

# “Characteristics of SMEs in North Cyprus: a small island”

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## Characteristics of SMEs in North Cyprus: a small island

### Abstract

Drawing on the results from a questionnaire survey conducted in North Cyprus – a small island, this paper discusses the effects of organizational characteristics of manufacturing small and medium-sized enterprises (SMEs). The SME sector is receiving increasing recognition and, as part of this, its characteristics have received a great deal of attention in recent years. This study of 51 manufacturing SMEs consists of a comprehensive investigation of the characteristics of SMEs. The main focus here is to analyze the characteristics of SMEs and to make recommendations for the development of SMEs. Evidence from the survey is presented in this research.

**Keywords:** SME owner/managers, SMEs importance, SME characteristics, North Cyprus.

**JEL Classification:** M0, M00, M1, M12, M12, M19, 015.

### Introduction

This exploratory study reports organizational characteristics of manufacturing SMEs in North Cyprus. The research issue discussed in this article is the determination of organizational characteristics that contribute to the survival, success and growth of SMEs. The study is based on manufacturing SMEs which are the members of Turkish Cypriot Chamber of Industry (TCCI) in North Cyprus. The outline of the paper will include a general background section, literature review, methodology and research focus, and major findings.

**Small islands.** Small islands can be analyzed in the context of small nations. Small islands are also small nations. Small island characteristics include extreme dependence on the external sector – trade with other states and investments by large transnational corporations (Scheyvens and Momsen, 2008; Keetharuth, 2003; Baldacchino, 2002), remoteness, isolation, reliance on remittances, vulnerability to natural disasters (Scheyvens and Momsen, 2008; Prasad, 2003), small population, limited market size, consumption center (Scheyvens and Momsen, 2008; Baldacchino, 2002), immigration to other countries or brain drain, narrow range of skills and specific difficulty in matching local skills with jobs, and narrow range of natural resources. Most small islands depend heavily on the service industries such as tourism, finance and a few primary product exports (Prasad, 2003; Baldacchino, 2002). Small nations have a capability to switch quickly and they have flexibility to change their policies (Baldacchino, 1999).

Major disadvantages of small islands include lack of natural resources, a limited labor supply, remoteness, large public sector, limited manufacturing industry, inadequate access to technology and a very small private sector (Scheyvens and Momsen, 2008; Baldacchino, 1999).

**North Cyprus.** Cyprus is the third largest island in the Mediterranean Sea, the link between East and West. It is situated between three continents – Europe, Asia, and Africa. Dana and Dana (2000) suggest that the island is like an eye that looks at three continents. Britain, which was the last ruler of the island, gave the island its independence in 1960. The Republic of Cyprus was established in 1960 by Greek and Turkish Cypriots. In 1974, Turkey intervened the island in order to stop war between Turkish and Greek Cypriots. Then after the island of Cyprus was divided as the Republic of Cyprus and Turkish Republic of Northern Cyprus (TRNC) – declared in 1983. TRNC has a population of 256,000 people. It is not recognized by any country other than Turkey. Its economy is highly dependent on the Turkish economy. Improvements in Turkish economy have affected the living standards of Turkish Cypriots as well. Official Gross Domestic Product (GDP) per capita expected at the end of year 2007 is around 12,000 USD, but many believe that it is around 15,000 USD because many people work in South Cyprus and their earnings are not counted in GDP per capita (SPO, 2006). Major pillars of the TRNC economy are agriculture and service industries like tourism, education, and banking. The agriculture sector has been accepted as the backbone for most small islands (Dana and Dana, 2000). In TRNC, the agriculture industry has lost its importance after 1994 due to the decision of the European Courts ruling that agriculture products cannot be exported to European Union (EU) countries from North Cyprus. Education industry has gained importance. Five universities are providing education over 35,000 students from many different countries. In the recent years, it is fast becoming the businessman's newly discovered paradise especially in the tourism sector. Very few small island countries have succeeded in manufacturing industry. The issue is similar in TRNC. In addition, SMEs are very important and considered as the backbone of TRNC's economy, too. SMEs account for the majority of the labor force and the major source of new jobs in TRNC.

## 1. Literature review

Strong organizational characteristics are required for the SMEs survival, success and development and for the wealth and stability of the economy. From the reviewed literature it was realized that there were many studies about SMEs. Most of the published research investigates different topics like planning, internalization, exporting, and human resources. From the reviewed literature it was concluded that the success of SMEs and their survival are highly dependent on its characteristics as well as the contributions by owner/managers, but there was a few number of published papers which analyzed the effects of organizational characteristics in the relevant literature.

**1.1. SMEs economic contribution.** The contributions of SMEs to a nation's economy are vital. Contributions can be divided into two groups, namely internal and external ones. Internal contributions include survival, success and growth of SMEs. External contributions are mainly reducing unemployment and improving the health of economy. SMEs are important for the wealth and stability of economy (Singh et al., 2010; Alasadi and Abdelrahim, 2008; Bhutta et al., 2008; Golhar and Deshpande, 1997) and also contribute to social wealth. SMEs improve the wealth of economy and society through the creation of new businesses and jobs (Andersson and Tell, 2009; Eshima, 2003). They have the greatest potential to reduce unemployment, and major source of innovation (Bjuggren and Sund, 2001; Kuratko et al., 2001; Loan-Clarke et al., 1999). These can be achieved through the growth of SMEs. The share of SMEs in total employment was around 70% in Europe (Bjuggren and Sund, 2001; Mulhern, 1995), but approximately 17 million unemployed people are waiting for jobs in Europe – that means more than 10% of the total workforce; and 8-9 million of these were long term unemployed in Europe. The role of SMEs is crucial in creating new jobs in Europe to solve unemployment problem (Henriksen, 1999). SMEs are also the backbone and the driving engine of the US economy, generating more than half of the Gross National Product (GNP), employing more than half of the total work force, accounting over 80% of employment growth, and the principal source of new jobs (Waiker et al., 2002; Kuratko et al., 2001; Deshpande and Golhar, 1994; Schwenk and Shrader, 1993). SMEs contribute approximately 38% to the United Kingdom's GDP (Williamson and Lynch-Wood, 2001), 90% to employment (Quayle, 2002) and the major determinant of job creation (Ghobadian and Gallea, 1997). SMEs contribute nearly 40% of Canada's GDP, employ about half the labor force, and create nearly 60% of new jobs in Canada (Golhar

and Deshpande, 1997). SMEs account for approximately 97.5% of all private sector businesses and 58.4% of the private sector workforce in Australia (Rahman, 2001). Despite creating new jobs and adding to the wealth of economy, R&D expenditures of SMEs are only 5% (Masten et al., 1995).

**1.2. Characteristics of SMEs.** Some of the major characteristics of SME are the number of employees, sales volume, unique product, innovation, better and more complete customer service, new job creation, flexibility, day-to-day operational activities, and limited resources – financial, human, and time. Some critical success factors of SMEs are centralized management, satisfactory government support, marketing factors, overseas exposure, owner/managers level of education and training, personal qualities and traits, prior experiences, and political affiliation.

Communication is usually face-to-face (Ghobadian and Gallea, 1997). SMEs apply a niche strategy with innovative new products, in other words they rely on low-risk strategy. With the help of the strategy, they think that they can easily control the market (Mosey et al., 2002). To run their operations, owner/managers borrow from banks and use personal resources (Hormozi et al., 2002).

**1.3. SME owner/managers.** Major constraints, and the problems discussed throughout the paper make small business management a highly complex and difficult task. Owner/managers have the main responsibility for SMEs' fortunes (Wang et al., 2010; Bhutta et al., 2008). Major characteristics of SME owner/managers include resilience, flexibility, high level of energy, the ability to stay calm, experience, education, long working hours, hard work, dedication, ability to communicate well, good customer service, a clear and broad business idea, autonomy and independence, centralized owner/manager decision making, dealing with day-to day planning, low risk taking behavior, and good management employee relations (Andersson and Tell, 2009; Alasadi and Abdelrahim, 2008; Bhutta et al., 2008; Gilmore et al., 2004; Brand and Bax, 2002; Kickul and Gundry, 2002; Mosey et al., 2002; Kuratko et al., 2001; Ghobadian and Gallea, 1997; Luk, 1996; Monkhouse, 1995; Acar, 1993; Jenks, 1991). Education, experience and training of SMEs owner/managers play an important role and can help the business to survive, i.e attending seminars and workshops (Jeffrey et al., 2010; Wang et al., 2010; Andersson and Tell, 2009; Billington et al., 2009; Zhang and Hamilton, 2009; Alasadi and Abdelrahim, 2008; Fletcher, 2000; O'Dwyer and Ryan, 2000). Fletcher (2000) proposes that SMEs can quickly learn about other cultures and change their working practices as a re-

sult of education and training. Billington et al. (2009), Zhang and Hamilton (2009), Alasadi and Abdelrahim (2008), and O'Dwyer and Ryan (2000) further note that the development of owner/managers leads to the development of SMEs, too. Crick (1999) investigates the use of language and notes the importance of language used to minimize communication problems in international operations. Owner/managers are major part of the SMEs internalization process (Hutchinson et al., 2006). Hutchinson et al. (2006) state the pivotal role of owner/managers in the internalization of SMEs and conclude that there is a close relationship between the characteristics of decision makers and the international activity.

**1.4. Planning and decision making in SMEs.** SMEs planning is unstructured, irregular, and reactive (Van Auken and Sexton, 1985), and is highly affected by environmental uncertainty, i.e. lack of knowledge for decision-making, choice, and turbulence, because the environment is highly dynamic and complex (Wyer and Mason, 1999). The physical and knowledge resources available to plan and execute strategy in SMEs are limited (O'Toole, 2003). Strategic planning behavior of SMEs highly depends on several factors like size of a firm, staff, time, lack of information, lack of understanding as well as potential implementation barriers like communication, time, and employees' capabilities and type of owner/managers (Huang, 2009; O'Toole, 2003; O'Regan and Ghobadian, 2002; Matthews and Scott, 1995; Schwenk and Shrader, 1993; Fasano, 1990; Pleitner, 1989; Shrader et al., 1989; Van Auken and Sexton, 1985). Ownership is considered as a critical factor in the strategic direction of SMEs (O'Regan and Ghobadian, 2002). SMEs lack the necessary staff and time as well as financial resources to engage in strategic planning, and in general they do not make strategic plans (O'Regan and Ghobadian, 2002; Shrader et al., 1989) furthermore, operational or administrative plans are more common than strategic plans in SMEs (Andersson and Tell, 2009; Shrader et al., 1989). Many researchers suggest that SMEs that engage in strategic and systematic planning performed better than those that did not plan. Planning can positively affect the success of SMEs which is a helpful means to reduce uncertainty (Kraus et al., 2006; O'Regan and Ghobadian, 2002; Stoner, 1987). Kraus et al. (2006) and Van Auken and Sexton (1985) report a positive relationship between strategic planning and success and conclude that the strategic plans can help firms to survive. Matthews and Scott (1995) investigate the effects of environmental uncertainty on SMEs planning behavior and find that the uncertainty affects planning behavior. Lyles et al. (1993), Schwenk and Shrader (1993), and Shrader et al. (1989) further analyze the relationship between for-

malized planning and strategic decisions and organizational performance. They conclude that owner/managers may improve competitive advantage through the use of formal planning along with strategic plans in exploring new alternatives.

Owner/managers play an important role in planning. Owner/managers are often responsible for a number of different areas and make plans in these areas. Lack of technical expertise, specialist knowledge and some other factors make planning difficult (Ghobadian and Galleary, 1997; Lauder et al., 1994). As a result, owner/managers engage in operational, day-to-day planning and concerned with day-to-day operational activities and problems of running the firm (Monkhouse, 1995; Schwenk and Shrader, 1993; Shrader et al., 1989). Managing a firm by one person is difficult especially when a firm grows further (Pleitner, 1989), but through management training SME owner/managers can overcome the lack of human resources (Gibson and Cassar, 2002). In addition, experience, education and training of owner/managers influence planning behavior, and help achieving success (Pleitner, 1989). Most owner/managers do not make business plans; however, one must bear in mind that the well developed plans provide long-term benefits (Hormozi et al., 2002). SMEs are managed with a single person, an owner/manager. As a result, most decision making in SMEs is centralized and rests with owner/managers (O'Toole, 2003; Ghobadian and Galleary, 1997).

**1.5. SMEs and quality.** Quality can be defined as one of the most important determinants of competitiveness (Ghobadian and Galleary, 1997). Export oriented SMEs and the firms that engaged in international trade must obtain ISO 9000 certificate (Huang, 1998; Ferguson, 1994). Ferguson (1994) reports the importance of obtaining ISO 9000 certificate and states that it may become mandatory for exports. Most of the SMEs have difficulties in meeting quality standards (Ghobadian and Galleary, 1997) which are expensive to obtain (Huang, 1998). On the other hand, Rahman (2001), in his study, analyzes organizational performance of SMEs with and without ISO 9000 certificate and reports that there is no significant difference.

**1.6. SMEs and networks.** Small firms have limited resources (Premaratne, 2001), and because of limited resources, most small firms seek external resources, i.e. government support (Yusuf, 1995), and technology assistance (Masten et al., 1995). SMEs must form entrepreneurial networks, i.e. social, supporting, and inter-firm. These networks help achieving the complementary skills and resources for competitiveness and success in the market. Networks help to receive financial support from formal sources (Pre-

maratne, 2001). Networks also add to the competitiveness of SMEs (Rutihinda, 2000).

**1.7. SMEs and flexibility.** Firm flexibility, especially manufacturing flexibility, is one of the most important aspects of SMEs. Flexibility is vital to meet global competition, rapidly changing technology, and shorter product life-cycles (Petroni and Bevilacqua, 2002; Kuratko et al., 2001; Ghobadian and Gallea, 1997).

**1.8. SMEs and technology.** Tetteh and Burn (2001) note the benefits of using the World Wide Web to increase the number of customers. Haynes et al. (1998) analyze the use of the Internet by SMEs and note that the Internet is an unrealized potential. They also add that the Internet is a relatively low-cost means for SMEs to expand. Jemmeson (1997) further investigates the benefits and business opportunities presented by the Internet and analyzes how it provides a competitive advantage. Waiker et al. (2002) analyze the use of the Internet in small firms, and conclude that the majority of SMEs use the Internet as a business tool, and also add that the primary use of the Internet is in the area of communication. In their analysis, they note that SMEs should use a web page to provide and sustain information. With the help of the Internet, SMEs can compete in a global marketplace with big businesses and can overcome geographic boundaries and to reach a wider potential customer base (Waiker et al., 2002; Poon and Swatman, 1997). O'Toole (2003) states that SMEs adopted the Internet but did not manage to extract competitive value from it. He also reports that the web-page is mainly not found in SMEs.

**1.9. Key success factors of small island SMEs.** In his analysis of small island SMEs, Baldacchino (2002, 1999) points several important success factors for small island SMEs. He suggests four key issues – using island myth while packaging, attracting skilled expatriates, the extended family context of employment relations, and the considerable cost savings and reduction of logistics problems via Internet sales. Yusuf (1995) also proposes several important factors to achieve success and finds both individual and environmental factors critical for the SMEs success.

## 2. Methodology

**2.1. SME definition.** The definition of SMEs varies from country to country. Although there is no generally accepted definition of SMEs, the most widely used definition is that offered by the Small Business Administration (SBA). The SBA defines SME as a firm that is independently owned and operated and not dominant in its market. The SBA also uses revenues or number of

employees in classifying businesses according to size. The EU has started to use a standard definition within the EU. SMEs are defined as enterprises, which have fewer than 250 workers. Small firms are defined as enterprises, which have fewer than 50 workers, and micro firms are defined as enterprises, which have fewer than 10 workers. The SME definition in South Cyprus is aligned with the EU definition because South Cyprus is an EU member. Definition of SMEs in the North Cyprus context is based on number of employed, so in this paper the definition used by the TCCI was adopted. Thus, according to TCCI, SMEs are defined as firms employing fewer than 99 people. The TCCI further divides the SMEs into the following categories: micro firms (1-5 employees), small firms (6-49 employees), and medium-sized firms (50-99 employees). The definition of SMEs differs between North and South Cyprus. It is simply because North Cyprus is not a member of EU, while South Cyprus is a member of an EU.

**2.2. Development of survey instrument.** A postal questionnaire was used to capture the information required in the survey. The questionnaire in this study was developed by the author. Studies addressing SME issues were used as a foundation to develop survey instrument. The questionnaire proposes 34 yes/no and multiple choice questions. Specifically, the questionnaire investigates the following aspects of businesses; the identification of the firm including questions like number of employees, type of businesses, business age, web page presence, planning behavior, legal ownership, owner/managers' education level, experience, and the age of the owner/managers. The questionnaire was designed and pre-tested by two business school professors and several managers. It was then modified based on the feedback received from professors and managers familiar with the SMEs located in the region, prior to mailing.

**2.3. Sample and data collection.** The targeted group included firms belonging to the TCCI. All member firms located in North Cyprus were included; therefore, the population of this study was a set of firms, which were members of TCCI in North Cyprus. All firms were contacted by telephone to explain the aim of the study before conducting the survey. A named individual of senior management or executive status was requested to complete and return the questionnaire. In order to explore the characteristics of owner/managers of SMEs in the Northern Cyprus context, a letter explaining the purpose of the study and a questionnaire and survey questionnaires were mailed

to all 271 member firms for the study. Each company was sent a 5-page questionnaire. A follow-up letter was also distributed in an attempt to improve response rates.

Forty-nine of the questionnaires were returned as undeliverable and were dropped from subsequent analysis. Of the remaining 222 SMEs, a total of 55 surveys were completed and returned, yielding a 24.77% return rate. Of these, 51 surveys were complete and usable and were used in the analysis. Thus, taking the undeliverables into consideration, the response rate was 22.97%. After coding the questionnaire responses, analysis was carried out using SPSS software.

### 3. Major findings

The participating firms range in size from 1 to 99 employees. Of the 51 SMEs, 80.4% had between 6 and 49 employees, 9.8% had less than 5 people, and 9.8% had more than 50 people (Table 1).

Table 1. Firm size according to number of employees

| Firm size                         | Number of firms | %            |
|-----------------------------------|-----------------|--------------|
| Micro firms (1-5 person)          | 5               | 9.8          |
| Small firms (6-49 person)         | 41              | 80.4         |
| Medium-sized firms (50-99 person) | 5               | 9.8          |
| <b>Total</b>                      | <b>51</b>       | <b>100.0</b> |

Respondents were also asked to identify industry or industries that they are operating. The sample represented a wide range of industries. It included eight firms in food, seven firms in chemistry, six firms in beverage, six firms in textile, five firms in plastic, and three firms in metal industry. The predominant sector was "other" industries (Table 2)<sup>1</sup>.

Table 2. Sector distribution of SMEs

| Sector    | Number of firms | n  | %    |
|-----------|-----------------|----|------|
| Metal     | 3               | 51 | 5.9  |
| Chemistry | 7               | 51 | 13.7 |
| Plastic   | 5               | 51 | 9.8  |
| Food      | 8               | 51 | 15.7 |
| Beverage  | 6               | 51 | 11.8 |
| Textile   | 6               | 51 | 11.8 |
| Other     | 20              | 51 | 39.2 |

Business ages are presented in Table 3. Business ages vary, 23.5% was between 25 and 29, 19.6% - 33 and over, 17.6% between 30 and 32, 15.7% between 0 and 9, 11.8% between 15 and 19, and 5.9% between 20 and 24.

All firms were limited ones. This is mainly because of the advantages provided by the laws. The majority of firms, 66.7%, were legal owners of their land,

33.3% were not. 37.3% (19 SMEs) had a web page, and 62.7% had no web page presence. Of the 19 SMEs, 35.3% used a web page to promote the company and its products, 11.8% to find new customers, 7.8% to increase sales, and 7.8% finding new markets<sup>2</sup>.

Table 3. Years in operation

| Year ranges  | Number of firms | %            |
|--------------|-----------------|--------------|
| 0-9          | 8               | 15.7         |
| 10-14        | 3               | 5.9          |
| 15-19        | 6               | 11.8         |
| 20-24        | 3               | 5.9          |
| 25-29        | 12              | 23.5         |
| 30-32        | 9               | 17.6         |
| 33 and above | 10              | 19.6         |
| <b>Total</b> | <b>51</b>       | <b>100.0</b> |

Respondents were also asked to identify mission, vision, business culture, and organizational chart. These referred to as important business factors. They were allowed to select more than one answer. 43.1% stated that they had a vision, 37.3% had a mission, 29.4% had a business culture, and 25.5% had an organizational chart. 39.2% (20 SMEs) had none of these factors.

Only 25.5% of firms were selling to foreign markets, and 74.5% (38 SME) were not. SMEs that are not in foreign markets were asked to identify the willingness to expand in foreign markets. Of the 38 firms, 54.9% were planning to go international, 19.6% were not. Only 15.7% had an ISO 9000 quality certificate, 7.8% had a Turkish Standards Institute's (TSE) quality certificate, 3.9% had a CE certificate, and 3.9% had a British Standards certificate. The important point was "no" answer. 70.6% (36 firms) of respondents were not having any of the certificates<sup>3</sup>. 23.5% of SMEs used external financial resources while establishing their facility, 76.5% did not use. On the other hand, to grow up and to expand, 49% used financial resources from external sources, 51% did not use.

Respondents were asked to identify the number of products that they are manufacturing. Results are presented in Table 4. 23.5% were producing between 5 and 10 products, 17.6% more than 51 products, 13.7% between 26 and 50 products, 11.7% between 16 and 20 products, 9.8% - 2 products, 7.8% - 3 products, 7.8% between 21 and 25 products, 3.9% only one product, 2% - 4 products, and another 2% between 11 and 15 products.

<sup>1</sup> Some respondents selected more than one industry.

<sup>2</sup> Some respondents selected more than one purpose.

<sup>3</sup> One firm had both ISO's quality certificate and TSE's quality certificate.

Table 4. Number of products manufactured

| Number of products | Number of firms | %            |
|--------------------|-----------------|--------------|
| 1                  | 2               | 3.9          |
| 2                  | 5               | 9.8          |
| 3                  | 4               | 7.8          |
| 4                  | 1               | 2.0          |
| 5-10               | 12              | 23.5         |
| 11-15              | 1               | 2.0          |
| 16-20              | 6               | 11.7         |
| 21-25              | 4               | 7.8          |
| 26-50              | 7               | 13.7         |
| 51 and above       | 9               | 17.6         |
| <b>Total</b>       | <b>51</b>       | <b>100.0</b> |

Respondents were also asked to identify a main product. 84.3% were focusing and manufacturing a main product, 15.7% were not (Table 5).

Table 5. Main product

| Main product | Number of firms | %            |
|--------------|-----------------|--------------|
| Yes          | 43              | 84.3         |
| No           | 8               | 15.7         |
| <b>Total</b> | <b>51</b>       | <b>100.0</b> |

86.3% (44 SMEs) stated that they engage in planning. 13.7% (7 SMEs) did not engage in any planning behavior. Of the 44 SMEs, 56.9% of the plans were written plans, 37.3 were unwritten plans. Some firms had both written and unwritten plans. 52.9% of SMEs engaged in mid-level planning, 37.3% short-term operational day-to-day planning and only 17.6% engaged in long-term strategic planning (Table 6).

Table 6. Time horizons of plans

| Time horizon                | Number of owner/managers | n  | %    |
|-----------------------------|--------------------------|----|------|
| Long-term plans             | 9                        | 51 | 17.6 |
| Functional / Tactical plans | 27                       | 51 | 52.9 |
| Short-term plans            | 19                       | 51 | 37.3 |
| Nonplanners                 | 7                        | 51 | 13.7 |

In addition, respondents were asked to point out planning areas. SMEs were allowed to state more than one planning area (Table 7). The primary areas of the plans were production, 64.7%; sales, 52.9%; cost, 45.1%; marketing, 41.2%; general, 31.4%, human resources, 21.6%; and accounting, 19.6%.

Table 7. Major planning areas

| Areas           | Number of owner/managers | n  | %    |
|-----------------|--------------------------|----|------|
| General         | 16                       | 51 | 31.4 |
| Cost            | 23                       | 51 | 45.1 |
| Marketing       | 21                       | 51 | 41.2 |
| Accounting      | 10                       | 51 | 19.6 |
| Human resources | 11                       | 51 | 21.6 |
| Production      | 33                       | 51 | 64.7 |
| Sales           | 27                       | 51 | 52.9 |
| Nonplanners     | 7                        | 51 | 13.7 |

Respondents were asked to identify obstacles while planning. Respondents were allowed to select from among choices. Owner/managers believed that finance, 49%, was the main obstacle while making plans. It is followed by the time, 31.4%; personnel, 21.6%; and other factors with 15.7%. 9.8% of the respondents stated that there were no obstacles.

Owner/managers characteristics are vital for the success of SMEs. To identify the age of the owner/managers, respondents were asked to state their ages. Results are presented in Table 8. 45.1% were between the age of 51 and 60, 27.5% were between 41 and 50, 13.7% were between 31 and 40, and 5.9% were between the age of 21 and 40.

Table 8. Age of owner/managers

| Age ranges   | Number of owner/managers | %            |
|--------------|--------------------------|--------------|
| 20-30        | 3                        | 5.9          |
| 31-40        | 7                        | 13.7         |
| 41-50        | 14                       | 27.5         |
| 51-60        | 23                       | 45.1         |
| 60 and above | 4                        | 7.8          |
| <b>Total</b> | <b>51</b>                | <b>100.0</b> |

Table 9 presents how SMEs owner/managers responded to the question asking the years in business. 60.8% had been in business for more than 24 years, 13.7% between 14 and 18 years, 9.8% between 6 and 10, 7.8% were between 16 and 20 years, and 7.8% were under 5 years.

Table 9. Years in business

| Years in business | Number of owner/managers | %            |
|-------------------|--------------------------|--------------|
| 0-5               | 4                        | 7.8          |
| 6-10              | 5                        | 9.8          |
| 11-15             | 7                        | 13.7         |
| 16-20             | 4                        | 7.8          |
| 21 and above      | 31                       | 60.8         |
| <b>Total</b>      | <b>51</b>                | <b>100.0</b> |

60.8% (31 owner/managers) of the respondents were undergraduates, 23.5% were secondary school graduates, 11.8% were graduates, and 3.9% were primary school graduates (Table 10). Of the 37 license and under license graduates, 67.6% studied in Turkey, 18.9% in other countries, i.e. England, Germany, and 13.5% studied in TRNC.

Table 10. Education level of owner/managers

| Education level                            | Number of owner/managers | %            |
|--------------------------------------------|--------------------------|--------------|
| Primary school                             | 2                        | 3.9          |
| Secondary school                           | 12                       | 23.5         |
| University graduates / Undergraduate       | 31                       | 60.8         |
| University graduates / Graduate (MBA, PhD) | 6                        | 11.8         |
| <b>Total</b>                               | <b>51</b>                | <b>100.0</b> |

To find the language spoken, respondents were asked to identify language spoken (Table 11). Some

owner/managers can speak more than one language. 94.1% can speak English, 39.2% can speak Greek, 3.9% Italian, 2% German, 2% French, and 3.9% other.

Table 11. Foreign language(s) spoken by owner/managers

| Foreign language(s) | Number of owner/managers | n  | %    |
|---------------------|--------------------------|----|------|
| English             | 48                       | 51 | 94.1 |
| German              | 1                        | 51 | 2.0  |
| French              | 1                        | 51 | 2.0  |
| Italian             | 2                        | 51 | 3.9  |
| Greek               | 20                       | 51 | 39.2 |
| Other               | 2                        | 51 | 3.9  |

68.6% SME owner/managers stated that they had an international experience, 31.4% responded that they had no international experience. 86.3% used the Internet, and 13.7% did not use the Internet.

Respondents were asked to identify who runs the company. 94.1% of owner/managers stated that they own and manage their companies. 5.9% did not manage their SMEs. 37.3% employed professional managers, 62.7% did not employ professional managers.

Respondents were asked to identify major decision makers. Results are presented in Table 12. Respondents were allowed to select more than one answer. 64.7% stated owner/managers, 29.4% partners, 11.8% partners and professional managers, and only 7.8% professional managers.

Table 12. Major decision-makers

| Decision-makers                    | Number of decision-makers | n  | %    |
|------------------------------------|---------------------------|----|------|
| Owner/manager                      | 33                        | 51 | 64.7 |
| Partners                           | 15                        | 51 | 29.4 |
| Professional managers              | 4                         | 51 | 7.8  |
| Partners and professional managers | 6                         | 51 | 11.8 |

To find out the time devoted to business areas, respondents were asked to identify areas (Table 13). 66.7% stated production, 58.8% planning, 54.9% sales, 52.9% financial issues, 52.9% management employee relations, 31.4% maintenance, 21.6% recording, 19.6% dealing with suppliers, and 3.9% others.

Table 13. Major areas of time spent by owner/managers

| Areas                  | Number of owner/managers | n  | %    |
|------------------------|--------------------------|----|------|
| Employee relations     | 27                       | 51 | 52.9 |
| Recording              | 11                       | 51 | 21.6 |
| Sales                  | 28                       | 51 | 54.9 |
| Production             | 34                       | 51 | 66.7 |
| Maintenance            | 16                       | 51 | 31.4 |
| Dealing with suppliers | 10                       | 51 | 19.6 |
| Financial issues       | 27                       | 51 | 52.9 |
| Planning               | 30                       | 51 | 58.8 |
| Others                 | 2                        | 51 | 3.9  |

## Summary and conclusions

This study has examined the characteristics of manufacturing SMEs in North Cyprus and discussions have focused on the characteristics of SMEs. Some of the significant results of this study are summarized below.

In summarizing the characteristics and critical success factors of SMEs, there are not big differences between countries with one exception – the small business and its definition. In general, major characteristics of SMEs in North Cyprus and SMEs in general are similar. The term small business or SME means different things in different places. The definition of a small firm varies from country to country and it's a problematic issue. SMEs in North Cyprus contribute to the economy and create many jobs. SMEs operate in many different sectors like food and beverage. As Ferguson (1994) noted ISO 9000 is a must. A few number of companies had quality certificates and this might create a problem especially for the firms that are planning to expand to foreign markets. Nearly 50% of companies used external resources to run their operations. This tells us SMEs are dependent on external sources. A few numbers of SMEs operate in foreign markets, but majority of local SMEs are planning to go overseas. Majority of the firms produce more than one product, but most of them focus on a single product. Study findings suggest that Turkish Cypriot SMEs may be at a disadvantage in their current operational use of the Internet and the effective use of the web page. Owner/managers characteristics are important to handle future opportunities and developments, i.e. EU membership, international expansion and trade opportunities. Most of the managers were university graduates and almost all managers can speak foreign languages. Many SMEs are planning to expand internationally and as Crick (1999) stated the use of language is important in international operations. Language can be beneficial in the areas like selling and marketing overseas and trade between Greeks. Most business owner/managers were above age and in business for many years. In other words, they are experienced enough to handle most things in business. There were not too many young investors.

As Schwenk and Shrader (1993) and Shrader et al. (1989) noted SMEs do not engage in strategic plans because of some constraints, i.e. time, money and personnel. This issue has shown the parallel characteristics in Turkish Cypriot SMEs. This study also reported that most plans were done by owner/managers alone because of constraints.

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