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DEPARTMENT OF BUSINESS ADMINISTRATION



**“MANAGEMENT TRAINING ACTIVITIES IN SMALL AND MEDIUM
SIZED ENTERPRIZES IN NORTH CYPRUS”**

MAN 400

GRADUATION PROJECT

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ABSTRACT

The topic of management training in small and medium sized enterprises (SMEs) is relatively under researched, but has become more popular over the last few years. It is important to have an understanding of the factors that have an influence on the take-up of management training in SMEs because SMEs play an important role in the economy of any country.

This study investigates whether SMEs in North Cyprus conduct management training. A total of 78 SMEs took part in the study. Results indicate that management training was more widespread than had been anticipated. Around 70% of the respondents conducted management training, however the training conducted was related to the development of the technical abilities of the managers and not related to the development of their managerial abilities. The literature emphasizes that for small and medium sized businesses to be successful managers with adequate managerial knowledge and skills must support them, and that managerial problems are the root of the most frequently voiced reasons for the failure of the SMEs in developing countries.

Results indicate that the sector in which the SME operates has a statistically significant influence on management training, however ownership, age, and size of the firms did not have a statistically significant influence on management training. Service organizations conduct more management training when compared to manufacturing organizations. Also, SMEs with members of the founding family in the management take-up management training more than those without a member of the family in its management. Additionally, SMEs that have been in service for more than 5 years are more likely to conduct some form of management training, and the largest percentage of SMEs that conduct management training

were medium sized. All of the respondent firms consider there to be a link between management training and business success.

Key words: management training, small and medium sized enterprises, human resource management.

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CHAPTER I

INTRODUCTION

1.1 Introduction:

This chapter introduces the statement of the topic to be studied, the problem situation, the problem statement, and the objectives of the study.

1.2 Statement of the Topic:

The increasing magnitude and significance of SMEs is a recognized feature of most nations. Of the 20 million firms in Europe, 99% are small and medium enterprises that employ less than 250 people and account for two thirds of the European workforce. Over the past few decades, environmental changes such as globalization and technological developments surround all businesses. These changes may pose as a particular challenge to SMEs because their ability to maintain their position against larger competitor may become limited. In fact, Europe's policy makers are concerned with improving the quality of management in the SME sector. Thus Gupta and Cawthon (1996) suggest it is often small business managers who require the most training. That is, SMEs need to have better trained managers knowledgeable in managerial activities. However, it is generally assumed that SMEs are too preoccupied with entrepreneurial activity and/or survival to take a sustained interest in management development. According to Snell and Lau (1994) there are differences in management competencies for the growth of small businesses in comparison to larger businesses. According to Dart et al (1990), SME managers should have knowledge in financial management, human resource management, and marketing management.

The topic of training and development in small business is relatively under – researched.

Despite the emphasis on the importance of small businesses and the need to enhance skill levels, research into training and development in SME's has been relatively neglected by academics (Pettigrew et al., 1990). It is generally assumed that training and development is a good thing for SME's and that it will enhance their business performance (CBI, 1986; 1993; Midland Bank, 1993 Small Business Bureau, 1993; Jennings and Banfield, 1993). However, research by Barclays Bank (1994) has identified that, during their first three years of operation, only 23 per cent of small businesses made any form of investment training and development for any employee category.

Despite this widely held view that training and development would be beneficial for small businesses, Storey and Westhead (1997) have questioned the validity of the evidence used to support it, and have attempted to explain why small businesses are less likely to engage in training and development than large organizations. However, they concluded that further research is required to gain an enhanced understanding of the factors influencing the purchase by small firms of (managerial) training (Storey and Westhead, 1997).

1.3 Problem Situation:

Northern Cyprus is a small economy where 97% of businesses are defined as small (SPO, 1988). To date, no research evidence has been witnessed on the training and development needs of the small businesses in Northern Cyprus.

1.4 Problem statement:

This proposed study aims to ascertain whether small and medium sized businesses in Northern Cyprus consider there to be a link between training and development and businesses benefits, and whether they conduct any form of management training and development.

1.5 Objectives of the Study:

- Do SME's in North Cyprus make investment in management training and development?
- If so, what kind of management training is conducted?
- Do SME's in North Cyprus perceive a link between management training and business success?

1.6 Conclusion:

This chapter introduced the statement of the topic to the studied, the problem situation, the problem statement and objectives of the study.

CHAPTER II

A BREIF LITERATURE REVIEW: TRAINING AND DEVELOPMENT IN SMEs

2.1 Introduction

This chapter gives a brief literature review of the training activities in SMEs.

2.2 Training

Training refers to a planned effort by a company facilitate employees' learning of job-related competencies. These competencies include knowledge, skills, or behaviors that are critical for successful job performance. The goal of training is for employees to master the knowledge, skill, and behaviors emphasized in training programs and to apply them to their day-to day activities. Recently it has been acknowledged that to gain a competitive advantage, training has to involve more than just basic skill development. That is, to use training to gain a competitive advantage, training should be viewed broadly as a way to create intellectual capital. Intellectual capital includes basic skills (skills needed to perform one's job), advanced skill (such as how to use technology to share information one's job with other employees), an understanding of the customer or manufacturing system, and elf-motivated creativity (Noe, 1999).

Many companies have adopted this broader perspective, which is known as high-leverage training. High-leverage training is linked to strategic business goal and objectives, uses a compares or benchmarks the company's training programs against training programs in

other companies. Continuous learning requires employees to understand the entire work system including the relationship among their jobs, their work units, and the company. Employees are expected to acquire new skills and knowledge, apply them on the job, and share this information with other employees (Noe, 1999).

2.3 Development

Development refers to formal education, job experiences, relationships, and assessments of personality and abilities that help employees prepare for the future. Because it is future-oriented, it involves learning that is not necessarily related to the employee's current job.

Development helps prepare them for other position in the company and increases their ability to move into jobs that may not yet exist. Development also helps employees prepare for changes in their current job that may result from new technology, work designs, customers, or product markets. Development may be mandatory for employees who have been identified to have managerial potential. However, most employees must take the initiative to become involved in development. Both training and development will be required and focus on current and future personal and company needs (Noe, 1999).

2.4 Training and Development

Training and Development was not viewed as an activity that could help companies create “value” and successfully deal with competitive challenges. Today that view has changed. Companies that use innovative training and development practices are likely to report better financial performance than their competitors that do not. Training and development also helps a company to meet competitive challenges. For example, as companies attempt to expand into foreign marketplaces, their success will be determined by employee’s ability to work in a new culture.

Costumers are demanding high-quality products and services. As a result, employees must understand how to monitor and improve that quality of goods and services (a quality challenge). Many companies have decentralized operations and have employees working at home, as they travel, and at different hours. Companies are also trying to better utilize employee’s talents through new work designs (such as work teams) and new technologies such as computer-assisted manufacturing processes (a high-performance work system challenge). Although many companies are interested in using high-performance work system practices including teams and computers, employees may not possess the skill levels for these systems to be effective. Training and development plays a key role in helping companies meet these challenges! To do so, companies need to train employees to work with persons from different cultures both in the United states and abroad. New technologies such as Web-based training and multimedia reduce the costs associated with bringing employees to a location for training

Companies want a force that is motivated and productive, has up-to-date skills, and can quickly learn new skills needed to meet changing customer needs. Employees want to develop skills that not only are useful for their current jobs but also are congruent with their personal interests and values (A.Noë, 1999).

2.5 Training and Development in Small Medium Sized Enterprises

Upgrading the skills of all types of workers, including managers, is central to firm performance in knowledge-based economies. The quality of management is particularly important for small and medium sized enterprises which must be able to adapt quickly to evolving markets and changing circumstances, but which often have limited resources. Such constraints also put limits on their ability to engage in training, even though studies indicate that there is a positive correlation between the degree of management training and the bottom-line performance of a SME. There is evidence that formal management training can reduce the failure rates of small firms, which are far more likely to fail than larger firms, particularly in the early years. These are the findings of studies conducted in Canada, Finland, Germany, Japan, the U.K., and U.S., (Gray, 2004).

For a variety of reasons, smaller firms are less likely than larger firms to provide external training to all grades of workers, including managers. In addition to financial constraints, information gaps make smaller firms less aware of the benefits they would obtain from management training and few see training as a strategic tool. Due to higher turnover in managerial staff, small firms may not realize the same benefits from training investments as larger firms. And since training providers must group a number of SMEs together to

realize scale economies, such as generic training may be of more limited value to a small firm than to a larger firm receiving more targeted courses.

For these reasons, and to realize the social benefits from high-performance SMEs, many governments have implemented programs to enhance SME management training.

2.6 Factors Influencing Training and Development in SMEs

According to the literature, with particular emphasis on the Loan-Clarke et al (1999) study, it can be said that there are a range of variables that are considered to be potentially influential to investment in management training. For this study the following four variables were derived;

2.6.1 Industrial sector

Wong et al. (1997) suggested that different industrial sector have different training requirements. In relation to training and development, they propose that service sector SME's may place greater emphasis on training to maintain customer relationships.

2.6.2 Ownership

The influence of ownership has been noted by various researchers. Martin and Staines (1994) have identified that owners and partners place more emphasis on technical rather than managerial skills, whereas non-owner manager reversed the relative importance of these two factors. This may be because non-owner managers are interested in career

progression, e.g. into management. It may also be the case that owner-managers feel threatened if their subordinates develop their managerial competence. Therefore it was hypothesized that the more distant the form of ownership from personal ownership (e.g. managing a subsidiary of a large organization), the greater the investment in MTD. Cromie et al. (1995) have identified that (Irish) family firms were less keen on formal management training than non-family firms. Therefore, it was hypothesized that where the founding family continued to be involved in the management of the business there would be less training and development.

2.6.3 Age

Storey (1994) has suggested that, as the survival rates of small firms are significantly poorer than those of larger organizations, the small firm may not be in existence to see a return on its investments in training and development. Because benefits from training are generally considered to occur in the long rather than the short-term, it is argued that the older the organization the more likely it is to invest in management training.

2.6.4 Size

Perhaps the most consistent finding in SME's research is that the larger organization, the more likely it is to engage in training (Cambridge Small Business Research Centre, 1992; Marshall et al. 1995). Small businesses are likely to be more financially constrained than larger organizations and thus be less inclined to purchase a product that they may not consider to be essential.

2.7 Conclusion

This section gave a brief literature review of the training activities in SME's. And the following section gives a Theoretical Framework of training activities in SME's.

CHAPTER III

SMALL AND MEDIUM SIZED ENTERPRISES

3.1 Introduction

This chapter gives a brief review of the SMEs in general and SMEs in North Cyprus.

3.2 Defining Small Business

Small businesses are the most common form of business worldwide, but researchers have always had difficulty in satisfactorily defining them and separating them from larger firms. As most small business researchers would argue, a small firm is not just one that is smaller than a larger organization; it is also a business that is often managed and run in ways fundamentally very different from a large corporation (Schaper and Volery, 2004).

3.2.1 Generic definitions

There are essentially two broad ways in which to define a business. The first approach is to focus on the qualitative or intangible characteristic of the firm, in other words, the way in which it does things, and how it is managed. This is a useful mechanism for understanding how a small firm is organized, how it operates, and who runs (or manages) it on a day-to-day basis.

During the last 30 years, a number of qualitative criteria have been suggested as key defining features of a small firm. In a general sense, a business has been regarded as small if it has the following characteristics:

- It is independently owned and operated.

- The owners contribute most, if not all, of the operating capital.
- The main decision – making function rest the owners, who usually also ork full time in the firm (accordingly, they are often referred to as owner – managers).
- The business has only a small share of the market in which it operates (Schaper and Volery, 2004).

Qualitative definitions are very useful in helping to understand the nature of the business, the role of the owner, and how the business is run, since such an explanation focuses on the people who work within the firm and who control the firm, and the way they behave. However, it can be extremely difficult to measure and analyze these characteristics, since such qualitative definitions are often based on subjective concepts.

The alternative is to look at some quantitative aspects of the business. These are empirical measures that are relatively easy to define and measure. Some common quantitative variables which are used to categories and short business include;

- the number of staff (if any) that work in the firm
- annual level of wages and salaries expenditure
- legal structure of the firm
- the total annual turnover (sales revenue) that the business generates
- the dollar value of the total assets (such as office equipment, factory machinery and/or property) that the business owns
- the share of ownership that is held by the owner – managers (Schaper and Volery (2004).

3.2.2 National Definitions of Small Business

Collectively micro-enterprises, small businesses and medium-size firms are referred to as SMEs (small and medium-sized enterprises). The term “small business” and “SME” are sometimes used interchangeably by academic researchers, since medium-size firms share many of the characteristics of their smaller counterparts.

3.3 Characteristic Features of a Small Business

Apart from formal definitions, there are several other characteristics that separate small firms from other types of business. Many of these also indicate that the art of establishing and managing a successful small firm is often quite different from the skills required in managing larger firms, government agencies or not-for-profit organizations.

3.3.1 General Aspects

A number of features are typical of most small enterprises:

- Owned by just one or two individuals.
- Financing provided by the owner.
- Limited life span.
- Sometimes run on a part-time basis.
- A low level of net profit.
- Limited product or service offering.
- Often home-based.
- Geographically limited to one or two locations.

- Often a family-based business.
- Located only in the private sector.

3.3.2 Differences between Small and Large Business

Small organizations are not just 'shrunk' large enterprises. There are often substantial differences between large and small firms. These variations are not just about the size of the firm. They also related to many aspects of the organizations activities, operations and management methods. Some of the major differences have been statistically measured, and the following are features of small business:

- More female owner-managers.
- Managers have fewer qualifications.
- Fewer union employees.
- Fewer hours of operation each week.
- Less likely to use formal management improvement and planning.
- Less likely to access government assistance.
- Less likely export.
- Use less external financing.
- Less likely to want to grow bigger.
- More likely to fail.
- Differences in managerial perspectives.

3.4 Factor Leading to Success and Failure

The process of small business formation or development is a hazardous process, and it seems logical to conclude that the risk of failure will be high, especially in the early years of a business's existence. At the macro (economy-wide) level, the turnover of firms is a natural and inevitable phenomenon in any market-based economy, and has a number of beneficial effects.

Management competencies relate to managing key functions of the enterprise. Research indicates that problems in young firms are most likely to arise in the areas of marketing, finance, and the management of people. The competency to deal with these areas depends particularly on the owner-manager in the early years of the venture when they are less likely to employ specialists. According to Watkins (1982), in his study of events that particularly threatened the survival of small ventures, the percentage of small businesses studied experienced crises in marketing (38.1 %), finance (32.2%), managerial (14.3%), personnel (13.0%), "act of god" (10.4%), and no crises (18%). Also, in a study of surviving small firms Cromie (1991) concluded that small, young organizations experience problems particularly in the areas of accounting and finance, marketing, and the management of people.

3.4.1 Managerial Activities in SMES

Snell and Lau (1994) found differences in management competencies required for growth in small firms in comparison to larger sized businesses. According to Dart et al (1990),

they must have knowledge in financial management, human resource management, and marketing management.

- Financial Activities: most SMEs need a financial resource to fund production.

These resources are either in the form of debt, the cost of which is the interest paid, own saving, or in the form of equity which has a cost represented by the providers required fixed or unfixed return. In a study conducted by Bates (1971), it was concluded that small firms tended to be more self-financing, had lower liquidity, rarely issued stock, had lower leverage, relied on bank financing and used more trade credit and owner's loans. Another study by Renfrew (1982) indicated that small firms relied heavily on proprietors' equity, retained profit and trading bank finance. A study by Gibson (2001) suggested other five categories of small firms with regard to their dominant source of finance, namely trade credit debt, bank loan debt, related persons debt, working owner equity and other debt or equity such as venture capital, credit card or government loans. Also, Mohd Khairuddin and Syed Azizi (2003) found that five tools of financial analysis were used for the important objectives of the firm such as sales target, market share, return on investment, net profit and growth target.

- Human Resource Activities: The development of HRM has its origins in the large manufacturing sector and much of the literature reflects this. According to Price (1994), the majority of examples of good personnel practices were found relatively large employers and that these employers were clearly "improving their personnel practices as well as recognizing the need for management training. The

HRM practices in small firms were very informal and normally they see very little need for formal arrangement in their practices. Also,, in SMEs shorter internal lines of communication and faster response times which allow speedy problem solving and reorganization. Snell and Lou (1994) found that differences in the management competencies required for growth in small firms in comparison to larger firms. There is also evidence that there is little attempt to integrate HRM practices with business strategy or performance.

- **Marketing Activities:** Interest in the marketing interface of SME research began in the late 1980s. This effort defines the role of the entrepreneur as "fundamental" in marketing and organizational activities, so that flexibility in marketing was important to suitably adapt its principles and practices to the activities of SMEs (Hill, 2001). In recent years the subject of market orientation has received a great deal of attention from marketing scholars who have developed, tested, and refined market orientation scales. Cannon (1991) and Davis and Klassen (1991) note that there is currently insufficient knowledge about marketing (product, price, promotion, and place) in small businesses.

3.5 The Economic Significance of the Small Business Sector

Small firms are more than just an interesting phenomenon; they are also a critical component in the structure of any economy.

3.5.1 General Importance of SMEs

Small firms are important to all national economies because they provide;

- Employment opportunities for people. This includes the self-employment of the business owner-manager and the conventional jobs provided to the staff who work the owner.
- The net generation of large firms. Although it is difficult to predict which small businesses will succeed and become the leviathans of the future, one thing is clear without an ample supply of small firms, there can be no next generation of large ones.
- Competition. The existence of a number of competitors serves to keep business responsive to the needs of their clients, and ensure that customers have a choice in what they buy.
- Innovation. Competition encourages firms to constantly seek new and better ways of providing improved goods and service, to find more efficient and effective ways of managing the business, and to adopt new production.
- An outlet for entrepreneurial activity. Entrepreneurs use small business as their vehicle to launch a new business idea, or to experiment with an innovation in product or services.

- Export. To survive, some small firms also have to seek markets beyond their own national boundaries.
- Specialized product and service. Because of their limited size and resources, small businesses are often better able to survive by focusing on a specific range of activities. Many of these products or services appeal to small niche market, but not to a large group of customers.
- Support to big business. Many large corporations actually rely on small businesses for their own survival. They use such firms to provide them with materials, support and ideas.
- Distribution of economic resources, wealth of opportunities. A national with a flourishing small business sector is one that provides numerous opportunities for many more people to build wealth create their own economic future.
- Flexibility in the overall economy. Finally, a society with a large number of small firms is one which has a higher capacity to withstand economic upheavals and changes. A diverse range of firms, in many sizes and industries, can act as buffer and increase flexibility to respond to adverse changes (Schaper and Volery (2004)).

3.6 SMEs in North Cyprus

Small and medium sized enterprises make up most of the North Cyprus private sector.

Despite this, there has not been much scientific research conducted on SME's.

The North Cyprus State Planning Organization (SPO) (1998) gives the following definitions for SMEs.

Micro enterprises:	employ 1-4 persons
Small enterprises:	employ 5-9 persons
Medium enterprises:	employ 10-49 persons
Large enterprises:	employ 50 more persons

Because this study was conducted in North Cyprus, the above definition for SMEs was used when classifying the firms that took part in the research.

According to SPO (1998), the total number of private enterprises in North Cyprus in 7807. Of this total 88.5% are micro enterprises, 6.9% are small, 3.9% are medium, and the remaining 0.7% large. This can be seen in Table 3.1 following;

Table 3.1: Enterprises According To Their Sizes

	1	2	3-4	5-6	7-9	10-24	25-49	50-99	100+	Toplam
Manufacturing	408	216	232	70	46	81	24	17	5	1099
Construction	25	18	24	13	9	12	5	2	2	110
Trade	2131	1010	447	133	50	74	22	9	7	3882
Hotel & Restaurant	693	336	194	95	38	25	10	8	3	1402
Transport	90	66	39	17	11	17	6	2	-	248
Finance	20	16	11	5		5	1	-	-	58
Land	116	108	58	13	8	8	2	-	-	313
Education	18	13	14	5	2	2	1	1	-	56
Health	162	64	31	4	1	-	-	-	-	265
Other	221	74	48	12	4	10	4	1	-	374
Total	3884	1924	1098	367	169	233	75	40	17	7807

Source: State Planning Organisation

Around 80% of these enterprises are sole proprietors, or family owned and operated (SPO, 1998).

When it comes to sectorial distribution, micro and small enterprises are concentrated mainly in trade, and medium and large enterprises are concentrated mainly in manufacturing (also seen in Table 3.1).

SME's contribution to employment in North Cyprus is significant. From table 3.2 it can be seen that in 1998, out of the 7807 private enterprises 88.5% were micro and employed 40.8% of the total employment in the private sector; 10.8% were SME's and employed 38% of the total employment in the private sector; and the remaining 0.7% were large and employed 21.2% of total employment in the private sector.

Table 3.2: Enterprises and Their Share In The Total Employment

	Number of Enterprises	%	Employment	%
Manufacturing	1099	15	6647	25
Construction	110	1,4	1126	4,2
Trade	3882	49,7	10468	39,4
Hotel - Restaurant	1402	18	4476	16,8
Transport	248	3,2	1117	4,2
Finance	58	0,7	209	0,8
Property	313	4	839	3,2
Education	56	0,7	267	1
Health	265	3,4	423	1,6
Others	374	4,8	1000	3,8
Total	7807	100	26572	100

Source: State Planning Organisation

As can be seen from Table 3.3, out of 10,468 employees 64,3% work at work places with less than 10 employees, and 35,7% work at workplaces with over 10 employees. Out of 6,647 employees working at the manufacturing businesses 35,4% work at the workplaces with less than 10 employees and 64,4% are working at workplaces with more than 10 employees. Out of 4,476 workers at the hotel and restaurant businesses 63,2% work at workplaces with less than 10 employees and 36,8% work at places with more than 10 employees. 12.4% of the total employment is at workplaces with more than 100 workers

Table 3.3 : Employment With Respect To The Enterprise Size

	1	2	3-4	5-6	7-9	10-24	25-49	50-99	100+	Toplam
Manufacturing	408	432	776	376	364	1193	803	1134	1161	6647
Construction	25	36	85	70	70	144	160	110	425	1126
Trade	2131	2020	1481	722	381	1073	762	530	1368	10468
Hotel & Restaurant	693	672	657	514	293	366	374	556	351	4476
Transport	90	132	133	93	80	215	229	145	-	1117
Finance	20	32	28	25	-	69	25	-	-	209
Property	116	216	198	69	59	125	56	-	-	839

Education	18	26	47	26	16	30	38	66	-	267
Health	162	134	99	20	8	-	-	-	-	423
Other	221	148	157	66	31	262	145	70	-	1000
Total	3884	3848	3672	1981	1302	3377	2592	2611	3305	26572

Source: State Planning Organisation

SME's in North Cyprus face many challenges. Firstly, because of the small geographic area of the island its domestic market is limited and further limited by economic and political embargos.

Infrastructure, such as electricity, roads, water, is poor thus resulting in slow economic growth.

The government sector, with its huge employment capacity, has attracted a large number of skilled and semi-skilled workers due to the high wages and fringe benefits offered.

SME's have difficulties in financing due to banks giving credit with high interest rates.

And, one of the most significant problems of SME's world wide is the lack of managerial capabilities and the lack of skills in marketing, financing, and human resources.

3.7 Conclusion

This section gave a brief review of SMEs in general, and SMEs in North Cyprus.

CHAPTER IV

THEORETICAL FRAMEWORK

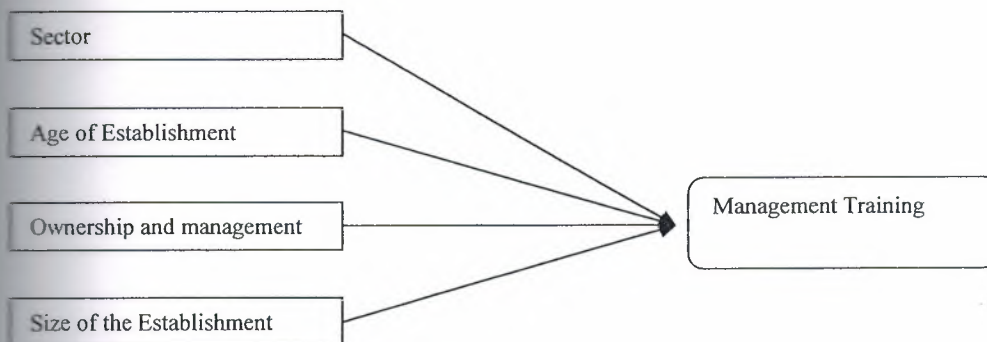
4.1 Introduction

This chapter describes the dependent variable and independent variables of the study, and presents the main theoretical framework.

4.2 Study Variables

The dependent variable is *management training* in SMEs in North Cyprus. The variance of the dependent variable can be explained by four independent variables. These are indicated in Figure 4.1 below;

Figure 4.1 Schematic diagram for the Theoretical Framework.



4.3 Objectives

In the light of the conceptual framework illustrated in Figure 4.1. The following objectives are set for proposed study;

- Do SME's in North Cyprus make investment in management training and development?

- If so, what kind of management training is conducted?
- Do SME's in North Cyprus perceive a link between management training and business success?

4.4 Conclusion

This chapter described the dependent and independent variables of the study, and presented the theoretical framework in a diagram form.

CHAPTER V

RESEARCH METHODOLOGY

5.1 Introduction

This chapter describes the design of the research study.

5.2 Research Design

The following highlights the methodology and the steps adopted by the study.

5.2.1 Objectives of the Study

The purpose of this study is to explore management training and development activities in North Cyprus SME's. The objectives are;

- Do SME's in North Cyprus make investment in management training and development?
- If so, what kind of management training is conducted?
- Do SME's in North Cyprus perceive a link between management training and business success?

5.3 Source of Data

5.3.1 Secondary Source

Theoretical sources of information were scanned and classified from journals and textbooks related to the topic of study.

5.3.2 Primary Source

Empirical data was collected from the owners-managers and/or managers of the SMEs through a questionnaire administered to the sample population.

5.4 Sample

According to The State Organization (1998), there are 7807 SME's in the TRNC. The sample for this study were randomly selected SMEs in North Cyprus.

5.4.1 Survey Instrument

The survey instrument used was a questionnaire which was personally administered to the sample of managers/ owners of the SME's. The questionnaire used is adapted from the Loan-Clarke et al. (1999) study conducted in the U.K. The Cronbach alpha reliability coefficient of the survey items is 0.718 which is an acceptable value.

5.4.2 Data Collection

The questionnaire was randomly distributed to SMEs in Nicosia for convenience purposes due to the limitation of time available to complete the research. The questionnaire was distributed to 120 SMEs and over a period of several weeks. A total of 105 questionnaires were returned, however only 78 of the responses were valid and could be used for the study. A number of the items in the survey instrument were related to financial aspects of the firm and were not completed by a majority of the respondents, therefore these items were not considered in the analysis of the results. The response rate is 65%.

5.4.3 The Type of Investigation

The investigation is exploratory and descriptive in nature.

5.4.4 The Extent of Research Interference

The study was conducted in the natural environment of the SMEs with minimum interference with the normal flow of work (Sekaran 2003).

5.4.5 The Study Setting

The study was conducted in a non-contrived setting (The natural environment in which work normally precedes), therefore a field study was conducted (Sekaran, 2003).

5.4.6 The Time Horizon for the Study

The study involved data gathered just once over a period of several weeks, thus making the study cross sectional (Sekaran, 2003)

5.4.7 Unit of Analysis

The units of analysis were the owners-managers and/or managers of the SME's .

5.5 Conclusion

This chapter described the research methodology for the study.

CHAPTER VI

RESEARCH RESULTS

6.1 Introduction

This chapter presents the results of the study.

6.2 Breakdown of Respondents

The following tables represent the breakdown of the respondents of the study.

Table 6.1 Breakdown According to Sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	25	32.1	32.1	32.1
	Service	53	67.9	67.9	100.0
	Total	78	100.0	100.0	

Table 6.1 indicates that almost 70% of the SMEs that took part in the study were from the manufacturing sector and just over 30% were from services.

Table 6.2 Breakdown According to Ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Family	73	93.6	93.6	93.6
	No family	5	6.4	6.4	100.0
	Total	78	100.0	100.0	

Table 6.2 indicates that of the SMEs that took part in the study, 94% had a member of the family in its management and 6% did not.

Table 6.3 Breakdown According to Size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 5	3	3.8	3.8	3.8
	5-9	29	37.2	37.2	41.0
	10-19	24	30.8	30.8	71.8
	20-29	9	11.5	11.5	83.3
	30-39	6	7.7	7.7	91.0
	40-49	7	9.0	9.0	100.0
	Total	78	100.0	100.0	

Table 6.3 indicates that of the SMEs that took part in the study, 4% had less than 5 employees, 37% had between 5 and 89, 31% had between 10 and 19, 12% had between 20 and 29, 8% had between 30-39, and 9% had between 40 and 49.

That is, 4% were micro, 37% were small, and 59% were medium sized enterprises.

Table 6.4 Breakdown According to Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 1	4	5.1	5.1	5.1
	1-5	17	21.8	21.8	26.9
	6-10	28	35.9	35.9	62.8
	more than 10	29	37.2	37.2	100.0
	Total	78	100.0	100.0	

Table 6.4 indicates that 5% of the SMEs were less than 1 years old, 22% had been in service from between 1 to 5 years, 36% between 6 to 10 years, and 37% had been in service for more than 10 years.

Table 6.5 Management Training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No management training	24	30.8	30.8	30.8
	Management training	54	69.2	69.2	100.0
	Total	78	100.0	100.0	

Table 6.5 indicates that 31% of the respondent SMEs did not give any type of management training, whereas 69% did give management training.

Table 6.6 below shows the regression analysis results of the study.

Table 6.6 Regression Analysis of the Model

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	Employee size., Years in service, Sector, Family Management		Enter

- a. All requested variables entered.
- b. Dependent Variable: Management training

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,435 ^a	,189	,144	,430

- a. Predictors: (Constant), Employee size., Years in service, Sector, Family Management

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3,138	4	,784	4,249	,004 ^a
	Residual	13,477	73	,185		
	Total	16,615	77			

- a. Predictors: (Constant), Employee size., Years in service, Sector, Family Management
- b. Dependent Variable: Management training

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,163	,292		,559	,578
	Sector	,426	,108	,430	3,931	,000
	Years in service	-,002	,056	-,003	-,030	,976
	Family Management	-,369	,218	-,196	-1,689	,095
	Employee size.	,069	,040	,196	1,724	,089

- a. Dependent Variable: Management training

The model represented in Table 6.6 indicates that the independent variables (sector, size, age, ownership) explain a significant proportion of the variation in the dependent variable (management training). Thus, it can be said that the model is statistically significant ($F=4.249, p=0.005$).

Also, it can be seen that the model explains 18.9% of the variance (change) in the dependent variable. That is 18.9% of the variance in management training can be explained by the SMEs' sector, size, age, and ownership (management).

The independent variable sector is statistically significantly related to the dependent variable. Sector has a positive influence ($B=0.43, p=0.0001$) on management training. The age of the SME, the employee size, and ownership of the SMEs are not statistically significantly related to the dependent variable.

6.4 General Results of the Study

Table 6.7 Management Training According to Sector

Management training * Sector Crosstabulation					
			Sector		Total
			Manufacturing	Service	
Management training	No management training	Count	14	10	24
		% within Management training	58,3%	41,7%	100,0%
		% within Sector	56,0%	18,9%	30,8%
		% of Total	17,9%	12,8%	30,8%
	Management training	Count	11	43	54
		% within Management training	20,4%	79,6%	100,0%
		% within Sector	44,0%	81,1%	69,2%
		% of Total	14,1%	55,1%	69,2%
	Total	Count	25	53	78
		% within Management training	32,1%	67,9%	100,0%
		% within Sector	100,0%	100,0%	100,0%
		% of Total	32,1%	67,9%	100,0%

Table 6.7 indicates that of the 31% of the SMEs that do not conduct management training, 58% are from manufacturing and 42% are from services.

Of the 69% that do conduct management training, 20% are manufacturing firms and 80% are services.

Table 6.8 Management Training According to Ownership

Management training * Family Management Crosstabulation

			Family Management		Total
			Family	No family	
Management training	No management training	Count	22	2	24
		% within Management training	91.7%	8.3%	100.0%
		% within Family Management	30.1%	40.0%	30.8%
		% of Total	28.2%	2.6%	30.8%
	Management training	Count	51	3	54
		% within Management training	94.4%	5.6%	100.0%
		% within Family Management	69.9%	60.0%	69.2%
		% of Total	65.4%	3.8%	69.2%
Total	Count		73	5	78
	% within Management training		93.6%	6.4%	100.0%
	% within Family Management		100.0%	100.0%	100.0%
	% of Total		93.6%	6.4%	100.0%

Table 6.8 indicates that of the 31% of the SMEs that do not conduct management training, 92% have family members in the management, and 8% do not have a member of the owner family in the management.

Of the 69% that do conduct management training, 94% have members of the owner family in the management, and 6 % do not have a member of the owner family in the management.

Table 6.9 Management Training According to Years in Service (Age)

Management training * Years in service Crosstabulation							
		Years in service				Total	
		less than 1	1-5	6-10	more than 10		
Management training	No management training	Count	1	7	7	9	24
		% within Management training	4,2%	29,2%	29,2%	37,5%	100,0%
		% within Years in service	25,0%	41,2%	25,0%	31,0%	30,8%
		% of Total	1,3%	9,0%	9,0%	11,5%	30,8%
Management training	Management training	Count	3	10	21	20	54
		% within Management training	5,6%	18,5%	38,9%	37,0%	100,0%
		% within Years in service	75,0%	58,8%	75,0%	69,0%	69,2%
		% of Total	3,8%	12,8%	26,9%	25,6%	69,2%
Total	Total	Count	4	17	28	29	78
		% within Management training	5,1%	21,8%	35,9%	37,2%	100,0%
		% within Years in service	100,0%	100,0%	100,0%	100,0%	100,0%
		% of Total	5,1%	21,8%	35,9%	37,2%	100,0%

Table 6.9 indicates that of the 31% of the SMEs that do not conduct management training, 4% are SMEs that have been in service for less than 1 years, 29% 1 to 5 years, 29% 6 to 10 years, and 38% have been in service for more than 10 years.

Of the 69% that do conduct management training, 6% are SMEs that have been in service for less than 1 years, 19% 1 to 5 years, 39% 6 to 10 years, and 37% have been in service for more than 10 years.

Table 6.10 Management Training According to Number of Employees (Size)

Management training * Employee size. Crosstabulation

		Employee size.						Total
		less than 5	5-9	10-19	20-29	30-39	40-49	
Management training	No management training Count	1	9	9	2	2	1	24
	% within Management training	4,2%	37,5%	37,5%	8,3%	8,3%	4,2%	100,0%
	% within Employees	33,3%	31,0%	37,5%	22,2%	33,3%	14,3%	30,8%
	% of Total	1,3%	11,5%	11,5%	2,6%	2,6%	1,3%	30,8%
Management training	Management training Count	2	20	15	7	4	6	54
	% within Management training	3,7%	37,0%	27,8%	13,0%	7,4%	11,1%	100,0%
	% within Employees	66,7%	69,0%	62,5%	77,8%	66,7%	85,7%	69,2%
	% of Total	2,6%	25,6%	19,2%	9,0%	5,1%	7,7%	69,2%
Total	Count	3	29	24	9	6	7	78
	% within Management training	3,8%	37,2%	30,8%	11,5%	7,7%	9,0%	100,0%
	% within Employees	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
	% of Total	3,8%	37,2%	30,8%	11,5%	7,7%	9,0%	100,0%

Table 6.10 indicates that of the 31% of the SMEs that do not conduct management training, 4% are SMEs that have less than 5 employees, 38% 5 to 9 employees, 38% 10 to 19 employees, 8% 20 to 29 employees, 8% 30 to 39 employees, and 4% have 40-49 employees.

Of the 69% that do conduct management training, 4% are SMEs that have less than 5 employees, 37% 5 to 9 employees, 28% 10 to 19 employees, 13% 20 to 29 employees, 7% 30 to 39 employees, and 11% have 40-49 employees.

Table 6.11 Management Training According to Type of Business

Management training * Company type Crosstabulation

			Company type		Total
			Sole	Partnership	
Management training	No management training	Count	21	3	24
		% within Management training	87.5%	12.5%	100.0%
		% within Company type	31.3%	27.3%	30.8%
		% of Total	26.9%	3.8%	30.8%
	Management training	Count	46	8	54
		% within Management training	85.2%	14.8%	100.0%
		% within Company type	68.7%	72.7%	69.2%
		% of Total	59.0%	10.3%	69.2%
Total	Count	67	11	78	
	% within Management training	85.9%	14.1%	100.0%	
	% within Company type	100.0%	100.0%	100.0%	
	% of Total	85.9%	14.1%	100.0%	

Table 6.11 indicates that of the 31% of the SMEs that do not conduct management training, 88% are sole proprietors and 12% are partnerships.

Of the 69% that do conduct management training, 85% are sole proprietors and 15% are partnerships.

6.12 Management Training According to the Number of Managers

Management training * Management size. Crosstabulation

		Management size.						Total	
		2	3	4	5	8	11		
Management training	No management training	Count	11	10	2	1	0	0	24
		% within Management training	45.8%	41.7%	8.3%	4.2%	.0%	.0%	100.0%
		% within Management size	52.4%	30.3%	16.7%	10.0%	.0%	.0%	30.8%
		% of Total	14.1%	12.8%	2.6%	1.3%	.0%	.0%	30.8%
Management training	Management training	Count	10	23	10	9	1	1	54
		% within Management training	18.5%	42.6%	18.5%	16.7%	1.9%	1.9%	100.0%
		% within Management size	47.6%	69.7%	83.3%	90.0%	100.0%	100.0%	69.2%
		% of Total	12.8%	29.5%	12.8%	11.5%	1.3%	1.3%	69.2%
Total		Count	21	33	12	10	1	1	78
		% within Management training	26.9%	42.3%	15.4%	12.8%	1.3%	1.3%	100.0%
		% within Management size	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	26.9%	42.3%	15.4%	12.8%	1.3%	1.3%	100.0%

Figure 6.1 indicates that of the SMEs that do not conduct management training 52% are those that have 5 or less managers.

Furthermore, the results of study also indicated that more than 90% of the managers in the SMEs did not have any qualifications in management.

Table 6.13 Management Training According to the Number of Days of Training

Management training * Education day. Crosstabulation

			Education day.			Total
			0	3-5	more than 10	
Management training	No management training	Count	24	0	0	24
		% within Management training	100,0%	,0%	,0%	100,0%
		% within Education day	33,3%	,0%	,0%	30,8%
		% of Total	30,8%	,0%	,0%	30,8%
Management training	Management training	Count	48	1	5	54
		% within Management training	88,9%	1,9%	9,3%	100,0%
		% within Education day	66,7%	100,0%	100,0%	69,2%
		% of Total	61,5%	1,3%	6,4%	69,2%
Total		Count	72	1	5	78
		% within Management training	92,3%	1,3%	6,4%	100,0%
		% within Education day	100,0%	100,0%	100,0%	100,0%
		% of Total	92,3%	1,3%	6,4%	100,0%

Table 6.13 indicates that of the SMEs that give management training, 89% gave no training in the last 12 months, 2% gave 3 to 5 days of training in the last 12 months, and 9% gave more than 10 days of training in the last 12 months.

Table 6.14 Management Training and Internal/External Methods

Management training * Education figure. Crosstabulation

			Education figure.			Total
			Internal	Internal+ External	None	
Management training	No management training	Count	0	0	24	24
		% within Management training	.0%	.0%	100.0%	100.0%
		% within Education figure	.0%	.0%	100.0%	30.8%
		% of Total	.0%	.0%	30.8%	30.8%
	Management training	Count	50	4	0	54
		% within Management training	92.6%	7.4%	.0%	100.0%
		% within Education figure	100.0%	100.0%	.0%	69.2%
		% of Total	64.1%	5.1%	.0%	69.2%
Total	Count		50	4	24	78
	% within Management training		64.1%	5.1%	30.8%	100.0%
	% within Education figure		100.0%	100.0%	100.0%	100.0%
	% of Total		64.1%	5.1%	30.8%	100.0%

Table 6.14 indicates that of the SMEs that give management training, 93% gave internal training, and 7% used both internal and external training methods.

Table 6.15 Management Training and Recruitment Policy for Managers

Management training * Employee poletic Crosstabulation

			Employee poletic	Total
			Internal recruitment	
Management training	No management training	Count	24	24
		% within Management training	100.0%	100.0%
		% within Employee poletic	30.8%	30.8%
		% of Total	30.8%	30.8%
	Management training	Count	54	54
		% within Management training	100.0%	100.0%
		% within Employee poletic	69.2%	69.2%
		% of Total	69.2%	69.2%
Total	Count	78	78	
	% within Management training	100.0%	100.0%	
	% within Employee poletic	100.0%	100.0%	
	% of Total	100.0%	100.0%	

Table 6.15 indicates that all of the SMEs that took part in the study, those that gave management training and those that did not, used internal recruitment when recruiting for managers.

Table 6.16 Management Training and Type of Training Given

Management training * Type of training Crosstabulation

Count		Type of training		Total
		No training	Technical skills	
Management training	No management training	24	0	24
	Management training	0	54	54
Total		24	54	78

Table 6.16 indicates that the SMEs that conducted management training conducted technical training for their managers. Non of the SMEs that conducted training gave their managers any form of training related to the development of their managerial abilities.

6.5 Conclusion

This chapter presented the results of the study giving details on the respondents, general results, and regression analysis results.

CHAPTER VII

CONCLUSION AND DISCUSSION

7.1 Introduction

This chapter presents the conclusion and brief discussion related to the study.

7.2 Conclusion

The findings of the study have uncovered some interesting results. A significantly greater number of SMEs take-up some form of management training than was previously thought.

In fact, service organizations conducted more management training when compared to manufacturing organization which supports Wong et al (1997) who stated that service organization may place grater emphasis on management training to maintain customer relations. SMEs with members of the founding family in the management took up management training more than those without a member of the family in its management. This was an interesting finding because according to Cromie et al (1995) in a study of Irish family firms indicated that family firms were less keen on management training than non-family firms. However, this study indicated that the training given to managers was emphasizing technical rather than managerial skills. As Martin and Stains (1994) identified, owners and partner place more emphasis on technical rather than managerial skills whereas non-owner managers reverse the relative importance of the two factors.

SMEs that have been in service for over 5 years were more likely to conduct some form of management training. This fits with Storey's (1994) suggestion that as the survival rates of small firm are significantly poorer than those of larger organizations, the small firm may not be in existence to see a return on management training therefore firms that have been in operation for longer are more likely to take-up management training. Perhaps the most consistent finding in SMEs research is that the larger the organization the more like it is to take-up management training (Marshall et al. ,1995). This study also indicated the same results but showing that the largest percentage of SMEs that conducted management training was medium sized.

Even though 70% of the SMEs that took part in the study conducted some form of the management training, in the last 12 months only 11% of them took up management training. Also, the majority of the training given was internal (93%).

A very important point to note is that almost none of the managers had any qualifications related to management.

Results indicate that sector has a statistically significant influence on management training; however ownership, age and size of the firms did not have a statistically significant influence on management training.

7.3 Discussion

It is important to recognize that the literature defines management training in SMEs as training in managerial skills. However, this study considered management training as any form of training given to managers in SMEs in North Cyprus, thus this could include managerial skill development, technical skill development, and so on.

The results of the study have indicated that the take-up of management training by SMEs in North Cyprus is more widespread than had previously been known. However, what is important to indicate is that the training given is technical, and not related to managerial skills. None of the respondent firms conducted any form of training for its managers related to the development of their managerial skills. According to Westhead and Storey (1997), the main reasons why SMEs do not take-up management training is market forces and ignorance. Ignorance refers to the lack of awareness by small business owners of the importance of training for skills development. So SMEs in North Cyprus are ignorant towards the importance of training for skills development.

Also, the study has shown that only the factor of sector seems to have a strong influence on management training. The other factors derived from the literature, namely family management, size, and age did not indicate any significant influence.

Many writers consider that for businesses to be successful managers with adequate managerial knowledge and skills must support them (Drucker, 1954; Katz, 1974; MacMahon and Murphy, 1999). Also, various studies find that managerial problems are

the root of the most frequently voiced reasons for the failure of the SMEs in developing countries (Burke and Collins, 2001). Therefore it is important that in order to develop managerial competencies and effectiveness it is necessary to provide managers with opportunities to attend management training programs and reduce their ignorance toward this issue. It is recommended that the local government develop and provide such programs for SMEs in North Cyprus.

7.4 Limitations of the Study

The main limitation was the reluctance of respondents to take part in the study. Even though 78 valid questionnaires were used for the study a larger number would have resulted in more reliable results. Also, the items related to the financial aspects of the firms were not completed by a majority of the respondents so had to be eliminated from the analysis. Of course this meant that it was not possible to measure the relationship between the financial positions of the SME and its tendency to take-up management training. Time was also a limitation. If the study had been conducted over a longer period of time more reliable results could have been presented.

7.5 Recommendations for Further Research

It is recommended that further studies be conducted in this area, however over a longer time span and examining a greater variety of variables.

7.6 Conclusion

This chapter has described the conclusion for the study, and has presented the limitations and recommendations for further research.

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APPENDIX: SURVEY INSTRUMENT

Management Training in SMEs' Questionnaire

1. Which sector is your business in?

Manufacturing

Service

Other.....

2. How long has the business been in existence?;

Less than 1 year

1-5 years

6 – 10 years

More than 10 years

3. What is the core business activity?.....

4. What form does the business take?;

5. Does the senior management of the business include a member(s) of the founder's family?

Yes

No

6. How many people are employed in the business?;

Less than 5

5-9

10-19

20-29

30-39

40-49

More than 50

7. Approximately how many employees would you classify as managerial?.....

8. How many of them have managerial qualifications?

9. Does the business give any form of training to its managerial personnel?

Yes

No

10. How many of your managerial personnel have received some form of training?.....

11. What was the average amount spent on managerial training in the last 12 months (% of yearly turnover)?.....

12. What was the average number of days spent on managerial training in the last 12 months?

0 days

1-2

3-5

6-10

More than 10 days

13. The management training given was;

Internal

External

Internal and External

None

14. What is the businesses policy for the recruitment of managerial personnel?

Internal recruitment

External recruitment

15. What type of training has been given to the managerial personnel?

Technical skills

Managerial skills

Other.....

16. What was the approximate annual turnover of the business this year?.....

17. What was the approximate annual turnover of the business 2 years ago?.....

18. Over the next 2 years, the turnover of the business is expected to;

Reduce

Remain stable

Moderately grow

Rapidly grow

19. Managerial training is important for the future success of the business (circle one response)

Strongly disagree

1

Disagree

2

Not Sure

3

Agree

4

Strongly agree

5