medium and large sized enterprises in recent years, Turkish furniture sector has a share of 3% in the country’s manufacturing industry (Akyüz et al., 2002; Koç and Aksu, 2000; Yalçındağ, 2010).

Turkish Forestry Products Industry is composed of 4 sub-branches and in terms of number of enterprises; furniture industry has the largest share among other sub-branches with a 50% share. In addition, enterprises that can compete with advanced industries are emerging in the furniture sector in recent years. In addition to number of enterprises, the furniture sector also forms the largest share among other sub-branches in terms of the added value and employment opportunities it creates. Total share of furniture sector in total manufacturing industry is 1.3% (Çağlar, 2006). This is an industry, which is mostly composed of small-scaled enterprises in a workshop style working with traditional, labour-intensive, imitative and domestic market oriented methods. It is an undeniable fact that SMEs are not capable enough to make use of technology properly. Technological improvement is on average slower in the domestic market-oriented SMEs because these important sources of technology are weak and because the achievement of export capacity is likely to require a higher-than-average level of performance (Berry et al., 2002). However, especially in the last 15 to 20 years, the number of medium and large scale enterprises is also increasing in addition to small-scaled ones. Since 2002, enterprises

working in forestry products and furniture sector have made a strong leap to the first 500 companies (Çağlar, 2006). There are more than 30 companies with foreign capital.

The objective of the study

With its ever increasing area of use, furniture sector is becoming a basic industrial branch in the world and especially in the developed western countries and has come to represent 2% of gross national product, 2.2% of total employment and 2 to 4% of production value in these countries (Engels, 1998). According to the 2008 data, world's furniture foreign trade was around \$174 billion. In Turkey, even though the furniture sector is developing rapidly, it is still far from its counterparts in the developed countries despite its potential. The fact that only 15% of production enterprises can engage in export activities necessitates learning more about the sector and analyzing its problems.

MATERIALS AND METHODS

The total number of enterprises in Turkish Furniture Industry is 29,346. 82.1% of these enterprises are located in 19 cities (Sanayi Genel Müdürlüğü, 2010; Koç and Aksu, 2000; TURKSTAT, 2002). Therefore, the population of this study is small and medium-scaled enterprises concentrated in 19 cities. Based on the table developed by Yazicioğlu and Erdoğan (2004), it is sufficient to reach 378 enterprises within a population of 25,000 with a sampling error of 0.05. In order to decrease the sampling error, 441 enterprises were surveyed. Samples are determined by random sampling provided that samples certain city are not below 0.01 of total number of businesses in that city (Arlı and Nazik, 2001).

In the study, survey method is used as the basic data collection tool. With information collecting forms containing 33 closed and 1 open-ended questions prepared in a systematic manner by researchers and corrected based on pilot results, the survey was conducted on a face-to-face basis. This allowed researchers to observe the subjects in a manner supported by interview method. Thanks to this survey created by the writers, the size of enterprises in terms of the number of employees, the need for qualified staff, technological infrastructure, production capacity, basic problems to be dealt with and competition state etc. are evaluated and some solutions are planned to be offered taking the results into consideration.

These cities are Istanbul, Ankara, Izmir, Bursa, Kayseri, Eskişehir, Adana, Hatay, Samsun, Antalya, Sakarya, Kocaeli, Konya, Trabzon, İçel, Aydın, Gaziantep, Manisa and Balıkesir, respectively. The city with the lowest share corresponds to 1% of total furniture enterprises (Koç and Aksu, 2000; TURKSTAT, 2002). The results of the survey is transferred to SPSS (Statistical Package for the Social Sciences) and statistically evaluated. The study researches the frequency of responses of the participants to the questions asked with the help of frequency and percentage distribution method. For this reason, based on the agreement of participants to the statements as either "yes" or "no", the correlation between the open and close-ended questions in different forms to the variables is analyzed. Pearson correlation coefficients were applied. The analyses made in this research are based on $p < 0.01$ significant level. In assessment of data in information collection forms, qualitative evaluations are digitized with binary or multiple

sequential evaluations (Özdamar, 2004).

FINDINGS

General structure in small and medium-scale enterprises

As seen in Table 1, Marmara Region and Central Anatolia Region are locations where furniture enterprises are more concentrated. These regions include cities of Istanbul, Bursa, Ankara and Kayseri. The number of enterprises surveyed in Istanbul, Ankara, Bursa and Izmir is more than 10% of the sample size. The aforementioned cities are the ones with the highest concentration of furniture enterprises.

As can be seen from the table, the majority of the participants are owners of the enterprises and more than half of them are primary school graduates. This result is related to the fact that almost 99% of the businesses in the furniture sector are small and medium-sized enterprises. With growth of enterprises, they employ professional managers more, and naturally the level of education rises in parallel. Since almost all the businesses in the furniture sector are micro and small-scale enterprises, the majority of the surveyed businesses (68.5%) are composed of the ones with 1 to 9 employees.

The majority of the businesses are established in small industrial areas in cities (89.6%) and 68.2% of them are unsatisfied with the environment they are in. A great portion of the furniture businesses are established between 1981 and 2000. Enterprises established before this period are usually of the carpenter's shop type and manufacturing wooden door and windows. After these years, with the replacement of wooden windows with PVC ones, carpenter's shops were transformed into businesses dealing with furniture. Again in these years, the increase in the demand for furniture accelerated the establishment of new furniture businesses.

Qualifications of the personnel employed in small and medium-scale enterprises

The presence of technical personnel who are regarded as important actors in the development of furniture businesses is questioned. For the businesses in the furniture sector, the 4 year educational programs are Forestry Industry Engineers, Woodworking Industry Engineers (this faculty of Hacettepe University has stopped accepting students) and Technical Education Faculties' Furniture and Decoration Teaching Programs. There are a total of 57 Vocational School Programs of 2 years offering education for members of profession, 1 of which is in Woodworking and 56 of them in Furniture and Decoration. For a long time, Furniture and Decoration Programs of Vocational High Schools have also been

Table 1. General structure of furniture enterprises.

	Responses	Frequency	%
Distribution of surveyed enterprises according to the regions	Marmara region	161	36.5
	Central Anatolia region	113	25.6
	Aegean region	72	16.3
	Mediterranean region	60	13.6
	Black sea region	27	6.2
	South East Anatolia region	8	1.8
Educational status of participants	Literate	2	0.5
	Primary school	247	56.0
	Secondary education	66	15.0
	Vocational high school relevant to the industry	58	13.2
	Higher education	68	15.3
Number of employees in the business	1 – 9 persons	302	68.5
	10 – 49 persons	136	30.8
	50–250 persons	3	0.07
Location of the business	Small industrial area	395	89.6
	Organized industrial zone	25	5.7
	Free zone	9	2.0
	Inner city, between settlements	7	1.6
	Residential area	4	0.9
	Outside the city, near highway	1	0.2
Whether the enterprises believe the infrastructure where they operate is adequate	Yes	134	30.4
	No	301	68.2
	No response	6	1.4

educating students as technicians.

Only 12.7% of these businesses employ engineers or teachers and 15.6% of them employ members of profession trained in 2 year vocational programs. Only half of the enterprises have technical personnel with vocational high-school education. These figures are troublesome when the future of these enterprises is considered. Despite the complaints indicating that the cost of an employee with 4 years of education is high, the proportional low number of members of profession is notable. 55.6% of these enterprises are in need of technical personnel. This need is mainly for personnel with associate degrees of 2 years. This can be regarded as normal when we consider the fact that the population of this study is composed mainly of micro and small-scaled enterprises.

It can be concluded that despite the large number of schools and graduates in this field, the enterprises that are in need of qualified personnel are still having difficulty in finding them. The ratio of enterprises having difficulty in finding personnel is quite high with 82.3%. This is another subject that should be analyzed by both educational institutions and businesses.

Chance to follow industrial developments in small and medium-scaled enterprises

For small and medium-scaled enterprises to achieve a faster improvement, they have to follow industrial developments more closely. It is difficult for introverted enterprises to become aware of developments in the world. A few questions were asked to determine the situation in this respect (Table 2).

68.7% of the enterprises have the chance to follow industrial developments closely. Of the 436 enterprises answered the question, 303 of them responded as yes. 36.1% of enterprises follow developments through domestic expos, 32.1% through magazines and 21.3% through internet. Enterprises that participate in international expos amount to 5.1% of those who responded to the question as yes.

46.5% of the enterprises stated that they purchased machinery in the last 5 years. Enterprises that could not purchase machinery stated the main reason as financial problems. One of the most significant indicators of advancement in this sector is possession of NC and CNC machinery. However, only 31.5% of these enterprises

Table 2. Chance to follow industrial developments for furniture enterprises.

Enterprises'	Responses	Frequency	%
Chance to follow industrial developments	Yes	303	68.7
	No	133	30.2
	No response	5	1.1
Whether they purchased machinery in the last 5 years	Yes	205	46.5
	No	236	53.5
The reason for not purchasing machinery in the last 5 years	Financial problems	89	43.8
	Did not feel a need	51	25.1
	Other	63	31.0
	No response	2	0.1
	Total	205	100.0

Table 3. The capability of furniture enterprises to use credit.

Enterprises'	Responses	Frequency	%
Opportunities to use credit	Yes	68	15.4
	No	370	83.9
	No response	3	0.7
Opportunities to benefit from incentives	Yes	4	0.9
	No	434	98.4
	No response	3	0.7
Opportunities to benefit from KOSGEB support	Yes	30	6.8
	No	408	92.5
	No response	3	0.7

have NC machinery while 7.5% have CNC. Majority of the enterprises (66%) seem lacking the opportunity to purchase NC machinery in the next 1 to 3 years and 63% to purchase CNC machinery. 33.5% of the enterprises state that they use computer, 26.8% internet, 14.3% e-mail and 8.3% online banking services.

Financial developments in small and medium-scaled enterprises

The fact that the biggest problem for small and medium-sized enterprises is finance is a commonly accepted reality. This problem was expressed specifically during the research. It is a known fact that there are various possibilities for solving financial problems. The research questioned how and to what extent the enterprises utilize these possibilities (Table 3).

Almost 84% of the enterprises do not benefit from credit opportunities. Therefore they almost never had the opportunity to benefit from incentives granted by the government to the priority regions for development. Only

1% of the enterprises stated that they were granted incentives. The main objective of Small and Medium Industry Development Organisation (KOSGEB) is to support enterprises in projects that would accelerate their development. However, 92.5% of the enterprises had not benefited from KOSGEB supports.

Production problems in small and medium-scale enterprises

One of the main problems of the enterprises in production area is the lack of qualified personnel (23.1%). This is followed by financial deficiencies with 18.4% and limited market with 17%. Apart from these, there are also problems on machinery and equipment, the high price of labor and problems related to raw and supplementary materials (Table 4).

The enterprises were asked whether they experience any problems while marketing their products. Those who experience problems are low in number with 18.8%. However, since 43.5% stated that they experience

Table 4. Production problems of furniture enterprises.

Enterprises'	Responses	Frequency	%
Basic problems during production	Lack of qualified personnel	3093	23.1
	Limited financial resources	2457	18.4
	Limited market	2268	17.0
	Deficiencies related to machinery and equipment	1589	11.9
	High price of labor	1551	11.6
	Problems related to raw and supplementary material	1258	9.4
	High interest rates for credits	694	5.2
	High price of energy	307	2.3
	There are no problems	131	1.0
	Other	14	0.1
	Total	13362	100.0

Table 5. Reasons for inability to engage in export activities for furniture enterprises.

Enterprises'	Responses	Frequency	%	
Reasons for not engaging in exporting	Financial inadequacy	2142	22.3	
	Unfamiliarity to foreign markets	2085	21.7	
	Inadequate capacity	1486	15.5	
	Technological inadequacy	1388	14.5	
	Personnel and organizational deficiencies	1226	12.8	
	No foreign demand	789	8.2	
	Inability to compete in terms of price and quality	366	3.8	
	Design problems	105	1.2	
		Total	9587	100.0

problems to a certain extent, allows us to deduce that there are significant issues to consider.

Capability of small and medium-scale enterprises engaging in foreign trade

It is a known fact that small and medium sized enterprises cannot be as prone to foreign trade as large-scale ones. Since their organization is not oriented towards this purpose, their export capabilities are in fact limited. A few questions were asked to find out their position towards foreign trade (Table 5). Only 10% of the enterprises are able to engage in exporting activities. 86.8% of them not only cannot engage in exporting, but also ignorant about demands on foreign trade.

When the reason for their inability to engage in exporting activities is questioned, 22.3% claimed that the main reason was financial followed by unfamiliarity to foreign markets with 21.7%, inadequate capacity with 15.5%, technological inadequacy with 14.5%, and organizational incapability with 12.8%. Lack of foreign demand, inability to compete in terms of price and quality and designing problems were among the other reasons mentioned.

Anticipations of small and medium-scale enterprises for future

Small and medium scale enterprises are an indispensable part of economy and hence the industry. Therefore it is extremely important that they have expectations for the future. It can be concluded that almost 70% of the enterprises do not look at the future with confidence. This conclusion is a significant fact that should be taken into account for the future of the industry. Some improvements are easier to achieve by getting organized. For instance, export activities which are difficult to engage in alone can be achieved much more easily by getting organized. Since our society does not have a culture of cooperation, it is evident that the furniture enterprises are doing next to nothing in terms of getting organized. It can be observed that 78.9% of the enterprises are not in any attempt for either getting organized or cooperation.

Business owners and managers who were analyzed in the study expressed the main impediments in development of the enterprises as financial problems (30.3%), market problems (19.6%) and lack of qualified personnel (12.8%) while for the inability to get organized, they stated that the main causes are termination of

apprenticeship education of 8 years, insecurity towards the market and inadequacy of trade associations.

Statistical evaluation

All results of the study were analysed by applying the Pearson correlation test with the SPSS data analysis programme. In the correlation analysis, we have evaluated whether there is a relation between two or more variables in the 0.99 significance level and if so, the degree of this relation and its functional shape were determined. Since the value of correlation coefficient changes between -1 and +1, there is a strong, positive relation between two variables if the result is +1 and there is a negative relation if the result is -1. According to whether the R value is negative and positive, 0.00-0.24 is weak, 0.25-0.49 is normal, 0.50-0.74 is strong, 0.75-1.00 is a very strong positive or negative correlation. In terms of being appropriate to the aim of the study, the results that show meaningful correlation with the number of the employees, which is especially one of the basic criteria to determine the size of the enterprise, are shown clearly in Table 6. In Table 6, you can also see some comparisons which show a meaningful correlation with the educational background of the managers who were evaluated with help of the survey.

When the table is studied, it becomes clear that there is generally a negative or mid-level correlation in the comparison of some answers with the educational background and the number of the employees. Even if the strongest correlation exists in the mid-level, it is between the educational background and the highness of credit interests and moreover it is positive. According to this result, when the level of the enterprise's owner's and managers' educational background increases, the high level of the credit interests as a result of the loan demand constitutes a serious problem.

Apart from the positive relation between the educational background of the enterprise's employees and the need for the technical stuff of the enterprise, the remaining positive relations are financial. This shows that enterprises are now more sensitive to financial markets. It is obvious that in the institutionalization process, the enterprises will make more rational decisions since they now employ more qualified people. The determined positive correlation is a revelation of this development. We can also get the same inference in the reverse relation between the number of all employees and the number of the technical stuff.

CONCLUSION AND RECOMMENDATIONS

82.1% of the businesses in the furniture industry operate in 19 cities. It might be beneficial to initiate arrangements focusing on the development of furniture industry in these

cities first. In order to obtain more accurate results in the study, the survey questions were asked to higher level management and business owners in particular. The aspired success is achieved by obtaining responses for 272 business owners and 89 professional managers out of 441 enterprises. It can be concluded that in the furniture industry, most of the business owners are primary school graduates. Therefore, it can be deduced that the most of the personnel working in the industry are trained through master-apprentice relation.

Almost 90% of the enterprises are located in small industrial areas with an infrastructure regarded as complete. However the fact that 68.3% of the enterprises complained about insufficient infrastructure is notable. Therefore it would be highly beneficial to review and restructure these small industrial areas. There are not enough engineers, technicians and technical personnel with adequate occupational training in small and medium-scale furniture enterprises. On the other hand, approximately 57% of these enterprises are in need of technical personnel. It is observed that the need for technical personnel is mainly for technicians. Therefore the significance of vocational schools offering a 2-years education is ever increasing. However the graduates of these schools do not wish to work in this field. This is why 82.3% of the enterprises are experiencing difficulties in finding personnel.

Approximately 69% of the enterprises follow industrial developments through participating in domestic expos, subscribing to occupational magazines and utilizing internet. The rapid advancement of technology is accompanied with an increase in variety of NC and especially CNC machinery. This situation enables an increase in efficiency and a reduction in production errors. However, when we look at the situation in the industry, 68.5% of the enterprises do not have NC machinery while 91.4% do not have CNC. Enterprises state the reason for this as lack of continuity in business and financial problems. As a result, the lack of desire to purchase such machinery in the medium run can be interpreted as a sign that the traditional production structure will continue as it is for some time.

It is a common knowledge that there are some opportunities to solve financial problems which is seen as the biggest impediment in development of the industry. Among these opportunities are obtaining credits, using incentives, leasing the machinery instead of purchasing, cooperation with certain institutions supporting the development of the industry, cooperation with other enterprises within the industry and accessing common markets under the leadership of trade associations, etc. However approximately 84% of the enterprises do not utilize credit options, and 98% do not benefit from incentives while close to 93% do not contact with KOSGEB which provides significant support for the development of the industry. When the reasons for this situation are analyzed, it is understood that the most

Table 6. A comparison sample with meaningful correlation.

Sample	Education state		
	Pearson correlation	Sig. (2-tailed)	N
Education state	1		441
Existence of engineers	-0.376**	0	441
Existence of technician	-0.348**	0	440
Existence of operator	-0.269**	0	439
Do you require technical personnel?	0.141**	0.003	441
Did you take any advantages of small and medium enterprises development organization?	-0.132**	0.006	438
Financial difficulties	0.251**	0	273
High interests in loans	0.432**	0.001	55
Are you able to export?	-0.269**	0	441
	Number employees in the establishment		
	Pearson correlation	Sig. (2-tailed)	N
Number employees in the establishment	1		441
Existence of engineers	-0.394**	0	441
Existence of technician	-0.372**	0	440
Existence of operator	-.396**	0	439
Follow ups in the sector	-0.238**	0	436
Are you able to export?	-0.349**	0	441
Are you informes about exports?	-0.288**	0	440
Are you experiencing any difficulties in your sales products?	0.178**	0	439
Are you able to compete against the UN market?	-0.157**	0.001	439

**Correlation is significant at the 0.01 level (2-tailed); * correlation is significant at the 0.05 level (2-tailed).

common causes are the demanding terms of credits, lack of knowledge about the type and conditions of incentives, no knowledge about presence of institutions such as KOSGEB, insufficient information about methods of leasing machinery, unwillingness to cooperate with other enterprises due to lack of trust within the industry and inadequacy of trade associations in practical matters. It is evident that enterprises are struggling to solve their problems by themselves, do not communicate with existing trade associations while the trade associations are not spending much effort to reach these enterprises.

We have stated at the beginning of the study that in terms of number of employees, the majority of the furniture businesses are micro enterprises (with 1 to 9 employees). Among the most notable problems in production are lack of qualified personnel, financial inadequacy, limited market and inadequacies in terms of machinery and equipment etc. 90% of the enterprises cannot engage in exporting activities. It is necessary to create appropriate conditions for exporting. It is a reality that persons who can create these appropriate conditions are not employed in these types of enterprises. As a matter of fact, approximately 87% of the enterprises are unaware of any foreign demand. Enterprises themselves are too stating the obstacles in engaging in exporting activities as financial problems and unfamiliarity to foreign

markets. Enterprises who believe that they can compete with EU states that have the largest share in the world furniture production amount to 39%. To some extent, this shows the self-confidence of these enterprises.

As mentioned previously, unfortunately 69% of the enterprises that believe that they can compete with EU states do not look to the future with confidence. The economic crises reoccurring in almost every 10 years creates concerns for business managers. However it can be argued that expecting solutions from the government for all kinds of problems is a common approach in the furniture industry. It would be highly beneficial for enterprises to get organized in a manner where they can create solutions by themselves. However it is evident that approximately 79% of the enterprises exhibit no effort in getting organized. As can be derived from the responses of business managers, inability to get organized is among the most notable obstacles in front of the development of these enterprises.

In order to further accelerate the progress of the Furniture Industry in Turkey, the concerned companies and the consumers are required to assume certain important responsibilities. Some of these responsibilities can be outlined as follows:

1. As an imperative, the enterprises should give priority to

exports and should realize export oriented investments. Small size enterprises that have reached 20,000 in number throughout the country, should improve their level of quality and their own designs, and should increase their competitive edge in international markets. For the attainment of this objective, they should establish partnerships with the Sectoral Foreign Trade Companies, or should themselves establish such companies;

2. Enterprises that are located in the Organized Industrial Zones, should cultivate cooperation among themselves, and the officials of the Ministry of Finance should provide guidance for the development of such cooperation;

3. Enterprises that are generally structured as closely held corporations, should provide greater opportunities of employment for professional managers and technical personnel, and should delegate their authorities. The furniture enterprises located in Anatolia, should establish communications with the Institutions of Higher Learning, create an appropriate environment for employment and should attract the technical personnel as places offering employment opportunities;

4. Enterprises that are focused on exports should be given priority in the granting of government subsidies and loans; incentives should be provided through the application deduction on taxes and premiums, and wages should be reduced in labor intensive production;

5. In order to ensure that technologies of whose initial investments are rather costly, but that are required for the improvement of a competitive edge in international markets are employed on a widespread basis by the domestic enterprises, the necessary support should be provided to the domestic enterprises; and a careful monitoring system should be developed to determine whether or not the incentives provided are utilized in line with their objectives;

6. The enhancement of the cooperation between the universities and the industry, which is currently at a very dissatisfactory level; will be highly beneficial for both sides. A coordination must be ensured among the Faculty-Schools of Higher Learning-Vocational High Schools and Apprenticeship Schools, and highly skilled personnel should be trained in those schools, to be recruited in the furniture industry;

7. Ensuring of a standardization in production, will ensure a substantial contribution to the reduction of costs and to the improvement of quality. Cooperation should be encouraged between the local and international institutions for this purpose;

8. Manufacturing of chipped wood plates provides an important input to the sector. However, the employment of method that emit formaldehyde, which creates hazardous effects to human health, and which adversely effects competitiveness in the international markets, should be discontinued and replaced by E1 Class production method. The increase in the production costs that might arise as the result of this change should be offset through the implementation of measures that will

enhance efficiency; which will solve this problem without affecting the manufacturers;

9. A further awareness must be shown regarding the importation of raw materials and subsidiary materials that are purchased from abroad at low prices, but that creates a quality problem in production; and the importation of such materials should be disallowed;

10. An overall enhancement in quality may be ensured, provided that the consumers give a priority to the quality of the product as well as the price;

11. Ensuring of a control by the concerned government authorities on unrecorded production that results in unfair competition, and on the labor force, will facilitate the operations of the enterprises that comply with all the rules and regulations.

ACKNOWLEDGEMENT

This study is supported by Ondokuz Mayıs University, Scientific Research Center. Project No: MMY 001.

REFERENCES

- Akyüz KC, Akyüz İ, Serin H, Cındık H (2002). Socio-Economic Structural Analysis of Small Firms in the Forest Product Industry in the Eastern Black Sea Region in Turkey. *Turk. J. Agric. For.*, 26: 233-238.
- Ardıç OP, Mylenko N, Saltane V (2011). Small and Medium Enterprises: A Cross-Country Analysis with a New Data Set, The World Bank Financial and Private Sector Development Consultative Group to Assist the Poor, January 2011, Policy Research Working Paper 5538, ISSN: pp. 1813-9450.
- Arlı M, Nazik H (2001). *Bilimsel Araştırmaya Giriş*, Ankara, Gazi Kitabevi.
- Berry A, Rodriguez E, Sandee H (2002). Firm and Group Dynamics in the Small and Medium Enterprises Sector in Indonesia. *Small Bus. Econ.*, 18(1-3): 141-161.
- Boon-Kwee NG, Thiruchelvam K (2010). Patterns of technological innovation in Malaysian small and medium wooden furniture manufacturers: learning and linkages capabilities, *Globelics 2010*, 8th International Conference, 1 - 3 November 2010, University of Malaya, Kuala Lumpur, Malaysia.
- Çağlar E (2006). Bölgesel Kalkınmada Yeni Açılımlar: Sanayi Politikası, Organize Sanayi Bölgeleri ve Kümelenmeler. www.tepav.org.tr/sempozyum/2006/sunumlar/Esen_Caglar.pps
- Eximbank (2010). Küçük ve Orta Büyüklükteki İşletme (KOBİ) Tanımına İlişkin Yeni Düzenleme http://www.eximbank.gov.tr/html_files/KobiDvzKr.htm
- Gündoğdu F, Emsen ÖS, Özkan Ş (2001). Küçük ve Orta Ölçekli İşletmelerde Girişimcilik- Yenilikçilik ve Finansman: Kayseri Üzerine Ampirik Bir Çalışma, I. Orta Anadolu Kongresi "KOBİ'lerin Finansman ve Pazarlama Sorunları", pp. 303-321.
- Han X, Wen Y, Kant S (2009). The global competitiveness of the Chinese wooden furniture industry. *For. Policy Econ.*, 11(8): 561-569.
- Inlearncom (2010). İnsan Kaynakları ve İstihdam, <http://www.inlearncom.org/e/images/stories/mert%20belgeler/mert%20mobilyatr.pdf>
- Kaplinsky R, Morris M, Readman J (2001). The Globalization of Product Market and Immiserizing Growth: Lessons From the South African Furniture Industry. <http://www.inti.gob.ar/cadenasdevalor/muebles.pdf>
- Koç KH, Aksu B (2000). Türkiye Orman Ürünleri İşletmelerinde Yersel Dağılım, İ.Ü. Orman Fakültesi Dergisi, A serisi, 50(2): 114-129.
- Koç KH, Kanat M, Tolunay A (2007). Present Situation in Associate's Level Forestry Education in Turkey, Bottlenecks and Proposals

- for Solution, "Bottlenecks, Solutions, And Priorities in the Context of Functions of Forest Resources" International Symposium, Proceedings, 17-19 October, Istanbul/Turkey, pp. 201-215.
- KOSGEB (2004). Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Başkanlığı, KOBİ Ekonomisi (KOBİ'ler ve Bankacılık), Ekonomik ve Stratejik Araştırmalar Merkez Müdürlüğü, Ocak 2004, Ankara.
- Oktay E, Güney A (2002). Türkiye'de KOBİ'lerin Finansman Sorunu ve Çözüm Önerileri, 21.Yüzyılda KOBİ'ler: Sorunlar, Fırsatlar ve Çözüm Önerileri, Sempozyumu, 03-04 Ocak 2002, Doğu Akdeniz Üniversitesi, KKTC.
- Özdamar K (2004). Paket Programlar ile İstatistiksel Veri Analizi, 1, Kaan Kitapevi, Genişletilmiş 5.Baskı.
- Özdamar K (2004). Paket Programlar ile İstatistiksel Veri Analizi 2 (Çok Değişkenli Analizler), Kaan Kitapevi, Genişletilmiş 5.Baskı.
- Sakarya S (2010). Mobilya Sektörü Pazar Araştırmaları Raporu, Eylül 2010, [http://www.egelihracatcilar.com/duyurudoc/2010106172836/MOBILYA A%20SEK-PAZ%20ARAS%20RAPORU_00006425.pdf](http://www.egelihracatcilar.com/duyurudoc/2010106172836/MOBILYA%20SEK-PAZ%20ARAS%20RAPORU_00006425.pdf)
- Sanayi Genel Müdürlüğü (2010). Türkiye Mobilya Sanayi, http://sgm.sanayi.gov.tr/Files/Documents/mobilya_sektoru_raporu-14052010113941.pdf
- SPO (2004). Kobi Stratejisi ve Eylem Planı, Türkiye Cumhuriyeti Başbakanlık Devlet Planlama Teşkilatı, Ocak 2004, www.dpt.gov.tr/DocObjects/Download/3078/strateji.pdf , 2009.
- TURKSTAT (2002). Genel Sanayi ve İşyerleri Sayımı, Ankara
- Yalçındağ AD (2010). Türkiye Sanayisine Sektörel Bakış, <http://www.tusiad.org.tr/FileArchive/ADYKonusmaTRSanayisineSektorelBakisKayseri1.pdf>
- Yazıcıoğlu Y, Erdoğan S (2004). SPSS Uygulamalı Bilimsel Araştırma Yöntemleri. Ankara: Detay Yayıncılık.
- Yeniçeri B (2005). Mobilya Sektör Raporu, İGEME Yayınları, Ankara.
- Yeniçeri B (2007). Mobilya, <http://kobi.mynet.com/pdf/Mobilya.pdf>
- Yücel H (2000). Uluslararası Pazarlara Açılmada Küçük Ve Orta Büyüklükteki İşletmelerin Rolü, Uzmanlık Tezi, İGEME, Ankara.