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Dutch SMEs in Emerging Markets

A study of entry barriers for the Turkish market

Turkey

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Date	October 1, 2015
Reference	ENN, BSE02
Version	1
Status	Final
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Introduction

This report describes a research into entry barriers, with a special focus on the cultural differences that Dutch SMEs are facing and the consequences for their entry strategies when doing business in Turkey. The research has been conducted within the framework of the research group "SMEs in International Business" within the School of Marketing & International Management at Saxion University of Applied Sciences. Their studies focus on SMEs active in international business.

This publication has two main uses. First, it provides SMEs with relevant information on entry barriers and how to prepare when starting to do business in Turkey. Second, it can be used as additional information for students who are interested in International Business in general and doing business in Turkey in particular.

The following research methods have been used:

- Desk research: literature study and secondary sources research.
- Field research into entry barriers: 13 in-depth interviews with Dutch SMEs that are already doing business or planning to start doing business in Turkey and 8 in-depth interviews with experts/intermediaries in international business and advisory bodies, both in the Netherlands and in Turkey.
- Field research into cultural differences: 13 in-depth interviews with directors/managers responsible for export at Dutch SMEs and 7 in-depth interviews with Turkish people involved in international business with the Netherlands.
- An online questionnaire was sent to 20 Dutch respondents and 22 Turkish respondents. All respondents were responsible for international business within their organization. These respondents were not the same as the ones who participated in the in-depth interviews.
- Interview partners were selected according to convenience and referral method (Burns & Bush, 2014).

In the first chapter, general data about Turkey is presented. In chapter 2, the main results of the research into entry barriers are described. The third chapter investigates the cultural differences between the Netherlands and Turkey in more detail. An overview of the conclusions and recommendations is given in the final chapter.

1 General information – Turkey

This chapter presents information about the demographic and economic situation in Turkey and evaluates the opportunities for foreign companies in the Turkish market.

Historical factors

Turkey has a strategic position because of its bridge function due to its connections in Asia and Europe and its geographic position between Europe and Asia. Turkey has always been oriented towards Europe with its trade and the negotiations for becoming a member of the EU are an ongoing process. This process resulted in many trade agreements, which make mutual trade easier. Official diplomatic relations between Turkey and the Netherlands were already established in the year 1612, when Turkey was the first country in the world to recognize Dutch sovereignty.

After the establishment of the Turkish Republic in 1923 by Mustafa Kemal Ataturk, the Netherlands were one of the first European countries to recognize the new state. In 1924, this was followed by an official friendship treaty. The publicity surrounding the 400-year anniversary of the historical relation in 2014 and the declining economic situation in the Netherlands made that the ministries and companies focused more on the Turkish market. The Dutch government, individual Chambers of Commerce and branch institutions organized business trips to Turkey in order to strengthen the relation with Turkish companies and seek new opportunities.
Although the Netherlands are one of the largest foreign investors in Turkey and there has been an increase in the activities of Dutch companies in Turkey over the last decade, it is evident that there are more possibilities in the Turkish market for Dutch companies (ING Economics Department Turkey, 2012).

Demographic factors

With its almost 80 million inhabitants and a fast-growing population (13,6‰ in 2013), Turkey is an interesting market for both manufacturing products and the service industry. The median age is 29,6 years and 42.9% of the population is aged between 25 – 54 years (Turkish Statistical Institute, 2014). Turkey can be considered a young country.

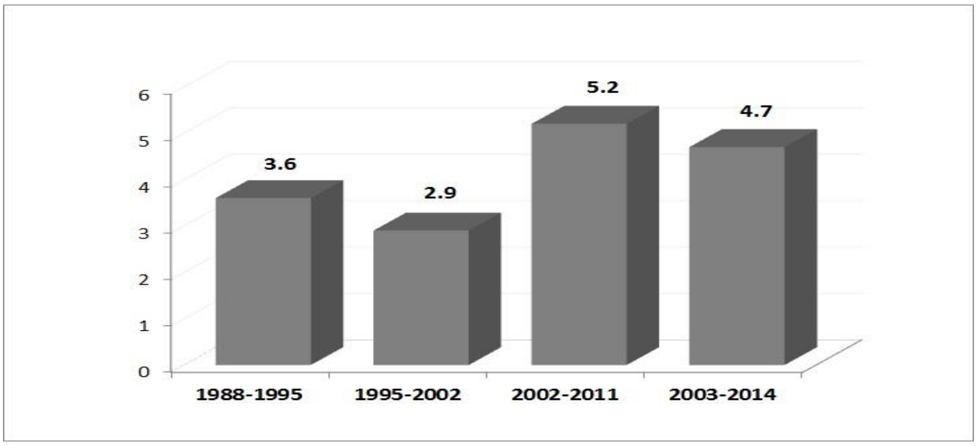
Compared with other western European countries, Turkey has the third largest urban population (72% in 2013). The city of Istanbul has the highest urban population in Turkey, accounting for one in four of all urban residents in the country. The city's urban population increased by 47.1% between

2000 and 2011, reaching 18.5% of the total population in 2013 (The World Bank, 2014). Turkey's urban population is forecast to grow at a moderate pace up to 2030. By 2030, the country's urban population is forecast to reach 65.9 million, up from 52.3 million in 2012. The share of the urban population in the total population will rise to 77.7% by 2030 from 70.6% in 2012 (Turkey's Rapidly Increasing Urban Population Creates Growth Opportunities in Consumer Markets, 2012).

Economic factors

Compared with western European countries, the economy of Turkey has been growing every year since 1995. The GDP rose from USD 614.5 billion in 2009 to USD 820.2 billion in 2013, although the growth rate declined from 9.2% in 2010 to 4.0% in 2013.

Compound Annual Growth Rate (CAGR) of GDP (%) - Constant Prices

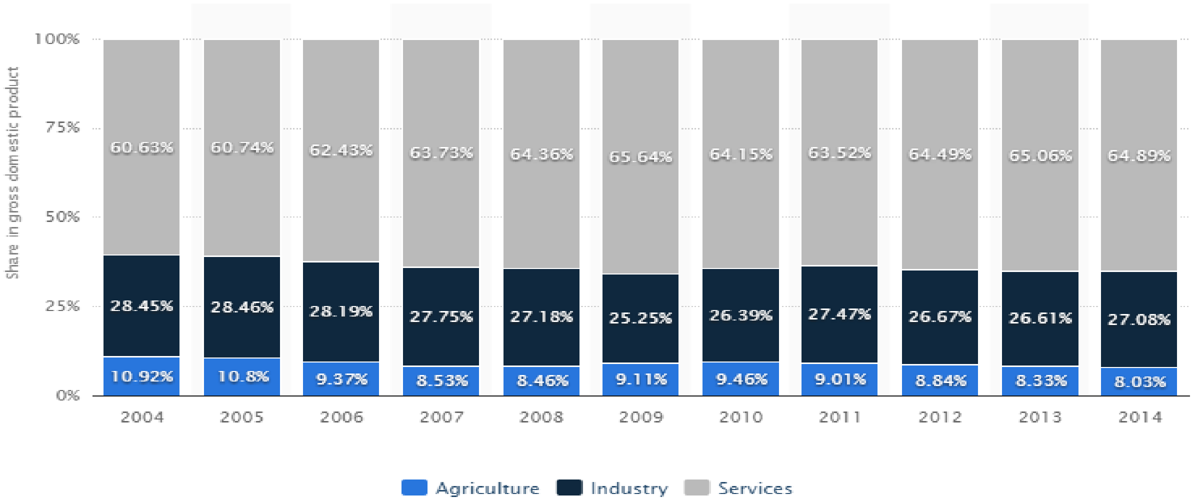


Source: Turkish Statistical Institute (TurkStat),from http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/MacroEconomicIndicators.aspx

The GDP per capita is lower than in the (western) European countries with USD 10.946 in 2013 (The World Bank, 2014). The Turkish economy is ranked 7th among the European countries by size of GDP and is estimated by ING to be the fifth largest economy in Europe by 2030 (ING N.V., 2012). The increasing purchasing power has caused a rise in the demand for goods and services. According to the Turkish Statistical Institute (TurkStat), greater Istanbul, which accounts for 18% of the population, accounted for 25.4% of household consumption expenditure in 2006-08. By contrast, the statistical region of South-East Anatolia, with about 10% of the population, generated only 4.4% of household consumption. Income and consumer expenditure also vary widely between urban and rural areas and within cities. These patterns are not likely to change significantly in 2012-16 (Economist, 2013).

Considering the development of the GDP composition by sector of origin (graph 1), Turkey is becoming a service-oriented country; 64.89% of the GDP consisted of the service sector in 2014, followed by industry with 27.08%.

Graph 1: Share of economic sectors in the gross domestic product (GDP) from 2004 to 2014



Source: The statistics portal, Statista (2015), http://www.statista.com/statistics/255494/share-of-economic-sectors-in-the-gross-domestic-product-in-turkey/

Although the Turkish economy is growing, Turkey is struggling with a deficit on her balance of payment. Turkey's public debt is 36.6 (% of GDP in 2013), giving it a global rank of 101, due to high public expenditure and high inflation (average 8.9% in 2014). Unemployment is also rather high (9.8% in June 2014). The external debt was 47.4% of GDP in 2013, relatively low in comparison with the European countries (CIA, The World Fact Book, 2014).

The credit rating agency Fitch upgraded Turkey's creditworthiness to BBB- in 2014. This gave confidence to the foreign investors and attracted them to Turkey (Trading economics, 2014).

Currency

The Turkish lira lost its value by almost 16% against the dollar in 2015 (Hunter & Moore, 2015).

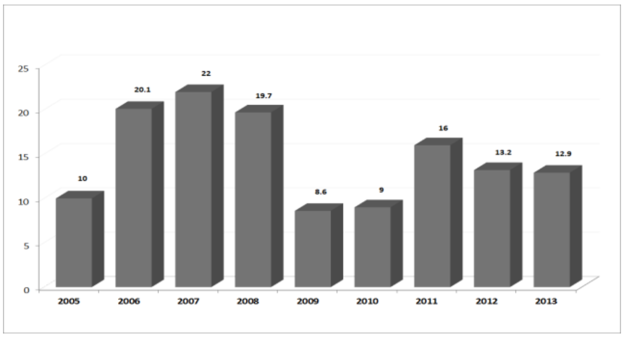
The warning of financial institutions (such as Moody's) about the banking system and the economic situation in Turkey, the government debt and the unemployment figures may cause an even greater decline of the Turkish lira. It may cause a run on foreign currencies and a capital outflow. The volatility of the currency may also cause uncertainty and a decrease in foreign investments.

The business environment for those companies which have loans in dollars and the government can worsen, because their debt in lira will increase.

Foreign direct investments

Foreign direct investments (FDI) has increased since 2003 after the easing of investment policies. FDI was at the highest level between 2006 – 2008 compared with the previous years. After a decline due to the financial crises in USA and Europe, FDI had stabilized in 2012-2013, as can been seen in graph 2.

Graph 2: **FDI Inflow to Turkey (USD billion)**



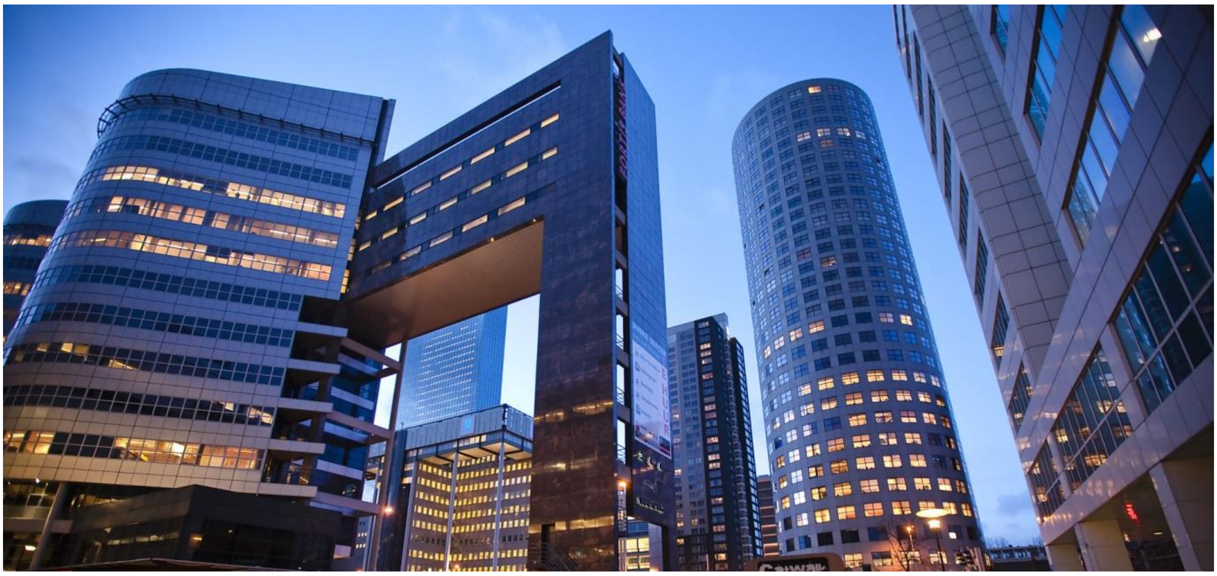
Source: Central Bank of the Republic of Turkey

Starting in 2001, the restrictions on FDI were abolished and foreign investors were allowed to invest freely in any required sector. They were allowed to establish a business without authorisation and restrictions. Moreover, the corporate income tax was reduced from 33% to 20% and the foreign investors were allowed to transfer the earnings freely to their home countries. Tax benefits and incentives can have the form of total or partial exemption from Corporate Income Tax or a grant towards the employer's social security share, as well as land allocation for the companies which invest in Technology Development Zones, Industrial Zones and Free Zones (Republic of Turkey Prime Ministry, Investment support and promotion agency, 2014). The Turkish government has offered incentives for FDI in several sectors of industry (automotive, energy, banking and insurances) in order to stimulate local production and technology development. Due to these incentives, the sectors energy, services and financial services attracted a total FDI value of USD 12.918 billion in 2013. Turkey has become a production hub for the automobile industry, with investments by Renault, Fiat, Hyundai and Toyota. Car sales rose at a double-digit pace (10%) in 2010 and 2011. Turkey has also emerged as the world's leading supplier of cement and a major producer of televisions and DVD players. In 2013, over 36,500 foreign companies were active in Turkey (Republic of Turkey Prime Ministry, Investment support and promotion agency, 2014).

In 2012, Turkey introduced a new commercial code to bring business standards into line with the rest of Europe. The code aims to improve corporate governance, accounting and auditing practices and clarifies the rights of local agents, representatives or franchisees to compensation if their contracts are terminated. The current government stimulates economic growth led by the private sector. Privatisation is well advanced in a large number of industries, although the public sector still plays a leading role in sectors such as power, gas and water, rail transport, tea and sugar production, as well as infrastructure and social services like health and education. The state has a significant interest in banking (about 28% of total assets), mining, the defence industry, postal services and the lottery and games of chance, and retains large stakes in Turk Telekom (30%) and Turkish Airlines (49%) (Turkey Business Environment, 2013).

Despite the structural reforms of the economic policies, corruption remains a barrier for companies to do business in Turkey successfully. As a result of the Action Plan implemented in 2001 with the aim of transparency and efficiency in the public sector, the corruption index improved from 36 in 2001 to 50 in 2013. This Action Plan made it possible to use disciplinary and criminal sanctions against corrupt civil servants and take action against money laundering. The government adapted a new anticorruption policy for the period of 2010 – 2014.

Foreign trade



Due to the economic growth and the ensuing increase in income and demand, Turkey showed a deficit on its current account of 7.90% of the Gross Domestic Product in 2013 (The World Bank, 2014). The current account deficit reflects longstanding structural problems, such as excessive dependence on imported energy and the high proportion of imports in manufacturing and domestic consumption.

As far as trading partners are concerned, the European Union is still the most important trading partner, although its importance is declining. Turkey is gradually shifting away from the EU, especially in export, because of the recession in Western Europe. Turkey's trade with the Middle East has increased the last few years, but Turkey has strengthened its trade towards Europe again due to the unstable situation in the Middle East. Traditionally, Germany is the most important trading partner of Turkey, whereas Russia owns its number 1 position in import to its oil and gas export to Turkey. Most of the foreign currency is spent on the import of chemicals (15%), followed by oil/gas (12%) and cars (9%). The most important sources of foreign currency are exports of textiles/clothing (19%), cars (13%), base metals (13%), agricultural goods (10%), tourism and private transfers (Atradius, 2012).

Real estate and the financial intermediary services have become popular areas for foreign direct investment, which totalled USD 13 billion in 2013. Also, Dutch investors were ranked in first place in the list of foreign direct investments in 2013 (Cetingulec, 2015).

The recent foreign trade situation is shown in the tables below:

Foreign Trade by Sectors, January 2015 (Million US $)

	January 2014		January 2015	
Sectors	**Value**	**(%)**	**Value**	**(%)**
ISIC, Rev.3		**Exports (FOB)**		
Total	**12 400**	**100.0**	**12 331**	**100.0**
Agriculture and forestry	554	4.5	576	4.7
Fisheries	39	0.3	44	0.4
Mining and quarrying	280	2.3	200	1.6
Manifacturing	11 455	92.4	11 465	93.0
Others	72	0.6	45	0.4
BEC		**Imports (CIF)**		
Total	**19 286**	**100.0**	**16 636**	**100.0**
Capital goods	2 564	13.3	2 536	15.2
Intermediate goods	14 665	76.0	12 265	73.7
Consumption goods	2 028	10.5	1 803	10.8
Others	29	0.2	31	0.2

Figures in table may not add up to totals due to rounding.

ISIC: International Standard Industrial Classification

BEC:Broad Economic Categories Classification

Source: Turkish statistical institute, (2015), from: http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=18576

Since December 1995, Turkey has formed a customs union with the EU, but this only applies to industrial goods, not to agricultural goods, services or public procurement. Processed agricultural goods may be traded within the customs union.

Trade between Turkey – the Netherlands

Trade and investments by Dutch companies in Turkey showed an increase in the years 2012 – 2015, due to the economic growth in Turkey. The export of Dutch goods and services reached respectively 4.7 billion euros and 584 million euros in 2012. The main export goods are machinery, fertilizers and computers. The export of services mainly consists of financial products (bank and insurance) and transport services. The Dutch direct investments exceeded the trade in goods and services and reached a level of circa 6 billion euros in 2012 (Jaarsma, 2013).

Although there has been a significant increase in trade, it still remains only 1% of the total Dutch exports. Direct investments are even less than 1% of the total Dutch direct foreign direct investments.

Opportunities for Dutch companies

The growth of Turkey's economy has led to an increase in business opportunities for Dutch companies in Turkey. Firstly, the shift towards urban living has created a range of expansion opportunities for businesses through new demand in sectors such as housing, education, consumer goods and services and infrastructure. The socio-economic development has raised the necessity of dealing with environmental issues and water management. The Turkish government aims to implement sustainable policies and establish environmental standards in every sector. In the public sector, new projects have been developed in order to support the recognition of environmental issues among the population and influence behaviour. The renewable energy sectors and knowledge and technology in energy saving will be supported.

Secondly, the increasing number of the young middle income class has led to higher demand for high quality products, which need to be imported because of a lack of production capacity. Also, the expansion of the production capacity with high technological machinery will offer opportunities to foreign companies.

Thirdly, the privatization in the health sector has led to higher demand for highly developed medical technology. The Ministry of Health plans to invest USD 47 billion in the healthcare sector, which will encourage investment in health tourism, e-health, services and medical devices (Healthcare industry in Turkey, 2014). Next, as the infrastructure is improving constantly due to increasing demand and trade flows between Europe and Asia, investments in the building of airports and harbours will grow and with it the necessity of transport and logistics products and services. Finally, greenhouse farming (horticulture) is becoming a developing sector in the agricultural industry due to the climate conditions and the space in the country. Due to the growing population and the demand from neighbouring countries, greenhouse farming will expand.

An important condition for realizing these business opportunities is related to the establishment of a customs union between Turkey and the European countries in 1996. This resulted in free trade in manufactured goods with EU member states and enabled more enterprises to enter the Turkish market easily. In addition to the described opportunities, the country has wide variations in geography and climate, which affect diet, leisure activities and demand for certain goods. Choices of entertainment vary between groups with different educational levels (Economist, 2012).

Turkey offers a competitive advantage to foreign investors. The country has a young working population and low wage costs, even if these have been increasing in the previous years. The improving infrastructure and increasing productivity make the country more attractive for direct investments. Furthermore, the people of Turkey show a highly entrepreneurial culture.

'Dutch exporters underestimate the opportunities in Turkey and are missing out on EUR 4.1bln potential exports until 2016' (ING Economics Department Turkey, 2012)**.**

2. Entry barriers

In this chapter, an overview is given of trade barriers in general and for Turkey in particular.

Desk research

According to Hollensen (2012), companies face several barriers when internationalizing: insufficient finances, insufficient knowledge, lack of export commitment and lack of capital to finance expansion in foreign markets. In general, these barriers can be classified in tariff and non-tariff barriers. The most common tariff barriers are: specific, ad valorem and discriminatory. Non-tariff barriers can take many different forms, such as: language and cultural barriers, difficulties in finding the right distributor, foreign government restrictions, customs entry procedures, quota, complexity of trade documentation, etc.

Compared to the European export markets, exporters face a lot of barriers when exporting to emerging markets like Turkey. This has been reported by different sources, such as a large scale quantitative research by the European Union (EU, 2011). According to this research, the three most important barriers for doing business in markets outside the European Union are:

- payment risks
- difficult paperwork, i.e. bureaucratic procedures
- lack of financial support.

Other barriers are:

- a lack of adequate market information
- laws and regulations in foreign markets
- different national technical standards.

Another important finding of the EU research is that only 27% of all internationally active SMEs are aware of existing financial support measures like “Prepare2Start” and “Starters International Business”. Out of these 27%, only 26% indicate that they are using these measures. Those companies that use the support measures are rather positive about them. In addition, professional experts who assist SMEs in starting up their activities in emerging markets emphasize that those SMEs should be better prepared when starting business in those markets.

Due to the customs union between Turkey and the European Union, there are no formal trade barriers for Dutch products and services. However, there are still trade regulations to take into account when exporting to Turkey, according to the “Rijksdienst voor Ondernemend Nederland”, previously Agentschap.NL (2013). Exporters will be faced with product requirements like halal certification, product norms, (phyto)sanitary regulations and packaging and labelling requirements.

Next to these regulations, there are also other barriers which make import into Turkey burdensome. These barriers are marked as “key barriers” in the Market Access Database of the EU (European Commission, 2013). Most of these barriers are non-tariff barriers.

The report ‘Trends in Export 2014’ (Atradius & Fenedex, 2014) shows that the most attractive new export markets in 2013 for Dutch exporters were China, Russia, Brazil, Turkey and the USA. When exporters where asked for their priorities in new markets/countries for 2014, Russia and Brazil scored highest, while Turkey was in position 5. In 2013, Turkey was in position 11.

The same research also mentions bottlenecks experienced by exporters when trying to set foot in those new markets. The five prevailing barriers are: finding the right local partner (51%), customs and import restrictions (33%), legislation (32%), payment risks (20%) and availability of market knowledge (19%). Cultural differences is in position 6, mentioned by 16% of the respondents. Taking a closer look at the problems exporters encounter when looking for potential business partners, the following bottlenecks were mentioned: insufficient information about the partner’s market position (48%), no clear view of available local partners (41%), unawareness of the product (27%) and reliability of local partner (20%).

Selecting the right business partner is one issue, managing them properly is quite another. This is illustrated by the bottlenecks mentioned by the respondents of the above-mentioned study by Atradius and Fenedex: lack of attention (too small part of partner’s portfolio), physical distance and cultural differences.

Field research

To validate the results from the desk research, a field research was conducted. This research consisted of 13 in-depth personal interviews with Dutch SMEs in the province of Overijssel that were already doing business or planning to start doing business in Turkey, and 8 in-depth interviews with consultants on international business and advisory bodies, both in the Netherlands and in Turkey. The SME respondents were managers responsible for internationalization within the company.

When asked about entry barriers in doing business with Turkey, almost all the respondents (11) mentioned “difference in business culture” as the most important entry barrier. Bureaucracy was mentioned a few times, but only in one situation was it considered a serious barrier (a company in the food sector). Regulation (tax and labour law) was only mentioned by the respondent active in the service industry that established its own office in Turkey: “The first two years were full of surprises”.

Command of the English language was mentioned by half of the respondents, but not considered as a major barrier.

When asking if these barriers resulted in a change of entry strategy, all respondents answered ‘no’. Two SMEs made some operational changes: keeping more stock and replacing the area manager.

The answers to the question “why Turkey?” show that the majority of the companies did not have a clear strategy to enter that market: five of them were contacted by the customers directly, either at an exhibition or by email. The 2 respondents active in the service industry entered Turkey with the purpose of outsourcing, which was followed in a later stage by local sales. Two companies really had pro-active motives to enter Turkey. Ten companies from the 13 interviewed SMEs were aware of the existence of subsidy programmes for the realization of internationalisation processes, 3 of them could mention an example of a specific programme. One of them actually used the programme (P2S) for entering Turkey.

Seven companies visited their partner in Turkey first before starting to do business. Five of them were also visited by their Turkish partner. Nine of the interviewed SMEs used a partner profile, although not always on paper, when selecting a new partner. Regarding knowledge of Turkey before entering that market, only 1 company stated that it had reasonable knowledge about the Turkish market. All the others had limited knowledge.

To the question “what is the key success factor?”, 12 SMEs answered: “finding the right partner and paying attention to this partner.” The remaining company answered “local presence”, which was understandable taking into consideration this was a “service SME”. To the question “do you consider your current business in Turkey to be successful?”, 4 companies, including the two “service SMEs”, answered “yes”, five “no” and two “not yet.” Concerning the number of visits to Turkey, we saw that only three SMEs made 4 or more visits per year to their Turkish partners. These companies are the ones which classified Turkey as a priority market. The other respondents paid on average 1 visit per year. A short overview of the above can be found in the table below.

Question	**Number of respondents (n = 13)**
What is the key success factor?	Finding right partner: 12
Business in Turkey successful?	Yes: 4
Number of visits per year to Turkey?	Once: 9 Four: 4
Knowledge of Turkey before entering?	Reasonable: 1
Using partner profile for selection?	Yes: 9

The interviews with the intermediaries confirmed the above. Regarding the motives to enter the Turkish market, two of the interviewed intermediaries mentioned they frequently meet SMEs that start doing business in Turkey because they know someone (e.g. a Turkish employee) with contacts or family in Turkey. As one of them stated: "Initiative has to be committed by top management, you have to visit Turkey each quarter. The chance to be really successful is not that high: only one third of the prepared companies are successful."

With regard to barriers and challenges, the following aspects were mentioned:

- Regulations change more often than in the Netherlands.
- Be prepared for unexpected costs (e.g. customs, running your entity).
- Finding reliable customers and reliable employees might be difficult.
- Turks are more flexible than the Dutch, the Dutch tend to analyse things too much in detail.
- Turkish businessmen prefer face-to-face communication, they don't answer emails very easily.
- Be persistent.
- The region of origin of a Turkish partner could be relevant. One of the first questions a Turkish businessman asks is "where are you from?".
- Having the same religion might be an advantage in some cases. Important, however, is to show respect.
- Local products are very competitive, both on quality and price. Turkish customers have to be convinced of the added value of your products, which takes time.
- Be aware of local needs and desires.

3. Dutch & Turkish business culture

Dutch SMEs have done business with Turkish companies for many years. However, one of the greatest bottlenecks many Dutch entrepreneurs still face is cultural differences between Turkey and the Netherlands (ING Economics Department, 2009). Therefore, extensive research has been done about the effects that cultural differences have or may have on business between Turkey and the Netherlands in particular.

For this research study, five months were spent on analysing theories about culture and executing interviews and questionnaires. The main theories that were used were those of Geert Hofstede (2005) and Fons Trompenaars (1997). Both researchers describe the culture of countries on a business level and explain it with the help of several dimensions.

According to Hofstede, there are indeed significant cultural differences between the two countries. While the Netherlands does not accept unequally divided power, Turkey does accept it. This can result in formal language use and clear hierarchical systems in Turkish companies, whereas in Dutch companies, informal language is spoken and the companies often have a flat organizational structure.

In the Netherlands, which is characterized as an individualistic country (Hofstede, G., & G.J, 2005), direct communication, resulting mostly in conversations about business only, is a common phenomenon. In contrast, the Turkish culture is characterized as collectivistic. That means that relationships are very important when doing business with Turkish companies. Furthermore, the communication is characterized by exchanging both business and personal matters. Moreover, to establish long-term relationships usually takes time, which is why direct communication will not do much good.

Another difference between the two countries mentioned in the theories of Hofstede and Trompenaars is the Turkish orientation on the past and present and the Dutch orientation on the future. Furthermore, while rules are important in both countries in order to avoid uncertain situations, in the Netherlands those are considered less important than in Turkey. However, Turkish people make more exceptions to the rules, especially if those exceptions benefit a certain relation one has. In the Netherlands, exceptions to the rules are not accepted – one has to be treated equally and decisions are made based on ratio.

Finally, another significant difference between the two countries is the attribution of status. While in The Netherlands one is responsible for one's own status by the things one does, in Turkey age, gender, experience, etc. determine one's status.

COMPARING DUTCH AND TURKISH BUSINESS CULTURE

When comparing the theory with the current reality, based on the interviews and questionnaires, most theoretical descriptions still correspond with reality. According to most of the respondents, Turkey still has a system with a clear hierarchy. Most respondents confirm that formal language use is predominant in Turkish companies and titles are considered to be important. However, it seems that Turkish people are inclined to adapt their way of communication when talking to Dutch customers / partners.

As mentioned before, building long-term relationships is the most important condition for successful business with Turkish companies. In order to build and maintain steady relationships, one should not talk about business during the first business meeting. Moreover, it is recommended to visit potential business partners also outside business hours, as important decisions are mostly made in informal environments, such as dinners and lunches. Small corporate gifts are appreciated in order to reinforce the relationship. As one can imagine, all these things take time, which most of the Dutch entrepreneurs should take into account. Unfortunately, most entrepreneurs still spend insufficient time to build relationships. In the Netherlands, business is done quickly, without wasting time on building relationships. Directness is appreciated very much. Business being done in informal environments is a taboo in the Netherlands, as are corporate gifts, since these tend to be mistaken for bribery.

Another finding was the notion of the Turkish respondents of Dutch people as being stingy. This may be a result of their long-term orientation, as saving is considered important in the Netherlands. Most of the time, prejudices alone are enough to miss chances. According to most Turkish respondents, the long-term orientation of the Dutch may also be the cause of the relatively long time Dutch businessmen take to decide on matters.

Regarding the decision-making process, in the Netherlands the effects of the decision on the future have to be thoroughly examined first , while in Turkey decisions are made relatively quickly. A reason for this may also be that consensus is considered important in Dutch companies.

Furthermore, status is considered very important in Turkey. Things like age, gender, knowledge and experience determine the status one has. This means that relatively older managers are being appreciated more than younger ones. In the Netherlands, status is not ascribed to one's position in the same way. One's achievements determine the status one has.

The data show that in most cases, the theories of both Hofstede and Trompenaars are still valid in the Netherlands and in Turkey. It is important that there is mutual adaptation as well as mutual respect and understanding in order to do business effectively. Dutch people are willing to adapt, but only superficial adaptations are and can be made due to ingrained culture. As there is insufficient data to conclude whether there are many cultural differences based on geography, no firm conclusion can be given. However, as most of the Dutch as well as the Turkish companies mentioned Western Turkey as modern and Eastern Turkey as traditional, this might be true.

In sum, trade between The Netherlands and Turkey is affected by cultural differences as long as there is no mutual understanding and adaptation. Dedication and time are important in order to be successful in Turkey, as relationships are considered essential to do business. Cultural roots are difficult to change. Therefore, if change is coming, it is coming very slowly. A list with do's and don'ts is included below.

DO	Treat them equally	Reserve enough time
	Be to the point	Give special treatment
	Be relaxed	Be dedicated
	Be realistic	Be friendly
	Be honest	Show enthusiasm
	Quick responses are appreciated	Be available as much as possible
		Give small corporate gifts
		Visit them regularly
		Be aware of the pride for their country
		Be aware of possible cultural differences within the country
Don't	Don't exaggerate	Don't hurry
	Don't discriminate between genders	Don't be too direct
	Don't negotiate too hard, reducing the price too much	Don't be stingy
	Don't ask about personal issues	Don't criticize someone directly or in the presence of others
	Don't expect a special treatment	Don't expect decisions to be made in formal circumstances
		Don't be arrogant

4. Conclusions and recommendations

Conclusions

In this study, barriers experienced by SMEs while doing business in Turkey were investigated. The main conclusions are as follows.

First, the characteristics of Turkey as an emerging market were described. The country has a large consumer market which consumes more than it saves and a population with an average age of less than 30 years. About 71% of the total population is urbanized. Istanbul accounts for one in four of all urban residents.

Looking at economic indicators, it can be seen that the GDP growth rate has decreased, but is still higher than in the EU. The inflation rate is relatively high. Overall, spending power will rise, but income distribution is and will remain uneven. Furthermore, the country has a structural current account deficit and a negative budget balance.

The business environment shows both positive and negative aspects. The positive aspects are: FDI is allowed, free trade with EU, adequate infrastructure. The negative aspects are: an inflexible labour market, large informal economy, corruption, lack of a comprehensive legal system to protect the rights of foreign investors.

Regarding the reason why Dutch SMEs entered Turkey, it can be concluded that the majority of the interviewed SMEs did not have a well-developed strategy. They started doing business because they were contacted directly by a Turkish company. Only 2 companies had pro-active, planned motives to start business in Turkey. This is consistent with the low number of respondents that possessed extensive knowledge about Turkey at the moment of entry.

Concerning entry barriers respondents face when doing business in Turkey, “cultural differences” is number one, followed by bureaucracy (customs regulations). Regarding the cultural aspects, half of the respondents mentioned the importance of the following aspects for the Turkish partners: establishing a reliable relationship, ‘we-feeling’, emphasis on family. As one of the respondents said: “the person comes first, second the company and third the product”. These results are in accordance with the aspects mentioned by the intermediaries and previous researches done by Atradius and the European Union. Realizing that Turkish and Dutch business cultures differ significantly and acting accordingly seems to be a key success factor in doing business in Turkey.

Other aspects mentioned frequently (6 out of 13) are the professional way of working by Turkish companies and the good quality of their products and services. These aspects could also be considered as (indirect) entry barriers, as they diminish the demand for foreign products.

The level of internationalisation of the interviewed SMEs can be characterized as relatively high because of the number of export markets being served and the proportion of sales generated through export. However, the commitment to the Turkish market is not very strong. Only a small minority has invested in Turkey. However, this is consistent with their entry strategies in other foreign markets. Most of the respondents are in the export mode stage. This is in accordance with the literature studied. This also shows that the export mode is the most popular one for SMEs.

The respondents try to manage the challenges/barriers by selecting the right partners and paying attention to these partners in order to develop a successful business relationship. These two factors were unanimously mentioned as the key success factors. However, this doesn't match with the reason why the SMEs decided to start doing business in Turkey. In the majority of the cases, these motives were reactive. Companies do not seem to have a well-planned strategy. This impression is reinforced by the fact that some of the companies don't visit their partners before starting business and also by the low number of visits by the SMEs to their Turkish partners once business has started. Some of the SMEs explain this by stating Turkey is not a priority market.

Another element of managing these barriers would be to adjust the entry strategy: from export mode to a hierarchical one. However, this step wasn't taken by any of the respondents. Only two companies made changes: one stopped doing business and the other one changed importers. A third one replaced the export manager who was responsible for Turkey.

The above conclusions can be summarized as follow. First, Turkey is an emerging market offering a lot of opportunities to foreign entrepreneurs. However, in order to benefit from these opportunities, certain barriers have to be overcome. The most important barriers are the cultural differences and bureaucracy. Second, the majority of the respondents does not qualify their current business in Turkey as successful. Third, companies do not take action to improve this unsuccessful situation. The number of visits remains low and the entry strategy unchanged.

Overall one can say entrepreneurs see the opportunities offered by an emerging Turkey, but are unaware of what it takes to do business in Turkey successfully.

Recommendations

For creating a successful business in a challenging market like Turkey, the following recommendations can be made:

- Prepare well: spent sufficient time to get to know the country/industry.
- Check the possibilities for subsidies.
- Carefully select your business partner: make a profile, visit them first in Turkey, have them visit your company as well.
- Realise there are cultural differences and act accordingly: spend sufficient time to develop a relationship with the Turkish partner.
- Accept the fact that realizing a successful business in Turkey is tough and takes time.

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