

## Chapter 2

# Internet Adoption by SMEs

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### ABSTRACT

*Information technology resources are of great importance in making SMEs more effective and efficient. In this sense, SMEs should provide adequate IT training, design their processes according to IT, encourage their employees, search new technologies, compare themselves with their competitors in terms of technology usage, and should continuously plan their technology investments. When investing in new technologies, SMEs should pay attention to adaptability, flexibility, harmonization of IT, and strategies. Therefore, in this chapter, the usage level of IT (hardware, software, internet, communication tools, etc.) in SMEs is emphasized.*

### INTRODUCTION

Small and medium-sized enterprises (SMEs) are very important for economies. They have a large potential source for jobs and economic growth. SMEs account for 99 percent of all enterprises and they have less than 250 employees. Although the number of scale-classes changes according to the activity under consideration, the main classes are defined according to number of employees. With these definitions; micro enterprises are defined as having less than 10 employees, small enterprises are defined as having 10-49 persons employed, medium-sized enterprises are defined as having 50-249 employees. Therefore, SMEs are defined as having 1-249 persons employed. Finally, large enterprises are defined as having 250 or more persons employed.

According to an official Turkish newspaper number 28457 “Definition of Small and Medium Sized About Qualifications and Classification Regulation Amending the Regulation” dated Nov. 4, 2012 DOI: 10.4018/978-1-7998-3045-0.ch002

## Internet Adoption by SMEs

“Definition of SMEs, Implementing and Amending the Regulation on Qualifications and Classification” SMEs are defined as enterprises that employ less than 250 people annually and whose annual net sales revenue or financial balance does not exceed 40 million TL (KSEP, 2015-2018, p.26). The definition of national SMEs is given in Table 1.

According to Annual Industry and Service Statistics, the share of total purchases of goods and services based on the results of SMEs in Turkey in 2012 is 65.5 percent, its share in turnover is 63.3 percent.

Table 1. Definition of SMEs

Company Category	Staff Headcount (Employees)		Turnover or Balance Sheet Total			
	KSEP (Employees)	European Commission (Employees)	KSEP (million TL)	European Commission (million €)	KSEP (million TL)	European Commission (million €)
Medium-sized enterprises	50-249	<250	£ 40	£ € 50	£ 40	£ € 43
Small enterprises	10-49	<50	£ 8	£ € 10	£ 8	£ € 10
Micro enterprises	<10	<10	£ 1	£ € 2	£ 1	£ € 2

While the share of SMEs in the production value is 56.2 percent, the share in the value added is 53.9 percent. The share of SMEs in gross investment in tangible goods is 53.2 percent. While the share of employees of SMEs is 75.8 percent, 69.7 percent of employees (KSEP, 2015-2018, p.30).

According to the results of the Foreign Trade Statistics for 2013, 59.2 percent of exports and 39.9 percent of imports were achieved by SMEs. According to the 2013 results of the Research and Development (R&D), the share of SMEs in R&D expenditures is 16.9 percent. The share of SMEs in commercial R&D expenditures is 35.7 percent. While 85.6 percent of these expenditures are current expenditures, the remaining 14.4 percent is investment expenditures (KSEP, 2015-2018, p.31).

According to the result of the innovation survey 2012, 48,5 percent of the enterprises with 10 or more employees engaged in innovation activities in the three-year period from 2010 to 2012. Innovation activities are increasing in proportion to the group size of enterprises. According to this situation, 46,5 percent of enterprises with 10-49 employees, 56.1 percent of enterprises with 50-249 employees and 66,3 percent of SMEs with 250 and more employees engaged in innovation activities. 26,3 percent of SMEs engaged in product and process innovation activities. 43,2 percent of SMEs engaged in organization and marketing innovation (KSEP, 2015-2018, p.31).

The EU considers SMEs as the backbone of the European economy. In 2013, 21.5 million SMEs operated in the EU28. EU SMEs, which employ 88.8 million employees, have made profit of approximately €3.7 trillion. In other words, in 2013 European SMEs, which make up 99 out of every 100 enterprises, employed 2 out of every 3 employees and produced 58 percent of the added value. This size corresponds to 28 percent of the EU28 gross domestic product. According to Turkey's SMEs, EU28 SMEs has 7 times more enterprise activities and has 9 times more employees.

In the EU, the share of micro enterprises in the industrial sector in SMEs is 82.9 percent and the share of small enterprises in SMEs is 13.7 percent. In Turkey, these ratios are 87.2 percent and 10.6 percent, respectively. In this context, it is of notice that Turkey is particularly evident in terms of the need to amplify the scale of SMEs in the industrial sector (KSEP, 2015-2018, pp. 45).

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