

## İŞLETMELERDE BÜYÜME SÜREÇLERİNİN STRATEJİK TASARIMI: RİSK YAPISI VE KARLILIK İLİŞKİSİ BAĞLAMINDA KOBİ'LERE YÖNELİK BİR ARAŞTIRMA

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### ÖZ

Bu çalışmada, farklı sektörlerdeki KOBİ'lerin büyüme süreçlerinde stratejik büyüme aşamalarına vermiş oldukları önem incelenerek, KOBİ'lerin risk yapısı ve karlılıkları ile ilişkisinin analiz edilmesi amaçlandı. Türkiye'de faaliyet gösteren, en az beş yıllık geçmişi olan, 2024 yılının ilk çeyreğinde finansal olarak faaliyet gösteren KOBİ'lerin ortakları ile üst ve orta düzey yöneticilerinden oluşan 421 katılımcı üzerinde anket uygulaması yapıldı. Veri toplama aracı olarak demografik özellikler, şirket yapısı ve büyüme stratejileri ölçeği olmak üzere, toplam üç bölümden oluşan bir anket formu kullanıldı. Temerrüt riski tüm sektörlerdeki şirketlerin çoğunluğunda düşüktür ve %10'un altındadır ( $p>0.05$ ). Kamu ve siyasi ilişkilerin güçlendirilmesi, şirket satın alma ve ölçme ve değerlendirme stratejileri diğer sektörlerdeki şirketlerde istatistiksel olarak anlamlı derecede yüksektir ( $p<0,05$ ). ROE ile şirket birleşmeleri arasındaki ilişki toptan ve perakende ticaret grubunda ( $r=0,239$ ), halkla ilişkilerin güçlendirilmesi arasındaki ilişki ise hizmet sektöründe ( $r=-0,316$ ) istatistiksel olarak anlamlı bulunmuştur. Toptan ve ticaret sektöründe, politik ilişkilerin güçlendirilmesi faktörünün temerrüt olasılığı (PD) üzerindeki etkisi istatistiksel olarak anlamlı ve pozitifdir ( $\beta=0,327$ ;  $p<0,01$ ). Bu sektördeki KOBİ'lerde siyasi ilişkilerin güçlendirilmesi şirketlerin iflas etme riskini artırmıştır.

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**STRATEGIC DESIGN OF GROWTH PROCESSES IN BUSINESSES:  
A RESEARCH FOR SMEs IN THE CONTEXT OF RISK STRUCTURE AND  
PROFITABILITY RELATIONSHIP**Ali BAĞATIR<sup>a</sup>*İstanbul Ticaret University, Türkiye*Murat KASIMOĞLU<sup>b</sup>*İstanbul Ticaret University, Türkiye***ARTICLE INFO****Article History:**

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**ABSTRACT**

This study aimed to analyze the risk structure of SMEs and their relationship with their profitability by examining the importance of strategic growth stages in the growth processes of SMEs in different sectors. A survey was conducted on 421 participants, consisting of partners and senior and middle-level managers of SMEs operating in Turkey, with a history of at least five years, and operating financially in the first quarter of 2024. A survey consisting of three sections: demographic characteristics, company structure, and growth strategies scale was used as a data collection tool. Default risk was low in the majority of companies in all sectors and was below 10% ( $p>0.05$ ). Strengthening public and political relations, company acquisition, and measurement and evaluation strategies were statistically significantly higher in companies in other sectors ( $p<0.05$ ). The relationship between ROE and mergers was statistically significant in the wholesale and retail trade group ( $r=0.239$ ) and the relationships between strengthening public relations in the service sector ( $r=-0.316$ ). In the wholesale and trade sector, the effect of strengthening political relations factor on the probability of default (PD) was statistically significant and positive ( $\beta=0.327$ ;  $p<0.01$ ). Strengthening political relations in SMEs in this sector has increased the risk of companies going bankrupt.

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## **INTRODUCTION**

According to the OECD's 2000 report, 95% of companies and 60-70% of general employment in the economies of OECD countries consist of SMEs. In the OECD's most recent 2023 report, SMEs represent 99% of all businesses. According to TOBB data, SMEs constitute 99.8% of all businesses in Turkey, which reveals the importance of SMEs in the Turkish economy. Although they do not have a very large structure economically and financially, SMEs have a very important place in the economic system in terms of number and spread (Akpan et al., 2023; Fluhrer and Brahm, 2023; Smallbone et al., 1995). In its most general definition, SMEs mean small and medium-sized enterprises (Castellani et al., 2023; Saura et al., 2023; Pertheban et al., 2023). However, since there are many variables involved in the concepts of small and medium, there has been no consensus on the definition of SMEs from the past to the present.

On the other hand, the majority of publications in the literature limit the definition of SME to the number of workers. SMEs are defined as independent, non-subsidiary companies that employ fewer than a certain number of employees (Deb et al., 2023; Zur and Walega, 2023). This number varies according to national statistical systems. As in the European Union, the most common upper limit is 250 employees. While some countries set this limit at 200 employees, the United States considers SMEs to include companies with fewer than 500 employees (Altman et al., 2023). Small firms generally have fewer than 50 employees, while microenterprises have up to ten, and in some cases five, workers (OECD, 2000). Therefore, in the definitions of SMEs, there is a classification based on the number of employees. Even in this classification, definitions may differ due to differences of opinion regarding the number of workers. In general, the definition of SME is used for companies below 50 workers.

Although their types, definitions and structures vary, SMEs are ultimately profit-oriented businesses. Like every business, the most important purpose for SMEs is to make a profit. In other words, for an SME, the aim

of making a profit is the most important motivation, which is valid in businesses (Amarakoon and Colley, 2023; Elsetouhi et al., 2023; Utomo et al., 2023). For this, businesses need to manage both their asset and equity profitability well and evaluate their risk structures and become more sensitive to risk. However, the definition of the concept of risk may differ depending on the situation, scientific discipline, field area or conceptual framework. For example, while risk in a sports field refers to individuals experiencing accidents that may result in injury, it is possible to define the definition of risk for a business or profit-oriented institution as falling into dividends or suffering financial losses (Baha et al., 2023; Xie et al., 2023). Financial losses are affected by many different concepts and definitions, such as the financial situation of businesses, equity capital, cash flows, liquidity, and competitive advantages. Risk may differ not only in concept and conceptual context but also in the conceptual basis evaluated. Thus, it is possible to state that risk is actually a concept that varies depending on the current situation and strategies of businesses. In this context, strategic management is one of the most important concepts related to risk.

Strategic management is a management style that has become increasingly important in recent years and is used in many stages of business management. It generally refers to the management style in which businesses make certain options and decisions according to certain situations and conditions (Palmie et al., 2023; Ferlie and Ongaro, 2022; Fuertes et al., 2020). In the strategic management approach, risk refers to the situations that are likely to occur and may prevent the decisions taken by a business toward its goals especially its most basic goal of making a profit, which may prevent it from achieving this goal. Although concepts such as loss or damage are measures of risk, not every risk may end in loss or damage. Risk is not a phenomenon that will always occur but refers to the harm and damage that may occur. Strategic management focuses on identifying and minimizing these losses and damages as accurately as possible (Fuertes et al., 2020; Ketchen and Craighead, 2020). When evaluated in this context, strategic management appears as a business management model that is very important for risk management.

Another important phenomenon that strategic management focuses on is growth. Theoretically, every business will grow as a result of consistently making profits, as it will want to make consistent profits. Although options are taken from time to time depending on sector and market conditions, such as expansion, stagnation, or shrinkage instead of growth, it is generally possible to state that all businesses tend to grow in the ideal environment and suitable conditions (Hill et al., 2020; Mintzberg et al., 2020). In fact, since every growth will cause a volume similar to the re-entering of a new business into the sector, risks also increase with growth. Therefore, it is possible to state that there is a direct and important relationship between strategic growth and risk.

Although studies on strategic growth and risk management have been conducted in the literature, there are not enough studies examining growth models based on the growth strategies followed in terms of risk management and profitability for SMEs in different sectors. For this reason, this research aimed to analyze the risk structure of SMEs and their relationship with their profitability by examining the importance given to strategic growth stages in the growth processes of SMEs in different sectors.

## **LITERATURE REVIEW**

Although there have been studies on risk and growth in SMEs in the literature, there are not enough studies examining the relationship between both concepts. This section includes the results of some basic studies that are close to our research.

In their study, Bruce et al. (2023) discussed the adaptation of digital marketing tools in the growth of SMEs within the framework of strategic growth. The research involved data collection from 533 SME owners and managers. The findings suggest that, although digital marketing adoption does not directly play a dominant role in SME growth, individuals' marketing orientations can be managed through perceived behavioral control and subjective norms. As part of strategic growth, digital marketing

transformation can provide significant benefits in terms of growth and robustness of the risk structure of SMEs.

Garcia-Martinez et al. (2023) analyzed the factors affecting growth in SMEs within the framework of literature studies. In the study, the relationship between the company's age, size, networks, public relations, capital structure and internationalization levels and its strategic growth was analyzed. According to the research results, these seven factors need to be analyzed and managed strategically in the growth processes of SMEs.

Kim and Ha (2023) examined the impact of causal relationships on strategic growth and SME sustainable growth in the context of performance in SMEs in the digital transformation process. In the study, 303 SME managers were interviewed. According to the results obtained, digital transformation and its integration into strategic management is the process required for SMEs to have sustainable growth.

Mohezar et al. (2023) examined the supply chain risk in the growth processes of SMEs in the food industry. The study conducted in-depth interviews with eight SME managers from the Malaysian food industry. According to the findings, strategic planning has become an obligation, not a choice, regarding demand risk, supply risk, operational risks and financial risks during the pandemic period.

Puumalainen et al. (2023) analyzed the impact of strategic growth and performance components on the reactions of SMEs during growth and crisis periods. According to the results obtained, strategic growth stages and management characteristics give SME management more performance and survival power during the crisis period.

Runtut et al. (2023) examined the relationships between variables in the sustainable growth of SMEs with the predictive structural equation modeling method. According to the results obtained in the study, strategic management of corporate components such as managerial features, relationships between entrepreneurs, and ownership structure is a necessity for sustainable growth.

Rahman et al. (2022), who examined the growth of SMEs, examined the competitive survival and growth processes of SMEs during the pandemic period. In the study, interviews were held with SME managers, and the results were analyzed using the fuzzy method. According to the results obtained, SMEs need strategic growth stages in order to protect themselves from risks in the competitive process, to gain competitive advantage, to survive and grow.

Kolagar et al. (2021) analyzed the place and importance of digital technologies in the growth of SMEs and their success in the international competitive environment. In the study, in-depth interviews were conducted with 40 people with managers of companies operating in Switzerland and Finland. According to the results obtained, the place of digital technologies in the growth process of SMEs emerges as an obligation, not a need. Digitalization is vital in global markets, including for strategic growth.

Naradda Gamage et al. (2020) analyzed the survival and growth strategies of SMEs in a global competitive environment. In the study, 110 articles published in scientific databases were analyzed and the situation of SMEs' growth in terms of global markets was examined using the content analysis method. According to the results, global competition, terrorism, religious conflicts and trade wars are among the most important problems in the growth of SMEs in global markets.

Pasanen (2007) analyzed SME growth as organic and inorganic and aimed to reveal the differences between both growth types and methods. The study evaluated the character and success of growth through empirical data of SMEs in the manufacturing sector, which showed poor performance between 1979 and 1990. According to the results obtained, organic growth and intra-organizational structures must be developed for growth to be healthier and more sustainable.

Levy and Powel (2004) analyzed the role of information and information technologies on strategic growth in their book study examining the growth

strategies of SMEs. In the study, firstly, the strategic definitions of SMEs and growth in SMEs were included, and then, based on literature review and field data, the role of information technologies in the growth of SMEs was analyzed. In the conclusion of the book, it is reported that information technologies are sufficient to both make growth sustainable and achieve healthy and positive growth in SME growth.

According to the literature studies reviewed above, studies on strategic growth in SMEs are limited both conceptually and theoretically and far from field data. The general common point that emerges in the studies is that the growth process in SMEs is of vital importance for businesses. However, there is not enough information on how this growth should be, what kind of risk exists at which stages, and how and in what way this risk will be managed. Therefore, the aim of the research was to eliminate this deficiency both in terms of literature and the field.

## **METHODS**

In this part of the research, the research model, population and sample of the research, problem situation, data collection tools, data collection, and statistical methods for numerical and numerical analysis were included.

### **Model of the Research**

In this research, where the growth processes of SMEs were examined, a mixed model consisting of a descriptive scanning model and a relational scanning model was used. In the descriptive scanning model, a particular phenomenon is described by the researcher with qualitative and quantitative data, while in the relational scanning model, the researcher analyzes the findings obtained with the relational scanning method and establishes inferential relationships between the cases (Cohen et al., 2001). In this research, firstly, the growth strategies of SMEs, their risk structures, the degree of importance given to growth strategies and their profitability were described using quantitative data. Then, a relational screening analysis was performed based on the quantitative findings, and



how profitability and risk structures were affected by strategic growth was analyzed using advanced statistical methods.

### **Population and Sample**

The population of the research consists of partners and senior and middle-level managers of SMEs operating in Turkey, with a history of at least five years, and operating financially in the first quarter of 2024. The sample consists of 421 SME managers who participated in the survey on a voluntary basis. Cohen et al. (2001) reported in their study that at least 384 participants were required to represent a population between 1 and 5 million, with a 95% confidence interval and a significance level of 0.05.

While the number of SMEs in Turkey was reported as 3.2 million in the 2020 report of the Union of Chambers and Commodity Exchanges of Turkey (TOBB), it was reported as 3 million 427 thousand 891 according to the 2021 TÜİK report. The most recent KOSGEB report, published in December 2023, reported 3 million and 773 thousand SMEs. Accordingly, based on the annual increase, the number of SMEs in Turkey is below 5 million. Therefore, the sample represents the population adequately, and the study reached a sufficient number of participants for the simple random sampling method. Participation was provided according to the voluntary and simple random sampling methods. In the simple random sampling method, the voluntary method adds a probability effect to the method (Cohen et al., 2001).

### **Problem Statement**

According to TOBB data, SMEs constitute 99.8% of all businesses in Turkey. Based on this, it can be stated that SMEs represent all businesses in Turkey. Despite such an important sample, there are not enough studies examining the relationship between SMEs' growth strategies and risk and profitability structures. For this reason, the study sought an answer to the question of what effects the growth strategies of SMEs in Turkey have on their risk structure and profitability. In this way, it is aimed to pragmatically benefit

from field data to design the most appropriate growth strategy for SMEs. Accordingly, the problem statement of the research is as follows:

"How should the most appropriate growth strategies be designed in terms of risk and profitability structures for SMEs operating in different sectors, and what is the relationship between the importance given to growth strategies and risk and profitability?"

### **Data Set and Data Collection Tools**

A survey form consisting of three parts: demographic characteristics, company structure, and growth strategies scale was used as a data collection tool in the research. In the demographic information form, participants were questioned about their gender, age, professional experience, position in the company, education level, and whether they had previously received strategic planning and risk management training. In the company demographics form, the company's growth performance, risk structure, number of employees, company age and field of activity were questioned. Regarding growth strategies, a total of 14 growth strategies that were most emphasized in the literature were identified and participants were asked to evaluate the importance they attached to these strategies on a five-point rating scale. These strategies are given below:

- Product development strategy
- Market entry strategy
- Quality customer service strategy (customer satisfaction)
- Strengthening public relations
- Strengthening political relations
- Corporate social responsibility activities
- Marketing activities with advertising and promotion
- Organic growth (increasing production/operational capacity)
- Merger
- Company acquisition
- Human Resources
- Measurement and evaluation strategies

- Competitive strategies
- Benefit-cost strategies

Since the growth strategies rating form does not contain item expressions and has a rating structure, factor analysis not been performed. As a result of the Cronbach Alpha internal consistency analysis conducted for the internal consistency of the responses to the items of the form, the Alpha value was found to be 0.861. This value is on the higher end of the lower limit of 0.60 and the upper limit of 0.90, indicating a high level of internal consistency.

### **Statistical Method**

In the quantitative analysis part of the research, nominal and ordinal data were defined by frequency analysis, while rating scores were given with mean and standard deviation values. Kolmogorov-Smirnov test was performed for normality analysis of measurement values. Since the distributions of all measurement parameters did not comply with the standard normal distribution, nonparametric tests were performed. Kruskal Wallis test and Chi-Square Likelihood test were used in difference analysis between sectors and risk groups, and Mann Whitney U tests were used in post hoc pairwise group comparisons. In relational screening analyses, Spearman's rho correlation analysis and Generalized Linear Model (Ordinal Logit) analyses were used due to linearization deviations (Yılmaz and Turanlı, 2023; Yılmaz and Turanlı, 2022). All analyses were performed in SPSS 25.0 for Windows with a 95% Confidence Interval and a significance level of 0.05.

### **Ethics Committee Permission**

Ethics committee permission was obtained from Istanbul Commerce University Social Sciences Institute Scientific Studies Ethics Committee for the survey application and data collection in the study. On 01.11.2023, an application was made to the Ethics Committee of the Rectorate of Istanbul Commerce University and the necessary permission was obtained on 01.12.2023.

## RESULTS

The demographic characteristics of the participants and the main findings for the companies are shown in Table 1.

*Table 1. Demographic Characteristics of the Participants and Main Findings About the Companies*

		Count	Percent (%)
Sector	Production	191	45.4
	Wholesale and Retail Trade	125	29.7
	Service	63	15.0
	Other	42	10.0
Gender	Female	40	9.5
	Male	381	90.5
Age	24 and under	3	0.7
	Between 25-34	79	18.8
	Between 35-44	185	43.9
	Between 45-54	123	29.2
	Between 55-64	28	6.7
	65 and over	3	0.7
Experience	Under 5 years	12	2.9
	5-10 years	69	16.4
	Over 10 years	340	80.8
Position	Middle manager	39	9.3
	Senior manager	138	32.9
	Firm partner	243	57.9
Education	High school and below	99	23.5
	Associate degree	41	9.7
	License	232	55.1
	Postgraduate	49	11.6
Strategic management education	No	283	67.2
	Yes	138	32.8
Risk management education	No	244	58.0
	Yes	177	42.0
Region	Domestic only	142	33.7
	Mainly domestic	134	31.8
	Domestic and international balanced	79	18.8
	Mainly overseas	52	12.4
	Overseas only	14	3.3
Experience of firm	Under 5 years	49	11.6
	6-10 years	101	24.0
	Between 11-15 years	82	19.5

	Over 15 years	189	44.9
Number of workers	10 and under	100	23.8
	Between 11-30	136	32.3
	Between 31-50	76	18.1
	Between 51-70	32	7.6
	Between 71-100	28	6.7
	101 and above	49	11.6
	Growth	Shrinking	5
Stable		32	7.6
Growing		384	91.2
Performance	Low	6	1.4
	Middle	165	39.4
	High	248	59.2
Probability of Default	Low <10%	230	54.6
	Moderate 10-20%	100	23.8
	High >20%	20	4.8
	Unclassified	71	16.9

Managers of 191 companies (45.4%) from the manufacturing sector, 125 companies (29.7%) from the wholesale and retail trade sector, 63 companies (15.0%) from the service sector, and 42 companies (10.0%) from sectors other than these participated in the research. 90.5% of the participants were male, and the majority (43.9%) were between the ages of 35-44. In general, 80.0% of the participants had over ten years of experience, and the majority had undergraduate education (55.1%). The rate of company partners was 57.9%, the rate of senior managers was 32.9%, and the rate of middle-level managers was 9.3%. 32.8% of the participants stated that they received training on strategic management and 42.0% on risk management (Table 1).

According to company demographics, the majority were companies working only domestically (33.7%) and predominantly domestically (31.8%), the company age was generally over 15 years (44.9%), and 32.3% of the participants stated that they were companies with 11-30 employees. While 91.2% of the participants described their company as a growing company, 59.2% stated that their company's performance was at a high level (Table 1).

ROA, ROE, and probability of default differences according to sectors are given in Table 2.

Table 2. ROA, ROE and Probability of Default Differences According to Sectors

Mean ± SD	Manufacturing (1)	Wholesale and Retail (2)	Service (3)	Other (4)	P value	Post Hoc
<b>2021</b>						
ROA	0.02±0.20	0.03±0.10	0.02±0.20	0.06±0.12	0.117 <sup>a</sup>	-
ROE	0.06±0.73	<b>0.24±0.81</b>	0.06±0.24	0.12±0.24	0.045 <sup>a</sup>	2>1 2>3
<b>2022</b>						
ROA	0.06±0.09	0.05±0.13	0.04±0.12	0.04±0.07	0.053 <sup>a</sup>	-
ROE	0.16±0.79	<b>0.23±0.55</b>	0.07±0.88	0.20±0.31	0.030 <sup>a</sup>	2>3
<b>Probability of Default</b>	<b>n (%)</b>	<b>n (%)</b>	<b>n (%)</b>	<b>n (%)</b>		
Low, <10%	113 (66.1)	65 (63.1)	30 (62.5)	22 (78.6)		
Moderate 10-20%	44 (25.7)	35 (34.0)	16 (33.3)	5 (17.9)	7.827	0.251 <sup>c</sup>
High, >20%	14 (8.2)	3 (2.9)	2 (4.2)	1 (3.6)		

a. Kruskal Wallis Test, b. Mann Whitney U Test, SD: Standard Deviation, c. Chi-Square Likelihood Ratio, ROA: Return on Assets, ROE: Return on Equity.

According to Table 2, there was no significant difference in ROA values according to sector differences in 2021 and 2022 ( $p > 0.05$ ). However, the ROE values of companies in the wholesale and retail sectors were statistically significantly higher than companies in other sectors in both 2021 and 2022 ( $p < 0.05$ ). According to the Post Hoc test results, the ROE differences between wholesale and trade and manufacturing and service sectors were significant in 2021 ( $p < 0.05$ ). In 2021, only the ROE differences between wholesale and trade and service sectors were significant ( $p < 0.05$ ). Default risk was low in most companies in all sectors and was below 10% (Table 2).

The difference analysis results of growth strategies' importance levels and sectors are given in Table 3.

Table 3. Difference Analysis Results of Growth Strategies Importance Levels and Sectors

Mean ± SD	Manufacturing (1)	Wholesale Retail (2)	Service (3)	Other (4)	p value	Post Hoc
Product development strategy	<b>4.72±0.56</b>	4.40±0.92	4.51±0.72	4.60±0.70	0.007 <sup>a</sup>	1>2 1>3
Market entry strategy	4.62±0.65	4.54±0.78	4.68±0.64	4.60±0.86	0.587 <sup>a</sup>	
Quality customer service strategy	4.79±0.54	4.66±0.74	<b>4.87±0.38</b>	4.79±0.52	0.189 <sup>a</sup>	3>2
Strengthening public relations	3.92±1.14	3.54±1.40	4.13±1.07	<b>4.29±1.04</b>	0.002 <sup>a</sup>	1>2 3>2 4>2
Strengthening political relations	3.51±1.36	3.23±1.50	3.73±1.32	<b>4.05±1.10</b>	0.002 <sup>a</sup>	4>1 3>2 4>2
Corporate social responsibility activities	3.79±1.11	3.58±1.26	3.90±1.13	3.95±1.21	0.186 <sup>a</sup>	
Marketing activities with advertising and promotion	4.30±0.97	4.23±0.99	4.38±0.89	4.24±0.93	0.690 <sup>a</sup>	
Organic growth	<b>4.51±0.79</b>	4.26±0.98	4.41±0.80	4.43±0.70	0.143 <sup>a</sup>	1>2
Company merger	2.95±1.23	2.80±1.36	<b>3.25±1.36</b>	3.14±1.28	0.092 <sup>a</sup>	3>2
Company acquisition	3.08±1.37	2.86±1.46	3.46±1.22	<b>3.50±1.49</b>	0.011 <sup>a</sup>	3>2 4>2
Human Resources	4.43±0.78	4.10±1.13	<b>4.59±0.71</b>	4.55±0.77	0.005 <sup>a</sup>	1>2 3>2 4>2
Measurement and evaluation strategies	4.46±0.74	4.17±1.05	4.48±0.78	<b>4.64±0.66</b>	0.020 <sup>a</sup>	1>2 4>2
Competitive strategies	4.54±0.72	4.50±0.82	4.57±0.76	4.50±0.74	0.948 <sup>a</sup>	
Benefit cost strategies	4.73±0.58	4.62±0.71	4.71±0.66	4.69±0.56	0.440 <sup>a</sup>	

a. Kruskal Wallis Test, b. Mann Whitney U Test, SD: Standard Deviation.

Among the growth strategies, product development and organic growth are in the manufacturing sector, quality customer service strategy, company mergers, and human resources in the service sector. Strengthening public and political relations, company acquisition, and measurement and evaluation strategies were statistically significantly higher in companies in other sectors ( $p < 0.05$ ). The importance scores of market entry strategy, corporate social responsibility activities, advertising and promotion and marketing activities, competition strategies, and cost-benefit strategies were similar for companies in all sectors ( $p > 0.05$ ) (Table 3).

The results of Spearman's rho correlation analysis for the relationship between ROA and ROE values and growth strategy scores of companies according to their sectors are given in Table 4.

*Table 4. Spearman's rho Correlation Analysis Results (r Values) for the Relationship Between ROA and ROE Values And Growth Strategy Scores of Companies According to Their Sectors*

	Manufacturing		Wholesale and Retail		Service		Other	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Product development strategy	0.064	0.020	-0.053	0.075	0.127	0.022	-0.245	-0.125
Market entry strategy	-0.037	-0.059	-0.130	-0.091	0.193	0.199	-0.167	-0.176
Quality customer service strategy	0.005	-0.046	-0.043	-0.042	0.146	0.094	-0.181	-0.113
Strengthening public relations	-0.035	-0.043	-0.114	-0.076	-0.115	<b>-0.316*</b>	0.122	0.044
Strengthening political relations	-0.068	-0.015	-0.140	-0.072	0.046	-0.207	0.198	0.025
Corporate social responsibility activities	-0.036	-0.049	-0.045	0.071	-0.045	-0.185	0.003	-0.130
Marketing activities with advertising and promotion	-0.076	-0.069	0.023	0.022	0.049	0.141	-0.015	0.091
Organic growth	0.025	0.040	-0.011	-0.011	-0.127	-0.222	-0.190	-0.075



Company merger	-0.080	-0.082	0.157	<b>0.239*</b>	0.242	-0.024	0.231	0.022
Company acquisition	-0.021	-0.034	0.088	0.152	0.092	-0.037	0.185	-0.030
Human Resources	-0.032	-0.073	0.114	0.155	-0.030	-0.123	0.102	0.084
Measurement and evaluation strategies	-0.033	-0.082	0.049	0.132	0.068	-0.042	0.083	0.000
Competitive strategies	-0.067	-0.056	-0.004	0.050	-0.066	-0.121	-0.126	-0.159
Benefit cost strategies	-0.010	-0.026	0.001	0.043	-0.152	-0.198	0.003	-0.100

\*p<0.05 PD categories were Low <10%, Moderate 10-20%, High >20% and Unclassified

According to the correlation analysis results, although the relationships between ROA and all growth strategies are insignificant, the relationship between ROE and company mergers is in the wholesale and retail trade group ( $r=0.239$ ;  $p<0.05$ ) and in the service sector, strengthening public relations ( $r=-0.316$ ;  $p<0.05$ ) were statistically significant. The direction of the relationship between ROE and mergers in wholesale and retail trading companies was positive. In the service sector, the direction of the relationship between ROE and strengthening public relations was negative.

The results of the difference analysis of growth strategies' importance levels according to the probability of default groups are given in Table 5.

*Table 5. Difference Analysis Results According to Growth Strategies Importance Levels and Probability of Default Groups*

Mean ± SD	Low, <10% (1)	Moderate, 10-20% (2)	High, >20% (3)	p value
Product development strategy	4.60±0.73	4.57±0.71	4.45±0.76	0.508 <sup>a</sup>
Market entry strategy	4.64±0.68	4.63±0.63	4.40±0.82	0.338 <sup>a</sup>
Quality customer service strategy	4.77±0.59	4.78±0.56	4.75±0.55	0.884 <sup>a</sup>
Strengthening public relations	3.72±1.33	4.02±1.05	3.65±1.18	0.219 <sup>a</sup>
Strengthening political relations	3.37±1.40	3.64±1.41	3.25±1.37	0.192 <sup>a</sup>
Corporate social responsibility activities	3.71±1.19	3.75±1.18	3.75±0.91	0.936 <sup>a</sup>
Marketing activities with advertising and promotion	4.24±1.03	4.35±0.80	4.35±0.93	0.912 <sup>a</sup>
Organic growth	4.41±0.87	4.39±0.83	4.55±0.76	0.651 <sup>a</sup>

Company merger	2.91±1.28	2.84±1.30	3.00±1.38	0.850 <sup>a</sup>
Company acquisition	3.10±1.40	3.02±1.43	3.05±1.43	0.878 <sup>a</sup>
Human Resources	4.39±0.92	4.32±0.84	4.60±0.68	0.211 <sup>a</sup>
Measurement and evaluation strategies	4.40±0.84	4.37±0.84	4.55±0.69	0.677 <sup>a</sup>
Competitive strategies	4.57±0.69	4.48±0.85	4.65±0.75	0.610 <sup>a</sup>
Benefit cost strategies	4.71±0.62	4.65±0.66	4.90±0.31	0.285 <sup>a</sup>

a. Kruskal Wallis Test, SD: Standard Deviation.

According to the analysis results in Table 3, all growth strategy averages were similar among the probability of default groups, and the differences between the groups were not statistically significant ( $p>0.05$ ). This indicates that the growth strategies of SMEs with different probabilities of default risks are close to each other.

The results of Spearman's rho correlation analysis for the relationship between PD values and growth strategy scores of companies according to their sectors are given in Table 6.

*Table 6. Spearman's rho Correlation Analysis Results (r Values) for the Relationship Between PD Values and Growth Strategy Scores of Companies*

PD	Manufacturing	Wholesale and Retail	Service	Other
Product development strategy	-0.047	-0.093	-0.050	0.241
Market entry strategy	-0.061	-0.066	-0.017	0.032
Quality customer service strategy	-0.008	-0.018	-0.014	0.212
Strengthening public relations	0.020	0.136	0.129	0.073
Strengthening political relations	0.014	<b>0.231*</b>	-0.046	-0.016
Corporate social responsibility activities	-0.046	0.029	0.174	0.151
Marketing activities with advertising and promotion	-0.029	0.082	-0.057	0.202
Organic growth	0.000	-0.108	0.166	0.179
Company merger	-0.054	0.151	-0.155	-0.156
Company acquisition	-0.139	0.172	0.021	-0.017
Human Resources	-0.029	-0.108	-0.002	0.325
Measurement and evaluation strategies	-0.066	0.097	-0.060	0.271
Competitive strategies	0.036	-0.133	0.015	0.298
Benefit-cost strategies	0.029	-0.093	0.121	0.068

\* $p<0.05$

In the wholesale and retail trade sector, there was a statistically significant and positive relationship between strengthening political relations and PD ( $r=0.231$ ;  $p<0.05$ ). This situation indicates that the risk of bankruptcy is higher in wholesale and retail trade enterprises that attach more importance to strengthening political relations.

Generalized Linear Model (Ordinal Logit) results for the effect of the "strengthening political relations" factor of strategic growth on the probability of default in the wholesale and trade sector are given in Table 7.

*Table 7. Generalized Linear Model (GLM-Ordinal Logit) for the Effect of "Strengthening Political Relations" Factor of Strategic Growth on the Probability of Default (PD)*

Parameter	B	Std. Error	95% Wald Confidence Interval		Hypothesis Test			
			Lower	Upper	Wald Chi-Square	df	p	
Threshold	[PD=<10%]	1.577	0.513	0.571	2.582	9.443	1	0.002
	[PD=10-20%]	4.625	0.781	3.095	6.155	35.109	1	0.000
Strengthening political relations	0.327	0.143	0.048	0.607	5.258	1	0.022	
(Scale)	1							

Dependent Variable: PD

Model: (Threshold), Strengthening political relations

According to the GLM analysis results, the effect of strengthening political relations factor on PD was statistically significant and positive ( $B=0.327$ ;  $p<0.01$ ). This situation reveals that strengthening political relations in SMEs in the wholesale and trade sector increases the risk of PD.

The score distribution of the responses to the strengthening political relations factor according to PD groups is shown in Figure 1.

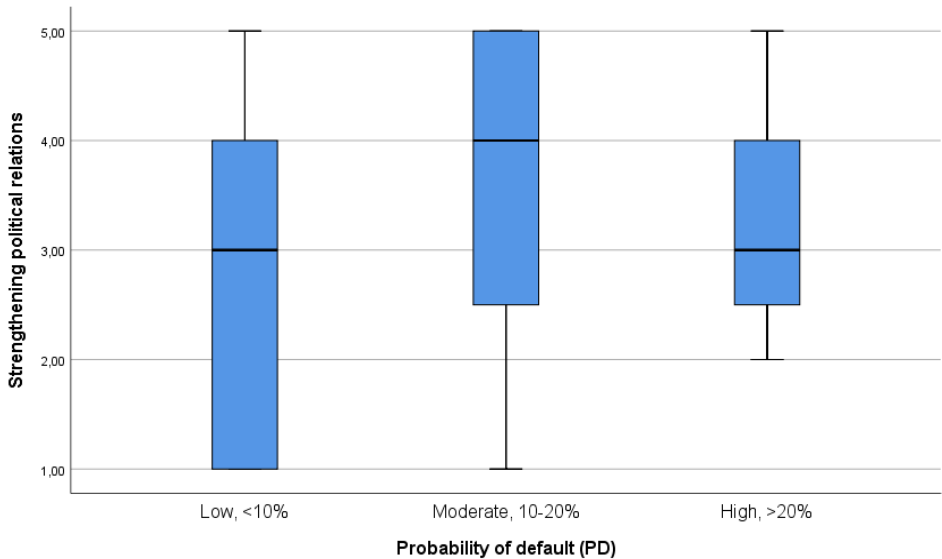


Figure 1. Score Distribution of Responses to the Strengthening Political Relations Factor According to PD Groups in Wholesale and Trade Sector

According to Figure 1, in the responses given by company managers with low PD risk, the strategy of strengthening political relations was given lower scores. However, the variation range is high. In companies with high PD, higher scores were given to the strategy of strengthening political relations.

## DISCUSSION AND CONCLUSION

The growth process and results of SMEs are an important and emphasized issue in many studies, and in this growth process, each company follows certain paths, including its own market and company factors (Rafiki et al., 2023; Salder et al., 2020; Rafiki, 2020). In this process, today's modern business management emphasizes that strategic approach and strategic growth provide the safest and most effective results and that companies need to follow strategically planned growth stages in order to have a more successful and sustainable growth process (Yeboah, 2021). One of the factors that should be emphasized during the growth process and that significantly affect growth is risk management (Asgary et al., 2020; Virglerová et al., 2020). For good risk management, it is necessary to

understand the current risk structure and put forward the company's growth strategies accordingly.

Since SMEs generally constitute more than 90% of all companies in an economic system, there have been many studies on SMEs in the literature, the majority of which are related to the growth and management strategies of SMEs. Theoretically, when an SME grows, it may cease to be defined as an SME. However, it should be clearly stated here what small and medium-scale SMEs are, what is meant by growth, and the criteria by which companies are classified (Akpan et al., 2023; Castellani et al., 2023; Fluhrer and Brahm, 2023; Saura et al., 2023; Pertheban et al., 2023; Smallbone et al., 1995). For example, the economic growth of SMEs will not remove them from the SME class, based on the definitions in the general literature, nor will it be more than an indicator of increased profitability. In addition, it should be stated that the growth patterns and methods of SMEs are also important in this process. It is possible to state that studies on the risk structures of SMEs are among the topics emphasized in the literature (Rafiki et al., 2023; Salder et al., 2020; Rafiki, 2020). While the issue of risk is one of the most important and important points for business management, risk management in SMEs will also vary. When risk management is defined as the measures taken against existing risks, risk management will also be shaped according to the existing risks.

The changing customer and market structure in recent years has also changed the profitability balances between sectors. While in the past, profitability was mostly in the production sector, today it is possible to talk about much higher profits in intermediary services, wholesale and retail sales. According to the results obtained in our research (Türkiye SMEs sample), wholesale and retail marketing was the sector with the highest profitability, and equity profitability was statistically significantly higher than other sectors. This finding is compatible with studies reported in the literature. It is possible to state that the effective role of wholesale and retail marketing processes in consumers' purchasing decisions and the process of making this decision has an impact on this result.

Each sector has its own priorities and competitive advantages. For example, while innovative and more ergonomic products are important for market competition in the manufacturing sector, reliability may come to the fore in the financial sector. Therefore, it is possible to state that growth strategies also change and develop within this framework. In our research, the strategies of product development and organic growth in the manufacturing sector are quality customer service strategy, company mergers, and human resources in the service sector. Strengthening public and political relations, company acquisition, and measurement and evaluation strategies were statistically significantly higher in companies in other sectors ( $p < 0.05$ ) (Türkiye SMEs sample). The findings we obtained were fully compatible with both the structures of the sectors and other studies in the literature. Indeed, company managers view the most competitive aspects of their industry as the most important growth strategy. This also shows the consistency of the responses given to the survey forms.

The growth of a company is, in a sense, related to the profitability of that company. Fundamentally and theoretically, if a company is making a profit, that company has growth potential. Considering that the reason for the existence of businesses is to make profits, it is possible to state that businesses that cannot make profits have no possibility of growth. However, making a profit does not always mean growth. Although not every profit means growth, it is necessary to make a profit to grow (Rafiki et al., 2023; Salder et al., 2020; Rafiki, 2020). In our study, the relationships between ROA and all growth strategies were insignificant. The relationship between ROE and mergers was statistically significant in the wholesale and retail trade group ( $r = 0.239$ ) and the strengthening of public relations in the service sector ( $r = -0.316$ ). It is possible to state that company mergers are one of the important factors required for superiority in today's competitive environment and the importance of public relations in the service sector has an impact on the results.

The risk of bankruptcy is one of the major threats to the survival of every company. In general, it is possible to state that the risk of sinking increases with growth. Our research showed a statistically significant and positive relationship between strengthening political relations and PD in the wholesale and retail trade sector ( $r = 0.231$ ). According to the GLM analysis results, the effect of strengthening political relations factors on PD was statistically significant and positive. In fact, although this may seem like the opposite of the expected situation at first, political relations always pose a risk for businesses, especially in environments where political polarization is high. We should not considering the situation a conflict between the political and political relations of companies and governments. The politicization of the public that follows policy providers, or more specifically, the customer segment, also affects customer preferences. In other words, political preferences may have an impact on the products or services of businesses or companies that express their political preferences. It is possible to say that this situation is also reflected in the research results.

### **Limitations of the Study**

The most important limitation of the research is that the definition and concept of SME is very broad, thus representing more than 90% of businesses in all sectors. In fact, although statistically this situation reveals that the research results also have a macroeconomic structure, more specific definitions of SMEs are needed to make specific comments.

Another important limitation of the research is that there is no fully outlined structure regarding strategic growth in SMEs. In fact, although this makes the research a pioneer in the field, there are not enough studies in the literature to compare the results obtained.

### **Contributions of the Research to the Literature and the Field**

The most important contribution of the research to the field is that the results obtained are pragmatic and serve as a guide for businesses operating in the field, allowing to compare the growth approaches of

successful and unsuccessful companies in Turkey. Companies that want to grow according to their sectors can look at the results of the research and follow a growth strategy in line with the importance given to the growth strategies of companies with low PD values in their sector.

## **CONCLUSION**

The results obtained in the research show that although there is an important and meaningful relationship between strategic growth, risk management, and profitability, growth strategies have not yet been fully adopted in different sectors, and there is not enough information about this. However, even limited levels of information reveal the potential that strategic growth can make serious contributions to both company profitability and risk management.

The profit margin and especially the ROE value in the wholesale and trade sector is much higher than in other sectors. Strengthening political relations in SMEs in this sector has increased the risk of companies going bankrupt. Although there is no sufficient study on strategic growth in all other sectors, the importance ranking of successful companies according to sectors in the study can be an important guide for companies and academic studies in the field.



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## **AUTHORS' PERCENTAGE-BASED CONTRIBUTION**

The contributions of the author to the study by percentages are as follows: The percentage-based contributions of the 1st author and 2nd author are 60% and 40%, respectively.

1st Author: Conceptualization, methodology, formal analysis, investigation, resources, writing-original draft, writing-review & editing, and visualization.

2nd Author: Conceptualization, writing-review & editing, and supervision.

## **DECLARATION OF CONFLICTING INTERESTS**

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## **ETHICAL APPROVAL OF THE STUDY**

All rules within the scope of "Instruction on Research and Publication Ethics for the Higher Education Institutions" were observed throughout the study. No actions mentioned in the Instruction's second chapter titled "Actions Against to Scientific Research and Publication Ethics" were taken in the study.

## **PEER-REVIEW**

Externally peer-reviewed.

## **PLAGIARISM**

This article has been scanned by plagiarism program. No plagiarism detected.

## **ETHICS COMMITTEE APPROVAL**

Ethics committee approval was obtained for this study with the decision of Istanbul Commerce University Ethics Committee dated 01.12.2023 and numbered E-65836846-044-305263.