Chapter 5

Forms of Business Ownership and Organization
Most Businesses are Small Businesses

- 90% of firms with employees have fewer than 20 people on staff.
  - 98% have fewer than 100 employees
- More than 20 million people in the United States earn business income without employees.
  - Almost ½ the sales in the United States are made by small businesses.
- Small businesses generated 60%-80% of new jobs over the last decade.
What is Small Business?

The Small Business Administration defines a small business to be a firm that is independently owned and operated and is not dominant in the field.

- Manufacturing business: fewer than 500 workers
- Wholesalers: fewer than 100 workers
- Retailers: less than $6 million in annual sales
- Agricultural business: less than $750,000

- Small businesses’ sizes range from $500,000 to $25 million in sales and from 100 to 1,500 employees.
## Typical Small-Business Ventures

<table>
<thead>
<tr>
<th>MOST LIKELY TO BE A SMALL FIRM</th>
<th>FEWER THAN 20 WORKERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home builders</td>
<td>97%</td>
</tr>
<tr>
<td>Florists</td>
<td>97%</td>
</tr>
<tr>
<td>Hair salons</td>
<td>96%</td>
</tr>
<tr>
<td>Auto repair</td>
<td>96%</td>
</tr>
<tr>
<td>Funeral homes</td>
<td>94%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LEAST LIKELY TO BE A SMALL FIRM</th>
<th>FEWER THAN 20 WORKERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>14%</td>
</tr>
<tr>
<td>Nursing homes</td>
<td>23%</td>
</tr>
<tr>
<td>Paper mills</td>
<td>33%</td>
</tr>
<tr>
<td>Electric utilities</td>
<td>38%</td>
</tr>
<tr>
<td>Oil pipelines</td>
<td>38%</td>
</tr>
</tbody>
</table>
Major Industries Dominated by Small Businesses

- Construction: 90%
- Agricultural Services: 88%
- Wholesale Trade: 66%
- Services: 56%
- Retail Trade: 51%

Percentage of firms with fewer than 500 employees.
Home-Based Businesses

- 52% of small businesses
  - 16 million such businesses in the United States
- Access to the Internet and availability of communications devices such as the BlackBerry and other smartphone technology makes it convenient to run a home-based business.
Home-Based Businesses

- Allows for more control of business
- Allows for more control of personal time
- Keeps start-up and operating expenses low
Contributions of Small Business

- Create New Jobs
- Account for 30% of U.S. Exports
- Offer Customized Services
- Create New Industries
- Encourage Innovation
Small Business Failure

- 3 in 10 businesses close permanently within two years.
- 50% of businesses fail within five years.
- By the 10-year mark, 82% of all small businesses have closed permanently.
Reasons Why Small Business Fail

- Management Shortcomings
- Inadequate Financing
Reasons Why Small Business Fail

- Government Regulation
  - Small businesses often struggle to absorb the costs of government paperwork because of their more limited staff and budgets.
  - The smallest firms—those with fewer than 20 employees—spend 45 percent more per employee than larger firms just to comply with federal regulations (employment law and workplace safety regulations etc.)
Increasing the Likelihood of Small Business Success

- Creating a Business Plan
  - Written documentation that provides orderly statement of goals, methods, and purpose
  - Discusses the company’s mission and vision
  - Analyzes unique advantage, customers, and competition
Increasing the Likelihood of Small Business Success

- Business Model
  - describes the rationale of how an organization creates, delivers, and captures value
  - is not a business plan, and could only be a part of a business plan!
Sources of Small Business Financing

- Trade Credit*: 60%
- Personal Credit Card: 46%
- Commercial Bank: 38.2%
- Business Credit Card: 34.1%
- Line of Credit†: 27.7%
- Motor Vehicle Loan: 20.5%
- Owner Loan: 14.2%
- Mortgage Loan: 13.2%
- Financial Lease: 10.6%
- Equipment Loan: 9.9%
- Family & Friends: 6%

† Percentage of businesses using line of credit.
SME’s, Huge advance of the developing Turkey

Our Vision
To be the institution that provides SME’s the right to comment in the global market, effective in determining SME and entrepreneurship policies, and taken as a model in all over the world

SME’s grow, Turkey grows!

Our Mission
To increase SME’s share in economical and social development by offering quality service and support towards developing SME’s power of competition and spreading culture of entrepreneurship
KOSGEB - SUPPORTS

Entrepreneur Support Programme

MOTIVES AND OBJECTIVES OF THE PROGRAMME

- Developing and disseminating the entrepreneurship as the basic factor for solving the economic development and employment issues,
- Establishing successful and sustainable enterprises,
- Disseminating the entrepreneurship culture,
- Developing entrepreneurship by establishing the Business Improvement Centers (BICs),
- Raising the employment level,
- Supporting the entrepreneurship based on the local dynamics

Entrepreneurship Support Programme comprises of 3 subprogrammes:

- Applied Entrepreneurship Training
- New Entrepreneur Support
- Business Improvement Centre (BIC) Support

Applied Entrepreneurship Training

- It includes training and workshop studies of minimum 60 hours (entrepreneurship abilities testings, business idea exercises and business plan preparation)
- Applied Entrepreneurship Trainings can be organized by KOSGEB or other foundations or institutes (universities, ISKUR, professional organizations, municipalities etc.)
- Trainings are arranged for general and specific (younsg, women, disadvantageous groups) target groups,
- No charge from participants.

New Entrepreneur Support

- This support is available for
- The entrepreneurs who had completed the applied entrepreneurship training and started his/her own business,
- ISGEM entrepreneurs
Entrepreneur Support Programme

New Entrepreneur Support Components

<table>
<thead>
<tr>
<th>SUPPORT COMPONENT</th>
<th>UPPER LIMIT (TL)</th>
<th>SUPPORT RATIO (%) (1st &amp; 2nd Regions)</th>
<th>SUPPORT RATIO (%) (3rd &amp; 4th Regions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Establishment Support</td>
<td>No Payback</td>
<td>5000</td>
<td></td>
</tr>
<tr>
<td>Establishment Period</td>
<td>No Payback</td>
<td>10000</td>
<td></td>
</tr>
<tr>
<td>Machinery, Equipment and Office</td>
<td>No Payback</td>
<td>12000</td>
<td>60</td>
</tr>
<tr>
<td>Hardware Support</td>
<td></td>
<td></td>
<td>(Female or handicapped entrepreneur:70)</td>
</tr>
<tr>
<td>Operational Costs Support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets Investment Support</td>
<td>With Payback</td>
<td>70000</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Female or handicapped entrepreneur:80)</td>
</tr>
</tbody>
</table>
KOSGEB - SUPPORTS

R&D, Innovation and Industrial Application Support Programme

MOTIVES AND OBJECTIVES OF THE PROGRAMME

- Developing the SMEs and entrepreneurs possessing new ideas and inventions
- Supporting techno-promoters who have technologic ideas,
- Disseminating R&D awareness throughout the SMEs and expanding R&D capacity
- Enhancing actual R&D support
- Supporting innovative activities
- Need for support mechanism for the commercialization and the industrial application of the R&D and innovation project’s output

PROJECT TERMS

- R&D and Innovation Programme - minimum 12 (twelve), maximum 24 (twenty-four) months
- Industrial Application Programme - maximum 18 (eighteen) months,
- By the Board decision and additional term of up to 12 (twelve) months length can be given
# R&D, Innovation and Industrial Application Support Programme

<table>
<thead>
<tr>
<th>R&amp;D - Innovation and Industrial Implementation Programme Supports</th>
<th>Upper Limit (TL)</th>
<th>Support Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R&amp;D and Innovation Programme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workspace Support</td>
<td>No charge for workshops</td>
<td></td>
</tr>
<tr>
<td>Rental Support</td>
<td>12,000</td>
<td>75</td>
</tr>
<tr>
<td>Machinery – Equipment, Hardware, Raw Material, Software and Service Purchase Cost Support</td>
<td>100,000</td>
<td>75</td>
</tr>
<tr>
<td>Machinery – Equipment, Hardware, Raw Material, Software and Service Purchase Cost Support (with payback)</td>
<td>200,000</td>
<td>75</td>
</tr>
<tr>
<td>Personnel Cost Support</td>
<td>100,000</td>
<td>75</td>
</tr>
<tr>
<td>Initia Support</td>
<td>100,000</td>
<td>100</td>
</tr>
<tr>
<td><strong>Project Development Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Consulting Support</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td>Training Support</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Industrial and Intellectual Property Rights Support</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td>Project Promotion Support</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Foreign Convention/Conference/Exhibition Visit/Technologic Cooperation Visit Support</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>Test, Analyses and Certification Support</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td><strong>Industrial Implementation Programme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Support</td>
<td>18,000</td>
<td>75</td>
</tr>
<tr>
<td>Staff Costs Support</td>
<td>100,000</td>
<td>75</td>
</tr>
<tr>
<td>Machinery – Equipment, Hardware, Consumables, Software and Design Cost Support</td>
<td>150,000</td>
<td>75</td>
</tr>
<tr>
<td>Machinery – Equipment, Hardware, Consumables, Software and Design Cost Support (with payback)</td>
<td>200,000</td>
<td>75</td>
</tr>
</tbody>
</table>
INCENTIVE REGIONS - TURKEY
Private Investors

- Small-business owners soon look for greater sums of money in order to continue operating and eventually grow.
- Venture capital is money invested in the small business by another business firm or group of individuals in exchange for an ownership share.
  - Venture capitalists look for companies in which to invest even when the economy is sluggish.
  - Recently, investors have expressed optimism and a focus on information technology, such as the Internet, cloud computing, and mobile/telecom.
  - Venture capitalists usually have tough requirements for a solid business plan.
Venture Capital Firms

iLab Ventures, based in Turkey, was founded in April of 2000 as a part of Access Turkey Capital Group with the mandate of investing venture capital in early and growth stage companies operating in sectors with high-growth potential.

By focusing on internet based companies and investing capital in them, iLab aims to play a critical role in Turkey’s digitization process.

Portfolio

iLab's portfolio is diversified across many sectors. All companies in the iLab portfolio aim to lead the market in Turkey and iLab puts all its managerial, strategic and tactical acumen behind them to ensure success. Please browse our portfolio below.
Venture Capital Firms

Investments

GittiGidiyor.com is the leading ecommerce platform in Turkey. YTV has collaborated with iLab Ventures in iLab’s acquisition of a minority stake in the company. That investment was followed by the acquisition of a 10% stake by eBay. In 2Q 2011, eBay acquired 93% of GittiGidiyor for $218m in the first major exit of a Turkish consumer internet company to a global strategic buyer.

YemekSepeti.com is one of the biggest Turkish internet success stories. Making the elusive “online meal delivery marketplace” model succeed in the Turkish market, the company attracted a round of funding from European Founders Fund and YTV in 2008. In 2012, YemekSepeti.com added General Atlantic as a shareholder in a $44m landmark transaction.
Opportunities for Women & Minorities

- More than 40% of U.S. businesses are owned by women (10 million businesses)
- The number of businesses owned by minorities *outpaced the growth* in the number of U.S. businesses overall.
- Women and minorities still face challenges:
  - Smaller-scale operations
  - Challenges finding investors
  - Access to capital
Minority-Owned Businesses
The Franchising Alternative

- A contractual business agreement between a manufacturer or another supplier and a dealer to produce and market the supplier’s good or service.
- Links to franchising opportunities:
  - Subway
  - Entrepreneur
Franchising

- **Franchising - Example:** Domino’s Pizza has expanded to more than 8,000 stores in more than 60 international markets around the world. Its largest international market is in Mexico, but wherever it operates, the company fine-tunes its menus to meet local tastes with such specialties as barbecued chicken in the Bahamas, black bean sauce in Guatemala, squid in Japan, chorizo in Mexico, and Konyalım in Turkey.
The Franchising Agreement

- Franchising agreements exist between franchisee and franchisor.
- 50% of all retail sales
- 760,000 businesses
- 18 million jobs
- $500 billion in payroll
- Near $2 trillion in sales
- New franchise opens every 8 minutes
- Franchising overseas is a growing trend
# Benefits and Problems of Franchising

## ADVANTAGES
- Prior Performance Record
- Recognizable Company Name (Brand)
- Proven Business Model
- Tested Management Program
- Savings through Volume Purchases

## DISADVANTAGES
- Franchise Fees
- Future Payments (Royalties)
- Linked to Reputation and Management
- Franchise Agreement Restrictions
- Tight Control
## Forms of Private Ownership

### Table 5.3 Comparing the Three Major Forms of Private Ownership

<table>
<thead>
<tr>
<th>Form of Ownership</th>
<th>Number of Owners</th>
<th>Liability</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>One owner</td>
<td>Unlimited personal liability for business debt</td>
<td>1. Owner retains all profits &lt;br&gt;2. Easy to form and dissolve &lt;br&gt;3. Owner has flexibility</td>
<td>1. Unlimited financial liability &lt;br&gt;2. Financing limitations &lt;br&gt;3. Management deficiencies &lt;br&gt;4. Lack of continuity</td>
</tr>
<tr>
<td>Partnership</td>
<td>Two or more owners</td>
<td>Personal assets of any operating partner at risk from business creditors</td>
<td>1. Easy to form &lt;br&gt;2. Can benefit from complementary management skills &lt;br&gt;3. Expanded financial capacity</td>
<td>1. Unlimited financial liability &lt;br&gt;2. Interpersonal conflicts &lt;br&gt;3. Lack of continuity &lt;br&gt;4. Difficult to dissolve</td>
</tr>
<tr>
<td>Corporation</td>
<td>Unlimited number of shareholders; up to 100 shareholders for S corporations</td>
<td>Limited</td>
<td>1. Limited financial liability &lt;br&gt;2. Specialized management skills &lt;br&gt;3. Expanded financial capacity &lt;br&gt;4. Economies of large-scale operations</td>
<td>1. Difficult and costly to form and dissolve &lt;br&gt;2. Tax disadvantages &lt;br&gt;3. Legal restrictions</td>
</tr>
</tbody>
</table>
Type of Businesses According To Their Legal Structure

1. Sole Proprietorship (Tek Kişî İşletmeleri)
2. Partnership (Şirketler, Ortaklıklar):
   2.1. Adi Şirketler
2.2. Ticaret Şirketleri
   2.2.1. Kişi (Şahıs) Şirketleri:
      a) Kollektif Şirket: unlimited liability
      b) Komandit Şirket: limited + unlimited liability

2.2.2. Sermaye Şirketleri
   a) Anonim Şirket: min 50.000 TL capital, shares, shareholder liability
   b) Limited Şirket: min 10.000 TL capital, no shares, limited liability
Corporate Management

- **Stockholders** – acquire stocks in exchange for ownership

- **Board of Directors** – elected by stockholders to oversee corporation

- **Corporate Officers & Management** – make major corporate decisions and handle ongoing operations
When Businesses Join Forces

Mergers

Merger – combination of two or more firms to form one company

[Images of logos indicating a merger process]
When Businesses Join Forces

About Avea

Avea, the sole GSM 1800 mobile operator of Turkey, was founded in 2004. Being driven by a spirit of innovation, Avea, the youngest operator of Turkey, has a nationwide customer base of 14 million as of the third quarter of 2013. Offering services to 98% of Turkey's population through its next generation network, the company is growing fast both in the corporate and individual services with the brand “Avea” and constantly investing in technology and infrastructure as well as in its management and around 3000 employees. Having roaming agreements with 664 operators in 202 countries, the company continues to expand its roaming partnerships. TT&TIM İletişim Hizmetleri A.Ş. was officially established in February 19th, 2004 as a consequence of the merger between Aycell, Türk Telekom’s GSM Operator and İş-TIM which has been established through the partnership of İş Bankası Group with a share of 51% and TIM with a share of 49%. Following the merger, for a period Aria and Aycell brands existed under TT&TIM. A totally new brand “Avea”, reflecting the synergy from the merger was introduced into the market on June 23rd, 2004. The business name “TT&TIM İletişim Hizmetleri A.Ş.” was replaced with “Avea İletişim Hizmetleri A.Ş.” as of October 15th, 2004. As GSM sector’s youngest, most dynamic and the alternative operator, Avea brought a new competitive environment to Turkish GSM market. The privatization of 55% of Türk Telekom’s shares was completed in November 2005, by Oger Telecom’s acquisition 55% of Türk Telekom’s shares. Turk Telekom now holds 89.99% of the shares in Avea. The remaining 10.01% belongs to İş Bankası

Updated on 04.09.2013
When Businesses Join Forces

- **Acquisitions**
  - **Acquisition** – procedure in which one firm purchases the property and assumes the obligations of another
When Businesses Join Forces

- **Objectives of Acquisitions**
  - Decrease the number of competitors in the market
  - Complete or balance the product line
  - Increase the market value of the company
  - Increase the stock price
  - Increase the productivity by utilizing from the synergistic impact
When Businesses Join Forces

- **Joint Venture** – partnership between companies for a specific purpose.
When Businesses Join Forces

Brisa / The Company

Brisa was originally established by the Sabanci Group, the leading industrial conglomerate in Turkey, under the licence agreement signed with American BF Goodrich Company in 1974. The Company, a 100% Turkish investment, was named Lassa Tire Manufacturing and Trading Inc. at that time. The production started in 1977 at the factory with a covered area of 90,000 m² and the sales were extended to 60 provinces in Turkey through 186 organized dealers. Until 1988, the Company produced tires under the Lassa brand, expanding its product range from tires for passenger cars, trucks and buses to farm and off-the-road vehicles.

In response to the developments in the world tire industry, a joint venture agreement was signed between the Bridgestone Corporation of Japan, one of the world’s largest manufacturers of tires and the Sabanci Group, on November 1st, 1988, each party holding an equal share in the new Company. As a result of this agreement, the Company name was changed to BRISA Bridgestone Sabanci Tire Manufacturing and Trading Inc. On July 1st, 1989, the groundbreaking for the new plant was completed, and finally, on November 1st, 1990 mass production of tires started at the new plant, which was installed within a covered area of 196,000 m² and equipped with the state-of-the-art technology.