

**FACTORS AFFECTING THE GROWTH OF SMALL  
AND MEDIUM SIZED TOURISM ENTERPRISE (SMETE):  
A LOGISTICS ANALYSIS AND ITS IMPACT ON  
MANAGEMENT POLICY OF OWNER MANAGER**

M. Şerif ŞİMŞEK\*  
Nedim YUZBAŞIOĞLU\*\*

**Abstract:** Failure rate of the small business is very high due to the economic climate and managerial insufficiency of entrepreneurs (owner-manager) in Turkey. Managerial skills and management practices of owner-managers are very significant factors on survival of small businesses. This study aims to provide better understanding of those factors related with both failure and success of the small businesses. To provide data for this study, small and medium sized tourism enterprises was chosen in Antalya city centre. The model produced as a result of the logistic regression was able to predict 96.25% of improving businesses and 45.00 % declining businesses. Those owner managers who keep cash receipts train employees for management positions and make customer segmentation are more successful than others

### **I. Introduction**

Much of the current interest in the small business sector is stimulated by a belief that the growth of individual small businesses can be encouraged widely throughout the economy, to provide a source of economic regeneration and employment, and create stable economic development. The failure rate of small businesses is, however, a very significant problem. Some of the businesses succeed while others fail or enter closure.

This study attempts to predict responsible management practices of the owner-manager in order to prevent closure of the businesses and to help the owner-manager take preventive action before his or her businesses fail.

### **II. The Importance of Small Firms**

Small firms make three contributions to economic growth. Firstly, an increase in the number of very small firms helps increase employment. Secondly, some of these small firms assist the rate of growth by advancing the pace of innovation, increasing the utilisation of capital and tackling projects with high risk. Thirdly, some small companies contribute to growth directly by growing into medium and large companies (Mayes and Moir, 1989: 19). Small firms are the major contributor to development in a nation's economy and are a

---

\* Prof. Dr. Selçuk Üniversitesi İİBF İşletme Bölümü

\*\* Dr. Niğde Üniversitesi İİBF İşletme Bölümü

hope for the future. They are a source of new products, services, wealth and jobs (Birley, 1986:36).

On the other hand, *grow or die* is the dominant rule for today's small and medium sized businesses (Lief and Kilkeary, 1991: 22). Some firms remain small for years while other small firms grow into medium sized, or even large businesses in a relatively short period (Fiorito and Greenwood, 1986: 44; Jenkins, 1993). Various factors (e.g., characteristics of the owner-manager, management practices, internal and external barriers to growth) can be responsible for the growth or decline of businesses.

Being an owner-manager of a small business necessitates the simultaneous carrying out of both a managerial and entrepreneurial role. A consequence of this is that the managerial practices of the owner-manager are an important determinant as to whether the business will decline or grow. Dun & Bradstreet (1975) state that 93.1% of business failures are due to inadequate management. The motivations of the owner-manager and management style adopted affect business growth and decline (Storey, 1993:18). Peterson et. al., (1983:15-19) claimed that the main cause of failure was a lack of management expertise, and cash flow.

Caw and Oven (1987: 20) believe that the failures profile of small businesses varies from one sector to another in which business are operating.

Under capitalisation is the primary problem in the manufacturing sector while it is not significant in other sectors. For wholesaler, the causes include poor facilities, obsolete products, machinery and suppliers, while in retailing the causes are, marketing, sales management and poor quality product and services. The catering and hotel and leisure sector has a very different failure profile. Operational management problems are the primary causes of failure in nearly half of the businesses, and the poor state of the local economy in nearly a third. Short term liquidity and bad debts are less of a problem. Furthermore, Moncars and Kron (1993: 175) explained that incompetent management led to failure and problems for businesses in the tourism sector.

Peters and Waterman (1991: 43) argued that management practices should not be practised for the sake of doing them, if they can be done by another person (professional manager) or employee. If an owner-manager does not know how to interpret financial or account related information, they may not be able to solve the business's problems. As a result of this the business may get into trouble and finally enter closure. Training may help the owner-manager take preventative action before the business enters closure by improving management skills.

### III. Methodology

There is no generally accepted list of variables for use in forecasting business success or failure (Lussier, 1995). Nevertheless, various characteristics

of the entrepreneur such as experience, motivation, and leadership style can contribute to the decline or improvement of the business. The Small Business Administration (SBA) Manual published between 1990 and 1991 divided management practices into the following categories. These are:

- Planning
- Record keeping
- Debt collections practices
- Marketing and customer satisfaction practices, effective selling, sales promotion, service delivery to customers
- Personnel management, communication management
- Use of outside advisors

The above management practices were used as independent variables, with the business's status being the dependent variable.

**The Dependent variable (*Status*):** the owner-managers surveyed were asked to classify their business status as being one of three categories, declining, maintenance (neither growing or declining), and growing. As the aim of the study was the determination of which factors affect business growth or decline, only those businesses whose status was classed as being in either growth or decline were included in the analysis. The dependent variable, therefore, is a dichotomous one having categories, "Declining" or "Growing."

In order to make predictions about a categorical dependent variable from the independent variables a statistical method known as logistic regression was used by the study. And to meet the requirement of multiple regression, nominal variables turned into dichotomous variables; (two-categories) can be treated as interval variables, value name can be coded as 1 and others 0 (Aldrich and Nelson 1984; Reynolds, 1986; De Vaus, 1996).

Both bivariate and multivariate analysis of the data was performed in response to Lussier (1995) who indicated that bivariate tests of difference between failed and successful is not clear and may be contrasting. Multivariate tests aid in the understanding of the variables that are significant, and the direction of the relationship. Due to the nominal nature of the data the appropriate bivariate analysis was a chi-square, while the multivariate analysis took the form of a logistic regression. The significant chi-square values are listed in the tables in the Appendix.

**Sampling methodology:** the author constructed a list of businesses in the Antalya region of the Mediterranean Sea in Turkey. Sources included the Antalya Union of Chambers of Commerce, Antalya Union of Pensions and Motel Owners, and Union of Business Owners Association. The majority of the list, which covered 600 businesses, provided by the above organisations did not meet the requirements of the definition of a Small Firm, 300 business fitted the definition. Data was generated from 200 SMETEs, which were defined on the basis of the number of employees. Those businesses employing less than 9

employees were classed as very small businesses, between 9 and 50 as small businesses, and between 51 and 100 employees as medium sized businesses.

The literature review suggests that business failure may be different from the failure of an owner-manager. Business failure can be defined by three situations: firstly, closure of the premises where trading has ceased; secondly, transfer of the business to another owner; third, a significant change in the type of activity operating on site (Wilson and Stanworth, 1987). Entrepreneurial failure means that the owner-manager is unable to pay off debts in full and becomes personally bankrupt. Storey (1990) argued that previous work experience indicates that they might have experienced more than one failure.

Altman (1983) defined failure as insolvency, indicating negative performance by the firm; a situation where a firm cannot meet its current obligations, signifying a lack of liquidity. It is often seen as a temporary condition, but it may be the cause of a formal bankruptcy declaration, which can be viewed as the final stage. Gupta (1988) defined failure as a process of falling sick, giving the collapse of a bridge taking place over a period of time as an example. Before the final stage is reached, the owner-manager of the business should take curative action.

This study also applies the definition of failure as a process of degrading health, and predicts the factors which may be responsible for either the decline or improvement of SMETE before they reach the final stage (closure).

#### **IV. Goodness of Fit: -2 Log Likelihood**

The probability of the observed results, given the parameter estimates, is known as the likelihood. The results of the logistic regressions are shown below. It should be noted that the smaller the value for the -2 LL the better the model fits the data. 2 LL is the customary measure of how well the estimated model fits the data. A perfect fit gives a -2LL of 0. Significant chi-square values for the -2 LL indicate that the model differs significantly from the theoretically perfect model. A non-significant value indicates that the model does fit the data well.

#### **V. Model Chi-square**

This is the difference between the -2LL for the model with constant only (or model without any variables if there is no constant) and the current model. The model chi-square tests the null hypothesis that the coefficients for all of the terms in the current model, except the constant, are 0. A high chi-square value indicates that the variables in the equation significantly impact on the dependent variable; equivalent to the overall *F* test for regression. The degrees of freedom for the model chi-square is the difference between the number of parameters in the two models.

### VI. Improvement

This is the change in  $-2LL$  between successive steps of building the model; and tests the null hypothesis that the coefficients for the variables added at the last step are 0. Comparable to the  $F$ -change test in multiple regression.

### VII. Variables in the Equation

Tables below display a summary of the effects of the variables in the regression equation. The *Constant* variable indicates the constant  $B_0$  term in the equation. The definitions of the terms in the table are paraphrased from "SPSS/PC+ Step by Step" (George and Mallery, 1995).

**B:** the weighting value of  $B$  in the regression equation; the magnitude of  $B$ , along with the scale of the variable that  $B$  is used to weight, indicates the effect of the predictor variable on the predicted variable.

**EXP(B):**  $e^B$  used to help in interpreting the meaning of the regression coefficients.

### VIII. Results and Discussion

Table 1. Results of the logistic regression of management practices and marketing strategies

-2log Likelihood	64.970		
Goodness of Fit	74.601		
	Chi-Square	DF	Significance
Model Chi-Square	35.111	4	.0000
Improvement	7.528	2	.0232

Table 2. Classification Table for STATUS

	Declining	Improving	Percent Correct
Declining	9	11	45.00%
Improving	3	77	96.25%
Overall			86.00%

Table 3. Variables in the Equation

Variables in equation	B	S.E	Wald	Df	Sig	R	Exp(B)
Customer segmentation (Yes)	1.2333	.4935	6.2449	1	.0125	.2059	3.4325
Customer segmentation (No)	-.7750	.5120	2.2912	1	.1301	-.0539	.4607
Keep cash receipts (Yes)	1.7250	.4577	14.2072	1	.0002	.3492	5.6125
Train staff for management (Yes)	1.2401	.3839	10.4352	1	.0012	.2903	3.4560
Constant	.0181	.3927	.0021	1	.9632		

**The model:  $\text{Logit}=1.2333(\text{Customer segmentation Yes})-.7750$   
 $(\text{Customer segmentation No})+1.7250(\text{Cash receipt})+ 1.2401$   
 $(\text{Train staff for management})+0181 (\text{Constant})$**

The model produced as a result of the logistic regression was able to predict correctly 86.00% of the observed values of the dependent variable, with a -2 LL of 64.970. The model was able to predict successful businesses with a greater success rate than declining businesses. Predicting 96.25% of improving businesses and 45.00 % declining businesses.

The following management practices were found to be the best predictors as to whether a business's situation would decline or improve

Keep cash receipts (Yes).

Train employees for management positions (Yes).

Customer segmentation (Yes).

These three management practices were found to have a positive impact upon the dependent variable, i.e., increased the likelihood of a business improving. Failure to evaluate the customer's behaviour towards their service or product by owner-managers (represented by Customer segmentation (No)) was found to have a negative impact upon their businesses status. Therefore, owner-manager who did not evaluate customers' behaviour towards their services and products increase the likelihood of business failure.

**Cash receipt practices:** the practice of keeping cash receipts was the only significant record keeping practice. While the regression model dropped the other record keeping practices, the majority of the practices exhibited some degree of association as shown in the chi-square tests. The model shows that keeping cash receipts has a positive effect on the dependent variable. In other words owner-managers who keep a record of their cash receipts helped their business improve.

The above agrees with Resnik (1988:131), who argued that the owner-manager and a CPA (Certified Public Accountant) must make sure that they give close joint attention to the accounting, in order to generate more cash and manage the assets productively. The decisive accounts in small businesses are,

Other record keeping practices may be controlled by using receipts collected from suppliers and customers. This practice may help prevent the business suffering from a lack of operational finance (cash liquidity) which is considered as one of the causes of business failure. On the other hand, those owner-managers who keep the cash receipts may like to analyse and control the financial statements of their business (SBA Fm10, 1994:1-13).

"A business is a business is a business. If you can read the financial statements, you can manage anything. The people, the products, and the services are simply those resources you have to align to get financial results."

Peters and Waterman (1991:43)

The above quotation reveals the fact that the owner-manager must know how to interpret financial data and even some of the practices fulfilled by a salaried employee or professional. An owner-managers who are able to analyse information about the business can take preventative action, before the business reaches a critical failure stage, to improve the business.

**Train employees for management positions:** training employees for management positions was found to have a positive impact upon business status. Training may improve the managerial or operational skills of employees whether assigned to a management position or serving customers.

Gilbert and Joshi (1993:149-168) explained that more than 50% of personnel interact directly with the customer. Furthermore, the authors argued that developing and educating the people who are recruited to supply services is crucial, many service companies organise their own schools, as shown by the Holiday Inn University, and McDonald's Hamburger University. The service capabilities of the employees may, therefore, well be important factors both in the satisfaction of the customer and the overall performance of service businesses.

Resnik (1988:88) also argued that good employees are a significant factor in the success of small businesses when he stated:

“Successful ventures are collective, team efforts. Other than your own vision, energy, and managerial capability, productive employees are perhaps a small firm’s most important asset... You alone are responsible for hiring and managing the staff. But good employees make good managers... When they don’t perform what has to be done to meet the business’s objectives, you are in serious trouble... First rate employees fill the gaps in your experience, interest, and skills. They allow you to concentrate on the things only you as owner-manager can do and the things you do best as well. They spare you from concern that key areas of the business are being neglected or attended to inadequately.”

Resnick (1988) states that employees are integral to establishing an energetic work environment and high staff morale, they initiate valuable ideas that improve profit. Employees in managerial positions set examples that others tend to follow. This way, owner-managers may have a chance to prevent possible alienation of employees towards the business due to a lack of prospects for them. In family businesses, however, the owner-manager may want to choose trusted employees from within the family even if they are not suitable for the job (Kirchof and Kirchof, 1987).

**Customer segmentation:** Kenny and Dyson (1989: 18) produced a definition of modern marketing for small businesses as follows.

- The firm should be prepared to identify customer needs and wants.
- The firm should adapt its operations to achieving customer satisfaction in a manner which gives the firm a distinct competitive edge.

The above authors argued that satisfaction equals profitability and if a firm can deliver more satisfaction than its competitor, the greater the profit potential.

The above definition of marketing is customer oriented and supports the definition of the marketing approach of Rice (1991). In order to meet the customer's needs or wants, the owner-manager must understand the customer's desires.

SBA<sub>MT-2</sub> (1990) explained that owners of small businesses have limited resources to spend on marketing activities. Concentrating their marketing efforts on one or a few key market segments is the basis of target marketing. The major ways to segment a market are, in this view, as follows.

*“Geographical segmentation: specialising in serving the needs of customers in a particular geographical area (for example, a neighbourhood convenience store may send advertisement only to people living within one -half mile of the store).*

*Customer segmentation: identifying and promoting to those groups of people most likely to buy the product. In other word, selling to heavy users before trying to develop new users.”*

Crane (1990:7) described the major variables that can be used to segment a market: customer characteristics-including geographic (where the customers live), demographics (age, gender, income, family size) and psychographics (personality and lifestyle); and the buying situation - including benefits sought by consumers and usage rates.

Clearly, segmenting customers according to their needs is a beneficial practice, as not doing so had a negative impact on businesses status.

Resnik (1988:58) explains the importance of contact, evaluation and feed back from the customers as follows. Care for the product, respect for the customer, and a healthy fear of the threat of a service-oriented competitor flow from attitudes and values. But good service also requires action.

*“Service means personalised contact with the customer. This requires a smile and friendliness, and a greeting that tells the customers they are a guest not intruders. It requires courtesy. It implies those special attentions and extra efforts that make a difference. It requires apologies when you have erred and remedial actions to show you mean it. It requires a contagious desire to help the customer, and not simply a mechanical, surly, and intrusive, *may I help you?*”*

The results of the study indicates that factors related to customer satisfaction have a significant impact on the status of the SMETE. The study supports the argument by Poon (1994: 91), that future tourism puts the customer first and will be characterised by a flexibility of product, the development of innovations, and will strengthen the firm's strategic position.

### IX. Conclusion

From the results of the model, an owner-manager will have a greater chance of succeeding if he carries out the following management practices: keeping records of cash receipts; train employees for management position; and segmenting their customers in order to provide services and products the customer wants.

It may be concluded that the study can provide owner-managers, and personnel reorganisations of business management style, changing the organisational climate. The study ,therefore, guidelines to help prevent businesses from entering closure. A longitudinal study of the participating businesses for two or three years is highly desirable as it would enable reliability testing of the model produced.

**Özet:** Bu makale örgütsel iklimin oluşumuna dönük yaklaşımları incelemiştir. Çalışmada yapısal, algısal ve etkisel olarak literatürde karşımıza çıkan üç farklı bakış açısı tanımlanarak irdelenmeye çalışılmıştır. Ayrıca "Kültürel Yaklaşım" olarak isimlendirebileceğimiz bir bakış tarzı geliştirilmiştir. Bu yaklaşım, örgütsel iklimin örgüt kültürünün belirlediği örgüt yapısı içerisinde etkileşimde bulunan bireylerin içsel özelliklerinden kaynaklandığını iddia eder. bu tür bir yaklaşım tarafından örgütsel iklimin şekillendirilmesi nispeten yenidir. Ayrıca bu çalışmada örgütsel iklim ile örgütsel kültür arasındaki farklar da incelenmiştir.

### References

- Aldrich, J. H. and Nelson, F. D. (1984) **Linear Probability, Logit and Probit Models**, London: SAGE Publication.
- Altman, E. I. (1983), *Corporate Financial Distress*, New York: John Willey & Sons.
- Caw, M., Oven M., Reimer, T., and Yates (1987) *The London Business School First year project: A Study to Determine the Reason for Failure of Small Business in the UK*. London
- Deeks, J. (1976) **The Small Firm Owner Manager: Entrepreneurial Behaviour and Management Practice**, New York: Praeger Publishers.
- DeVaus, D. A. (1996) *Surveys in Social Research*. London: UCL press.
- Dun & Bradstreet (1975) "Patterns for Success in Managing a Business" in *Encyclopaedia of Entrepreneurship*, Englewood Cliffs, N. J Kent.
- George, D., and Mallery, P. (1995) *SPSS/PC+ Step by Step*, California: Wadsworth Publishing Company.
- Gilbert, D. C., and Joshi, I. (1993) "Quality Management and the Tourism and Hospitality Industry" in C. P. Cooper and A. Lockwood (Ed), *Progress in Tourism Recreation and Hospitality Management*, 149-65, London: Belhaven Press.
- Gupta, L. C. (1988) *Controlling Corporate Sickness: Lesson from Experience for Manager and Bankers*, Delhi: Oxford University Press.4 -10

- Jenkins, M. (1993) **Thinking about Growth: A Cognitive Mapping Approach to Understanding Small Business Development**, The Cranfield School of Management Working Paper Series SWP12:1-10.
- Kenny, B., and Dyson, K. (1989) **Marketing Small Businesses**, London: Routledge.
- Kirzner, I. M. (1973) **Competition and Entrepreneurship**, Chicago: The University of Chicago Press.
- Lief, T., and Kilkeary, N. (1991) "Adjust Small Firm Philosophies Through Barriers", *Public Relation Journal*, 8, 4, pp. 268-81.
- Lussier, R. N. (1995) "A non financial Business Success Versus Failure Prediction Model for Young Firms", *Journal of Small Business Management*, pp. 8-20.
- Mayes, D. G. and Moir, C. B. (1989) "Small Firm in the UK Economy", *The Royal Bank Of Scotland Review*, 164, pp. 15-33.
- Moncarz, E. S. and Kron, R. N. (1993) "Operational Analysis: Case Study of two Hotels in Financial Distress", *Int. J. Hospitality Management* 12, 2, pp. 175-96.
- Story, D. J. (1994) **Understanding The Small Business Sector**, London: Routledge.
- Rice, F. H. (1991) **Marketing Strategies for the Growing Business**, Emerging Business Series, Washington, D.C: SBA.
- Peters, T. J. and Waterman, J. R. H. (1991) **In Search of Excellence: Lessons from America's Best-Run Companies**, Glasgow UK and USA: Harper Collins Publisher.
- Poon, A. (1994) "The 'New Tourism' Revolution". *Tourism Management*, 15, 2, pp. 91-93.
- Resnik, P. (1988) **The Small Business Bible**, New York: John Wiley & Sons, inc.
- SBA, F. (1990) **ABC of Borrowing: Financial Management Series**, Washington D.C: SBA.

**SE:** standard error a measure of the dispersion of *B*.

**WALD:** a measure of the significance of *B* for the given variable; higher values, in combination with the degrees of freedom, indicate significance.

**SIG:** the significance of the WALD test.

**R:** the correlation of the independent variable with the dependent variable; this is a partial correlation, indicating the correlation *independent* from other variables in the equation.

# İŞLETMELERDE MALİYET DÜŞÜRME YAKLAŞIMI: KAİZEN (SÜREKLİ İYİLEŞTİRMEYE YÖNELİK) MALİYETLEME YÖNTEMİ

Fatih Coşkun ERTAŞ\*

**Özet:** Bu çalışmada, işletmelerde maliyet düşürme yaklaşımı olarak Kaizen Maliyetleme Yöntemi incelenmiştir. Kaizen, Japonca bir kavram olup, bir ürünün sürekli iyileştirmeye yönelik gelişmelerini ifade eder. Toplam Kalite Yönetimi anlayışı doğrultusunda, yüksek kalite ve düşük maliyet ilişkisi, aynı zamanda Kaizen Maliyetleme Yöntemini gerektirir. Dolayısıyla, Kaizen Maliyetleme Yöntemi, maliyet azaltmaya yönelik bir yaklaşım olup, yürütülen Kaizen faaliyetleri ile de ürün kalitesinin yükseltilmesini ve üretim proseslerinin gelişmesini sağlar. Son yıllarda ülkemizde kalite konusunda önemli gelişmeler olmaktadır. Bu bağlamda, sanayi işletmelerinin düşük maliyet ve yüksek kaliteyi gerçekleştirmeleri Kaizen Maliyetleme Yöntemini uygulamalarına bağlı olacaktır. .

## I. Giriş

Şüphesiz işletmeler başlangıçta mükemmel olmayabilirler. Ancak yoğun rekabet ortamında, şayet ortada yapılabirlik varsa, daha iyisini yapmak zorunlu olabilir. Bir başka ifade ile, işletmeler izleyen süreçte bilinmeyenleri ard arda yok ederek, hataları da azaltabilirler.

Bu bağlamda, rekabetin giderek artması ve ulusal boyuttan uluslararası boyuta taşınması sonucunda, işletmelerin hata yapmaması ve buna karşılık mükemmelliğe ulaşma çabaları kalite kavramını doğurmuştur. Sınırları sürekli biçimde genişleyen bu kavram, işletmelerde aynı zamanda devamlı gelişmeyi de gerekli kılmaktadır. Yani, bir işletmede kalitenin uygulanması ve özümsemesi, büyük ölçüde sürekli kalite iyileştirme ve geliştirme faaliyetlerine bağlıdır.

Bu amaçla, çalışmada, işletmelerde kalite anlayışı doğrultusunda sürekli iyileştirmeye yönelik faaliyetler ile maliyet ilişkisi incelenecek ve yeni bir kavram olan Kaizen (Sürekli İyileştirmeye Yönelik) Maliyetleme Yöntemi üzerinde durulacaktır.

## II. Kaizen

Son yıllarda, kalite anlayışı konusunda çok şeyler değişmiş ve batı yüzünü doğuya çevirerek, geleneksel Taylor Modeli yerine başta Japonya olmak üzere bir çok ülkede başarıyla uygulanan Toplam Kalite Yönetimini benimsemeye başlamıştır. Yani, Taylor Modeli'nin "üret, kaliteyi kontrol et, bozuklukları ayıkla, sat" anlayışı, yerini Japon kalite modeli olan "hiç bir aşamada hata yapma" ilkesine bırakmaya başlamıştır (İTKİB, 1993: 5).

\* Yrd. Doç. Dr. Gaziosmanpaşa Üniversitesi İİBF İşletme Bölümü