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FINANCIAL STATEMENT UTILIZATION DURING DECISION MAKING PROCESS IN SMEs: A COMPARATIVE STUDY ON EUROPEAN AND TURKISH MANAGERS

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Abstract

This study examines financial information requirement for decision making in small and medium sized enterprises. 131 SME managers' responses were collected from Turkey and 8 different European countries. According to both Turkish and European managers, financial statements are mostly important to foresee the probable liquidity and financial crisis. And they find experience more important than financial statement data. A comparative analysis of Turkish and European SME managers is stated. Small and medium sized enterprises can use the information from this study to better understand their decision making process and importance of financial statement data. As a result SME chambers can use the information to provide better advice to members.

Key Word: *Financial Statement Utilization, Decision Making Process, Comparative Study.*

KOBİLERDE KARAR ALMA SÜRECİNDE FİNANSAL TABLOLARIN KULLANIMI: AVRUPALI VE TÜRK YÖNETİCİLER ÜZERİNE KARŞILAŞTIRMALI BİR ARAŞTIRMA

Özet

Bu çalışmada küçük ve orta büyüklükteki işletmelerin karar alma aşamasında finansal bilgiye ihtiyaçları araştırılmaktadır. Türkiye'den ve 8 farklı Avrupa ülkesinden 131 KOBİ yöneticisinin ankete verdikleri cevap toplanmıştır.

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Hem Türk hem de Avrupalı yöneticiler için muhtemel likidite ve finansal krizlerin öngörülmesi için finansal tablolar çok önemlidir. Ayrıca her iki grup da deneyimi finansal tablo bilgilerinden daha önemli görmektedirler. Bu çalışmada Avrupalı ve Türk KOBİ yöneticilerin karşılaştırması ortaya konmuştur. Küçük ve orta büyüklükte işletme yöneticileri karar alma sürecini daha iyi anlamak ve finansal tablo bilgilerinin önemini kavramak için bu çalışmadaki bilgileri kullanabilirler. Sonuç olarak ticaret odaları bu bilgileri üyelerine daha iyi hizmet vermek için kullanabilir.

Anahtar Kelimeler: *Finansal Tablo Kullanımı, Karar Verme Süreci, Karşılaştırmalı Analiz.*

Introduction

According to European Commission SME Report 2003, small and medium sized enterprises have an important role in the economy. For example, in 2003 there were more than 19 million enterprises in Europe-19 (Europe-19 is used to indicate the 15 Member States of the European Union, the three other countries of the European Economic Area; Norway, Liechtenstein and Iceland together with Switzerland), providing a job for almost 140 million people. By contrast, there are only about 40.000 large enterprises in existence, which account for only 0.2 percent of all enterprises. So, the vast majority of enterprises in Europe (99.8 percent) are SMEs.[4] By the way the success of these organizations is essential for a stabilized economy. Strategic management and decision making process has been more important for SMEs. Managing a company is foreseeing investment opportunities, marketing and production possibilities and human resource positions. Macro economic variables, sector statistics, money market and capital market data help managers to make their mind clear during decision making process. Financial statement data are one of them.

The aim of the study is to understand the financial statement utilization during decision making process in SMEs. A survey applied to both Turkish and European managers in order to understand the comparative decision making behaviours. Turkey wants to attend to European Union. This will increase the competition within SMEs. Understanding management behaviours of European SMEs will provide a comparative advantage to Turkish SMEs.

Management Process of SMEs

An organization can be classified as a small business using such criteria as number of employees, annual sales or total assets. For our purposes, we will call a small business any independently owned and operated profit-seeking enterprise that has fewer than two hundred and fifty employees. This classification is defined by European Commission.[5] Small businesses may be little in size, but they have a

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[4] **http://ec.europa.eu/enterprise/policies/sme/files/analysis/doc/smes_observatory_2003_report7_en.pdf**, (27.02.2008).

[5] **http://ec.europa.eu/enterprise/policies/sme/files/analysis/doc/smes_observatory_2003_report7_en.pdf**, (24.02.2010).

major effect in the world economy. The practice of management is often portrayed as essentially qualitative process, with heavy emphasis placed on individual managerial judgement and the use of creativity and intuition. While these are certainly essential business skills, unless managers can couple their creative visions with some quantitative analysis, there is a danger that their ideas will come to nothing.[6] Small firms are not a miniature of large firms or scaled-down versions of large firms,[7] but differ from large firms in many ways. Two of them are; the combination of ownership and management in an individual business owner and the second is the limited resources (such as finance and management skills) compared to large firms. Management needs of small businesses are different from those of large businesses and simply watering down or simplifying management tools used by large firms is not always effective in the small firm context.[8]

The strategic management is a complicated process. It has nine steps.[9] Firstly you have to identify the organization's current mission, objectives, and strategies. Then you have to analyze the environment and organization's resources. Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis will make your mind clear to reassess the organization's mission and objectives. After that managers formulate their strategies and implement them. Financial statements help managers to identify the company's positions and this makes easier to formulate the strategies. The last step is evaluating results.[10]

What is dangerous for a manager is obscurity. In order to make profitable decisions, obscurity must be removed. SME managers have difficulties to make clear the company's position economically. Here; financial statements have an important role. They canalize managers to ask themselves the right questions in order to handle the profitability, indebtedness, performance and liquidity restrictions.

Managing a Small Firm and a Large One

Now to the question at hand: Is managing a small business different from that of managing a large one?[11] Paolillo worked on a study comparing the two, found that the importance of roles differed significantly.[12]

The small business manager's most important role is that of spokesperson. The small business manager spends a large amount of time performing outwardly

[6] G. Hackett- P. Luffrum, **Business Decision Analysis,** Blackwell Business, 1999, p. 4.

[7] R. Jarvis and others "The Financial Management of Small Firms: An Alternative Perspective", Research Report No. 49, **Association of Chartered Certified Accountants**, London, 1996.

[8] I. Ekanem, "Liquidity Management in Small Firms: A Learning Perspective," **Journal of Small Business and Enterprise Development**, Volume: 17, Number: 1, 2010, p. 123-138.

[9] S. Robbins- D. Decenzo, **Fundamentals of Management**, Prentice Hall, 2001, p. 11-13.

[10] S. Robbins- D. Decenzo, **op. cit**., p. 90.

[11] S. Robbins- D. Decenzo, **op. cit**., p. 92.

[12] P. Paolillo, "The Manager's Self Assessments of Managerial Roles: Small vs. Large Firms," **American Journal of Small Business**, January-March 1984, p. 58-64.

directed actions such as meeting with customers, arranging financing with bankers, searching for new opportunities, and stimulating change. In contrast, the most important concerns of a manager in a large organization are directed internally deciding which organizational units get what available resources and how much of them.[13]

Compared with a manager in a large organization, a small business manager is more likely to be a generalist. His or her job will combine the activities of a large corporation's chief executive with many of the day-to-day activities undertaken by a first-line supervisor. Moreover, the structure and formality that characterize a manager's life in a large organization tend to give way to informality in small firms. Planning is less likely to be a carefully orchestrated ritual. The organization's design will be less complex and structured.[14]

The most representative characteristic of smaller firms, and the greatest difference between them and larger firms, is their greater information opacity.[15] In addition, small firms, in comparison to large firms, are less liquid, exhibit more volatile cash flows and profits and rely more heavily on short-term debt fi nance.[16] Moreover, it is the smaller firms that are most likely to be subject to financial distress[17] and financial restrictions.[18]

Recent studies found that the control in the small business will rely more on direct observation than on sophisticated computerized monitoring systems.[19]

Again, as with organizational level, we see differences in degree and emphasis but not in activities. Managers in both small and large organizations perform essentially the same activities; only how they go about them and the proportion of time they spend on each are different.[20] Much small business literature, and the surrounding folklore, assumes that the probability of failure

[13] S. Robbins- D. Decenzo, **op. cit**., p.92.

[14] S. Robbins- D. Decenzo, **op. cit**., p.92.

[15] A. N. Berger- G. F. Udell, "The Economics of Small Business Finance: The Roles of Private Equity and Debt Markets in the Financial Growth Cycle", **Journal of Banking and Finance** 22(6–8), 1998, p. 613–73.

[16] M. J. Peel and others, "Late Payment and Credit Management in the Small Firm Sector: Some Empirical Evidence," **International Small Business Journal**, 18(2), 2000, p. 17–37.

[17] S. Titman- R. Wessels, 'The Determinants of Capital Structure Choice', **Journal of Finance,** 1988, 43(1): p. 1–19.

[18] S. M. Fazzari- B. Petersen, "Working Capital and Fixed Investment: New Evidence on Financing Constraints', **Rand Journal of Economics,** 1993, 24(3): p. 328–342.

[19] G. d'Amboise- M. Muldowney, "Management Theory for Small Business: Attempts and Requirements", **Academy of Management Review**, April 1988, p. 226.

[20] G. d'Amboise- M. Muldowney, **op. cit**., p. 240.

increases as the size of a business decreases; and that small business failure rates are unacceptably high.[21]

Financial Analysis in Small Firms

If management is to maximize a firm's value, it must take advantage of the firm's strengths and, simultaneously, correct its weaknesses. Financial statement analysis involves (1) comparing the firm's performance with that of other firms in the same industry and (2) evaluating trends in the firm's financial position over time. These studies help management identify deficiencies and than take actions to improve performance.[22]

Financial statements report both on a firm's position at a point in time and on its operations over some past period. However, the real value of financial statements lies in the fact that they can be used to help predict future earnings and dividends. From an investor's perspective, predicting the future is what financial statement analysis is all about, while from management's stand point, financial statement analysis is useful both to help anticipate future conditions and more important, as a starting point for planning actions that will affect the future course of events.[23]

Financial ratio analysis is especially useful for small businesses, and readily available sources provide comparative data by size of firm. Nevertheless, analyzing a small firm's statements presents some unique problems.[24] We have all heard stories of financial whizzes who can take a company's accounts apart in minutes and find its innermost secrets financial ratios. The truth, however, is that financial ratios are no substitute for a crystal ball. They are just a convenient way to summarize large quantities of financial data and to compare firms' performance. Ratios help you to ask the right questions; they seldom answer them.[25]

In order to have good hints from the financial statements and financial ratios the following determinations must be taken into consideration: (1) If you are analyzing a company's financial statements; there is a danger of being overwhelmed by the sheer volume of data. Managers use a few salient ratios to summarize the firm's leverage, liquidity, efficiency, profitability, and market valuation. (2) Leverage ratios measure the indebtedness of the firm. Liquidity ratios measure how easily the firm can obtain cash. Efficiency ratios measure how intensively the firm is using its assets. Profitability ratios measure the firm's return on its investments. Market-value ratios measure how the firm is valued by investors. Be selective in

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[21] J. Watson- J. Everett, "Small Business Failure Rates: Choice of Definition and The Size Effect," **Journal of Entrepreneurial & Small Business Finance**; 1996, Vol. 5 Issue 3, p. 271.

[22] F.E. Brigham- J. Houston, **Fundamentals of Financial Management**, The Dryden Press, 1998, p.70.

[23] F.E. Brigham- J. Houston, **op. cit**., p**.** 93.

[24] F.E. Brigham- J. Houston, **op. cit**., p**.** 93.

[25] A.R. Brealey and others, **Fundamentals of Corporate Finance,** McGraw-Hill, 1995, p. 438.

your choice of ratios. Different ratios often tell you similar things. (3) The Du Pont system provides a useful way to link ratios to explain the firm's return on assets and equity. (4) Financial ratio analysis will rarely be useful if practiced mechanically. It requires a good dose of good judgement. Financial ratios seldom provide answers but they do help you ask the right questions. There is no international standard for financial ratios. A little thought and common sense are worth far more than blind application of formulas. (5) It is needed a benchmark for assessing a company's financial position. It is usual to compare financial ratios with the company's ratios in earlier years and with the ratios of other firms in the same business.[26]

Research Design

Sample and Questionnaire

In this research, sample selected comprises SMEs both in Turkey and in Europe in order to compare them. They were selected randomly. Turkish managers were visited door to door. 71 questionnaires were collected from 8 cities which are İstanbul, Ankara, Antalya, Isparta, Denizli, Uşak, Afyonkarahisar and İzmir. They are mostly operating in textile industry because industry has an important role in export statistics. European SME managers were selected from European Space Agency database. E-mails were sent to managers one by one. 60 questionnaires were returned. These questionnaires were collected from 8 different countries; Germany, Austria, Sweden, France, Italy, Greece, Switzerland and United Kingdom.

The questionnaire was developed in September 2007. Data were collected during October to December 2007. Questions are unique.

The first section of the questionnaire collected demographic profiles of the SME managers as age (20-30=1, 31-40=2, 41-50=3, 51-↑=4), gender (male=1, female=2), education (primary school=1, high school=2, university=3, master programme=4, PhD=5), experience (1-5 years=1, 6-10 years=2, 11-15 years=3, 16-20 years=4, 21-↑ years=5) and nationality (Turkish=1, European=2). Following two questions were asked to understand the characteristics of the company. One is for learning if the accounting and finance departments are separated in the company or not, and the other one was how frequently they prepare balance sheet and income statement. These questions were asked to understand the professionalism of the firms.

The next section of the questionnaire collected information on 11 topics. Both questions were evaluated on 1 to 5 Likert scale, 1 = Unimportant and 5 = Very Important. Questions included (1) importance level of financial statement data in order to set organizational goals; (2) importance of financial statement data for determining optimal inventories; (3) importance of financial statement data to foresee the probable liquidity and financial crisis; (4) contribution level of financial statements in order to understand if the advertisements, presentations and promotions are successful or not; (5) importance of financial ratios for decision making process; (6) financial statements' help to managers in order to understand

[26] A.R. Brealey and others, **op. cit**., p. 439.

how the income is used in the company; (7) role of financial statement analysis in measuring asset management success; (8) help of financial statements when analyzing company's credit sales policy; (9) contribution level of financial statements when considering company's credit sales policy; (10) evaluation of factors affecting business decisions –experience, political and economic structure of the company, results of financial statement analysis, sector structure, competitors conditions, international economic developments-; (11) importance level of financial statements according to managers –balance sheet, income statement, cost of goods sold table, cash flow statement, statement of retained earnings, statement of owners equity, statement of working capital.

Methodology

The data were summarized by use of means and frequencies to provide a better understanding of the SME managers' responses. SPSS was used for analysing the data. Missing values were replaced with series mean. Reliability analysis will be applied with Alpha model. It is looked for the confidence of criterias asked in the questionnaire with One-Sample T Test. Demographic structure of the managers and the descriptive results which contain mean and standart deviation for both European and Turkish SME managers were examined. The study focuses on the importance of financial statements in SMEs and perception of the factors which affect decision making. As it is a comparative study, we used cross tabulations in order to understand both sides' answers.

Results

For measuring the reliability we found out Cronbach's Alpha, 0,913. It shows us it is a high level reliable scale.[27]

Then we measured the confidence of the criterias used in the questionnaire with the confidence level of 95 percent. And we found them all significant at 0,01 level. Following tables show us the demographic structure of the participants.

[27] Ş. Kalaycı, **SPSS Uygulamalı Çok Değişkenli İstatistik Teknikleri**, Asil Yayın Dağıtım, 2005, p. 405.

Table 1: Demographic Characteristics

		All		Turkish		European	
		Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**
Age	20-30	22	16,8	18	25,4	4	6,7
	30-40	57	43,5	21	29,6	36	60,0
	40-50	34	26,0	22	31,0	12	20,0
	51-↑	18	13,7	10	14,1	8	13,3
	Total	131	100,0	71	100	60	100
Gender	Male	123	93,9	63	88,7	60	100,0
	Female	8	6,1	8	11,3		
	Total	131	100,0	71	100	60	100
Education	Primary	18	13,7	18	25,4		
	High School	17	13,0	17	23,9		
	Univer.	74	56,5	34	47,9	40	66,6
	Master Prog.	14	10,7	2	2,8	12	20,0
	PhD.	8	6,1			8	13,3
	Total	131	100,0	71	100	60	100
Experience (Years)	1-5	23	17,6	15	21,1	8	13,3
	6-10	32	24,4	20	28,2	12	20,0
	11-15	27	20,6	15	21,1	12	20,0
	16-20	25	19,1	9	12,7	16	26,7
	21-↑	24	18,3	12	16,9	12	20,0
	Total	131	100,0	71	100	60	100

Table 1 shows the demographic characteristics of the SME managers. 57 of the 131 managers are between the ages 30 and 40 and 34 of them are between 40 and 50. 60 percent of the European managers are between 30 and 40. 6,1 percent of all managers are female and 93,9 percent of all managers are male. 56,5 percent of the managers are graduated from university. 49,3 percent of the Turkish managers are graduated from high school and primary school. And there is not any PhD. holder. On the European side, there is not any manager graduated from high school or primary school and 66,6 percent of the managers are graduated from university. Remaining 33,3 percent have postgraduate degrees. There is mostly a homogeneous distribution of experience for all levels. In Table 2; it is asked if the accounting and finance departments are working together or they are independently working departments. The result Turkish and European firms act differently. 73,2 percent of the Turkish firms and 26,7 percent of the European firms have independently working accounting and finance departments.

Table 2: Accounting and Finance are Independent Departments

	All		Turkish		European	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
Independent	68	51,9	52	73,2	16	26,7
Work together	63	48,1	19	26,8	44	73,3
Total	131	100	71	100	60	100

Table 3: Financial Statement Preparation Frequency

	All		Turkish		European	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
1 Month	25	19,1	13	18,3	12	20,0
3 Months	48	36,6	28	39,4	20	33,4
6 Months	25	19,1	17	23,9	8	13,3
1 Year or More	33	25,2	13	18,3	20	33,3
Total	131	100	71	100	60	100

Table 3 shows the financial statement preparation frequency of the SME managers. For all managers the highest rate is 36,6 for 3 months.

Table 4: SME Managers' Behaviours on Financial Statement Utilization During Decision Making Processes (n = 131) (mean is calculated over 5)

	All	Turkish	European
Decision Making Processes	**Mean**	**Mean**	**Mean**
Importance level of financial statement data in order to set organizational goals;	4,14	4,18	3,93
Importance of financial statement data for determining optimal inventories;	3,76	3,82	3,47
Importance of financial statement data to foresee the probable liquidity and financial crisis;	4,20	4,20	4,21
Contribution level of financial statements in order to understand if the advertisements, presentations and promotions are successful or not;	3,69	3,94	2,53
Importance of financial ratios for decision making process;	4,07	4,19	3,53

Financial statements' help to managers in order to understand how the income is used in the company;	3,79	3,81	3,67
Role of financial statement analysis in measuring asset management success;	4,05	4,21	3,27
Help of financial statements when analyzing company's credit sales policy;	3,93	4,00	3,60
Contribution level of financial statements when considering company's credit sales policy;	4,00	4,06	3,71

Table 4 shows the importance level of financial statements for business decisions. For all managers the highest score is for foreseeing the probable liquidity and finance crisis, 4,20 over 5. Secondly; financial statements are helpful for setting organizational goals with a score of 4,14. The lowest mean is 3,69; contribution level of financial statements in order to understand if the advertisements, presentations and promotions are successful or not.

For Turkish managers the highest score is 4,21; role of financial statement analysis in measuring asset management success and the lowest score is 3,81; financial statements' help to managers in order to understand how the income is used in the company.

According to European managers, the highest score is 4,21; the importance of financial statement data to foresee the probable liquidity and financial crisis and the lowest score is the same as all managers.

Table 5: Evaluation of Factors Affecting Business Decisions (n=131) (mean is calculated over 5)

	All	**Turkish**	**European**
	Mean	**Mean**	**Mean**
Experience	4,46	4,51	4,27
Political and economic structure of the company	4,10	4,30	3,27
Results of financial statement analysis	4,07	4,21	3,47
Sector structure	4,03	4,16	3,47
Competitors conditions	3,87	3,95	3,53
International economic developments	3,77	3,95	3,07

Table 6: Importance Level of Financial Statements According to SME Managers (n = 131) (mean is calculated over 5)

	All	**Turkish**	**European**
	Mean	**Mean**	**Mean**
Balance sheet	4,29	4,44	3,67
Income statement	4,53	4,59	4,27
Cost of goods sold table	4,28	4,58	3,00
Cash flow statement	4,34	4,43	4,00
Statement of retained earnings	3,92	4,20	2,80
Statement of owners equity	3,83	4,11	2,67
Statement of working capital	4,17	4,38	3,33

Table 5 shows the evaluation of the factors which affect decision making. For both sides experience has the highest scores and the results of financial statement analysis is lower than experience and political and economic structure of the company. Table 6 shows the importance level of financial statements according to SME managers. Both Turkish and European managers find income statement more important than the others with a mean 4,53 over 5.

Table 7, 8 and 9 shows us the comparative behaviours of Turkish and European SME managers. For both tables 1 means unimportant and 5 means very important. When we look at table 7, for the first three variables both Turkish and European managers behave similarly. Contribution level of financial statements in order to understand if the advertisements, presentations and promotions are successful or not is differently evaluated. 47,9 percent of Turkish managers find it important on the other hand 40 percent of European managers find it less important. Role of financial statement analysis in measuring asset management success is a little bit more important for Turkish SME managers than European managers.

Table 7: Comparisons of SME Managers' Behaviours on Financial Statement Utilization during Decision Making Processes of Turkish and European Managers: Percentages for Likert Scale (n = 131)

		1	2	3	4	5	Total
		Percentage of Rankings					
Importance level of financial statement data in order to set organizational goals	Turkish	2,8	2,8	1,4	59,2	33,8	100
	European	6,7	0,0	20,0	40,0	33,3	100
Importance of financial statement data for determining optimal inventories	Turkish	2,8	12,7	15,5	40,8	28,2	100
	European	6,7	20,0	13,3	40,0	20,0	100
Importance of financial statement data to foresee the probable liquidity and financial crisis	Turkish	2,8	5,6	2,8	46,5	42,3	100
	European	0,0	13,3	0,0	40,0	46,7	100
Contribution level of financial statements in order to understand if the advertisements, presentations and promotions are successful or not	Turkish	4,2	9,9	7,0	47,9	31,0	100
	European	20,0	40,0	20,0	6,7	13,3	100
Importance of financial ratios for decision making process	Turkish	4,2	2,8	2,8	50,7	39,4	100
	European	0,0	20,0	26,7	33,3	20,0	100
Financial statements' help to managers in order to understand how the income is used in the company	Turkish	4,2	5,6	9,9	66,2	14,1	100
	European	0,0	6,7	46,7	20,0	26,7	100
Role of financial statement analysis in measuring asset management success	Turkish	4,2	5,6	2,8	39,4	47,9	100
	European	13,3	6,7	33,3	33,3	13,3	100
Help of financial statements when analyzing company's credit sales policy	Turkish	4,2	8,5	2,8	52,1	32,4	100
	European	6,7	20,0	6,7	40,0	26,7	100
Contribution level of financial statements when considering company's credit sales policy	Turkish	4,2	4,2	7,0	50,7	33,8	100
	European	6,7	6,7	20,0	40,0	26,7	100

Table 8: Comparisons of Factors Affecting Business Decisions of Turkish and European Managers: Percentages for Likert Scale (n = 131)

		1	2	3	4	5	Total
		Percentage of Rankings					
Experience	Turkish	0,0	0,0	5,6	42,3	52,1	100
	European	0,0	0,0	13,3	46,7	40,0	100
Political and economic structure of the company	Turkish	1,4	4,2	7,0	40,9	46,5	100
	European	13,3	13,3	20,0	40,0	13,3	100
Results of financial statement analysis	Turkish	2,8	2,8	4,2	52,1	38,0	100
	European	6,7	0,0	40,0	46,7	6,7	100
Sector structure	Turkish	1,4	1,4	12,7	50,7	33,8	100
	European	6,7	6,7	33,3	40,0	13,3	100
Competitors conditions	Turkish	1,4	8,5	28,2	28,2	33,8	100
	European	0,0	20,0	33,3	20,0	26,7	100
International economic developments	Turkish	2,8	2,8	31,0	38,0	25,4	100
	European	6,7	20,0	40,0	26,7	6,7	100

Table 8 shows that for variables Turkish and European managers behave similarly except competitors conditions. European SME managers do not care competitors' conditions so much when compared with Turkish.

Table 9: Comparisons of Financial Statements According to SME Managers of Turkish and European Managers: Percentages for Likert Scale (n = 131)

		1	2	3	4	5	Total
		Percentage of Rankings					
Balance sheet	Turkish	1,4	0,0	5,6	43,7	49,3	100
	European	0,0	6,7	33,3	46,7	13,3	100
Income statement	Turkish	0,0	0,0	4,2	38,1	57,7	100
	European	0,0	0,0	20,0	33,3	46,7	100
Cost of goods sold table	Turkish	1,4	0,0	4,2	33,8	60,6	100
	European	20,0	13,3	26,7	26,7	13,3	100
Cash flow statement	Turkish	0,0	4,2	4,2	42,3	49,3	100
	European	6,7	0,0	13,3	46,7	33,3	100
Statement of retained earnings	Turkish	0,0	1,4	29,6	33,8	35,2	100
	European	13,3	26,7	33,3	20,0	6,7	100
Statement of owners equity	Turkish	1,4	4,2	24,0	36,6	33,8	100
	European	13,3	40,0	26,7	6,7	13,3	100
Statement of working capital	Turkish	0,0	2,8	4,2	50,7	42,3	100
	European	13,3	13,3	20,0	33,3	20,0	100

When we look at table 9, Turkish and European SME managers find balance sheet and income statement important. Cost of goods sold table is found very important by the Turkish managers on the other hand there is not a significant importance accepted by European managers. May be this is because of European stable economy and Turkey’s fluctuating economic structure.

Conclusions

Thomas and Evanson[28] believes that from a management perspective, the rationale for use of financial ratio analysis is that by expressing several figures from financial statements as ratios, information will be revealed that is missed when the individual numbers are observed. The theory is that managers can then use this information to improve the efficiency and profitability of their operation. Associated with this theory is the implicit assumption that information from ratio analysis, especially trend analysis, enables management to foresee and possibly avoid business failure.

This study explored if the managers find financial statement data as a tool for decision making. And what is the importance of it. 131 samples examined. 71 of them are from Turkey and 60 of them are from European Union countries. According to research results, the means for all variables are higher than 2,50 over 5.00. This shows both managers use financial statement data when managing their firms. This data is also helpful for self criticism.

The samples are examined as “All”, “Turkish” and “European”. The findings showed that all the managers see financial statements as a tool for foreseeing the probable liquidity and financial crisis. Setting organizational goals follows this. The lowest score is for; contribution level of financial statements in order to understand if the advertisements, presentations and promotions are successful or not.

From Turkish managers’ side, role of financial statement analysis in measuring asset management success is at the top and foreseeing the probable liquidity and financial crisis follows this. Financial statements’ help to managers in order to understand how the income is used in the company has the lowest mean.

EU managers find financial statement data important to foresee the probable liquidity and financial crisis at the top and setting organizational goals follows this. They think that financial statement data is not an effective measurement to understand if the advertisements, presentations and promotions are successful or not.

Another point is experience. Experience is the most important factor for business decisions. Both Turkish and European managers believe like this. And results of financial statement analysis are less important than experience. European managers do not care international economic developments so much when compared with experience, political and economic structure of the company, results of the financial statement analysis, sector structure and competitors conditions. May be this is because of stable European economy.

Most important conflict, between EU and Turkish managers, is contribution level of financial statements in order to understand if the advertisements,

[28] J. Thomas- R. V. Evanson, “An Empirical Investigation of Association between Financial Ratio Use and Small Business Success”, **Journal of Business Finance & Accounting**, 1987, 14 (4), p. 555.

presentations and promotions are successful or not. Turkish managers find it an important tool but EU managers disagree with this. They find it less important.

Financial statement data is an instrument that helps managers to make their mind clear during decision making process in SMEs. Turkish and European managers mostly perceive financial statements as a helpful tool for managing their organizations.

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