

ANTECEDENTS OF EXPORT PERFORMANCE:

THE CASE OF THE TURKISH TEXTILE AND APPAREL INDUSTRY



MURAT PARLAKGÜL

BOĞAZIÇI UNIVERSITY

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ANTECEDENTS OF EXPORT PERFORMANCE:
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Murat Parlakgöl

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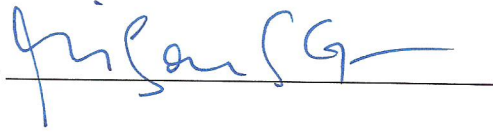
The Case of the Turkish Textile and Apparel Industry

The thesis of Murat Parlakgöl

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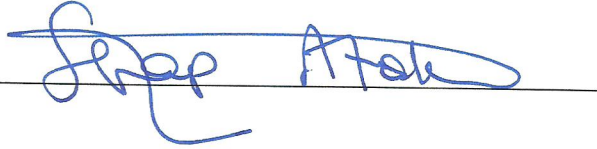
Assoc. Prof. Nisan Selekler-Gökşen

(Thesis Advisor)

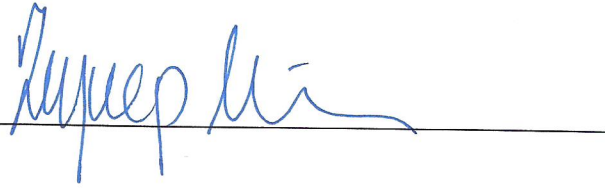


Assoc. Prof. Serap Atakan

(External Member)



Assist. Prof. Zeynep Ata



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ABSTRACT

Antecedents of Export Performance: The Case of the Turkish Textile and Apparel Industry

Ever-changing global conditions directly affect the firms and their international involvement. Therefore, the firms should choose a position and use their resources so that they can maintain their competitive advantages and keep away from the risks of the new situation. This study employs the Resource Based View (RBV) of the firm in order to identify several human capital, physical capital and organizational capital resources with positive export performance implications. The effect of factors internal to the firms and are uncontrollable in the short run are analyzed. The proposed export performance model is tested using nonparametric statistical techniques on a sample of 58 Turkish exporters all from textile and apparel industry. The impact of eight characteristics categorized under two groups as managerial characteristics (manager's education, manager's international experience) and firm characteristics and competencies (firm size, firm's age, Eximbank supports, business group affiliation, R&D expenditure and innovativeness) on export performance is analyzed. Four of these characteristics - manager's education, manager's international experience, Eximbank supports and R&D expenditure - are found to be positively and significantly related to the export performance while other four variables - firm size, firm's age, business group affiliation and innovativeness- had insignificant relationships. This study is the first industry specific study which takes into account the lagged effect of R&D expenditure on export performance in Turkish context.

ÖZET

İhracat Performansının Belirleyicileri: Türk Tekstil ve Hazır Giyim Sektörü Örneği

Sürekli olarak değişen küresel koşullar şirketleri ve uluslararası varlıklarını doğrudan etkilemektedir. Bu yüzden, şirketler durdukları pozisyon ve sahip oldukları kaynaklar bakımından kendilerini yeni risklerden uzak tutacak ve karşılaştırmalı olarak avantaj sağlayacak şekilde hareket etmelidirler. Bu çalışma Kaynak Temelli Yaklaşım (RBV) kullanarak şirketlere ait çeşitli insani, fiziki ve örgütsel kaynakların ihracat performansı üzerindeki olumlu etkilerini tespit etmeyi amaçlamaktadır. Şirketin iç çevresine ait ve kısa vadede kontrol edilemeyen faktörler ele alınmaktadır.

Oluşturulan ihracat performans modeli tamamı Türkiye’de tekstil ve hazır giyim sektöründe faaliyet gösteren 58 ihracatçı şirketi içine alan bir örneklem üzerinde parametrik olmayan istatistiksel teknikler kullanılarak test edilmektedir. İki farklı grup altında, yönetici özellikleri (yöneticinin eğitimi, yöneticinin uluslararası tecrübesi) ve şirket özellikleri ve yetkinlikleri (şirket büyüklüğü, şirketin yaşı, bir grup aitlik, Eximbank desteği, Ar-Ge harcaması, yenilikçilik), sekiz farklı özelliğin ihracat performansı üzerindeki etkisini incelenmektedir. Sonuç olarak yöneticinin eğitimi, yöneticinin uluslararası tecrübesi, Eximbank destekleri ve Ar-Ge harcamaları olmak üzere dört adet değişkenin ihracat performansı üzerinde anlamlı etkisi tespit edilirken, şirketin büyüklüğü, şirketin yaşı, şirketin bir gruba ait olması ve yenilikçilikten oluşan diğer dört değişkenin ihracat performansı üzerinde anlamlı bir etkisi bulunamamıştır. Bu çalışma, Türkiye’de belirli bir sektöre yönelik Ar-Ge harcamalarının gecikmeli etkisi ile yapılan ilk çalışma özelliğini taşımaktadır.

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CHAPTER 1

INTRODUCTION

Recent decades have witnessed the increasing globalization of the world economy. According to United Nations Conference on Trade and Development (UNCTAD), the total world export volume almost tripled between the years 2002 and 2012 in spite of the huge costs of global financial crisis. On the other hand, the growth rate of world exports has slowed down after the global crisis and today it is still much lower than the pre-crisis period; it seems the recovery needs more time (UNCTAD, 2014). This situation of world trade that is accepted as the “new normal” (Dabla-Norris et al., 2015) forces firms to use superior resources to be able to have a competitive advantage, particularly in international trade.

The resource-based view (RBV) of the firm has recently become a powerful theoretical aspect in international management practices (Peng, 2001), claiming that firms are able to have sustained competitive advantage by exploiting valuable, rare, inimitable and non-substitutable resources (Wernerfelt, 1984; Barney, 1991; Galbreath, 2005). RBV accepts firm resources as the basis to gain competitive advantage (Barney, 1991). The firms can therefore change the conditions to their advantage in situations that directly affect them and their international involvement, depending on the characteristics of resources under control (Beleska-Spasova, Keith, & Stride, 2012).

Although there are numerous studies published about the factors affecting export performance, there is not a consensus on a particular set of factors yet. Therefore, the literature includes some studies which classify the factors that are

likely to influence export performance under some certain groups (Aaby & Slater, 1989; Çavusgil & Zou, 1994; Mysen, 2013; Zou & Stan, 1998). Reviewing vast numbers of independent variables and using numerous indicators for export performance based on studies between the years 1987-1997, Zou & Stan (1998) classify export performance determinants into four groups based on two dimensions. The first dimension is concerned with the source of the determinant such that an antecedent variable can be either internal or external. The second dimension, on the other hand, evaluates the extent to which the antecedent can be controlled, i.e. controllable versus uncontrollable. Zou & Stan's (1998) classification of export performance determinants into external and internal factors has also theoretical bases. External determinants of export performance are derived from the environmental models of strategic management while internal determinants are justified by the RBV of the firm. In addition, the controllable/uncontrollable classification considers the extent to which an antecedent can be changed in the short run.

This study takes into analysis the internal characteristics of the classification since all sample firms exist in the same industry, textile and apparel. The textile and apparel industry was one of the major revenue generating industries of countries such as Britain, Japan and China in their early industrialization efforts (Rosen, 2004). Similarly, the industry has also played critical roles in the industrialization period of Turkey, starting from the Ottoman Empire. However, the industry has started to lose ground not only in the national but also in international markets (Turkish Clothing Manufacturers Association (TGSD), 2013). As the problems of the textile industry seem difficult to solve in the short run, the uncontrollable factors affecting the export performance are taken into consideration in this study.

Thus, the purpose of this study is to develop an integrative model to investigate the impact of various management characteristics and firm characteristics and competencies, which are categorized as internal uncontrollable factors (Zou & Stan, 1998) on export performance in the Turkish textile and apparel industry.

The thesis has six chapters and all chapters have an approach related to particular issues, subject to the purpose of the study.

Chapter 1 presents the introduction. In Chapter 2, the theoretical framework of the study is presented and the antecedents of firm export performance are introduced. The resource-based view designates the theoretical framework of the study. Management characteristics and firm characteristics and competencies as defined by Zou and Stan (1998) are analyzed as potential export performance determinants. In addition, the conceptual model of the study and the hypotheses are also presented in this chapter.

The main objective of Chapter 3 is to describe the textile and apparel industry and its position in world trade in general and in Turkey in particular. The definition of the textile and apparel industry is established and the situation of this industry in the world is explained. In addition, the trends in Turkey's export performance, particularly in the textile and apparel industry, are evaluated emphasizing the role of Turk Eximbank.

In accordance with research methodology, Chapter 4 portrays the description of data collection methods and the sampling procedure. This chapter also explains the survey design and data analysis methods used in this study.

Chapter 5 summarizes and discusses findings of the research. First, descriptive findings regarding the firms in the sample and their managers are

provided. Then results of the hypothesis testing are given. The analysis of the research model is also viewed in this chapter.

In Chapter 6, recommendations concerning the outcome of the study and practical implications for the sector are discussed. Suggestions for further research and the limitations of the study are also presented in this section.



CHAPTER 2

THEORETICAL FRAMEWORK

The resource-based view (RBV) of the firm establishes the theoretical framework of this study. The RBV, the antecedents of export performance revealed in past studies and the impact of management characteristics and firm characteristics and competencies on export performance are studied in this chapter. In addition, the conceptual model of the study and the research hypotheses are examined.

2.1 The resource based view

According to the environmental models of competitive advantage, the ability of a firm to have a sustainable competitive advantage is determined primarily by its general, industrial and competitive environments. For example, Porter (1981) states that the performance of a firm is predominantly a function of the industrial environment in which it compete. Porter (1985) also claims that gaining and maintaining competitive advantage depends on how successfully the firm locates and differentiates itself from its competitors in the industry. The RBV of the firm, on the other hand, claims that a firm's ability to have a sustainable competitive advantage originates from its internal environment, more specifically from the valuable, rare, inimitable and non-substitutable resources controlled. Thus, the RBV emerges as an alternative to the external environmental models of competitive advantage (Hoskisson, Hitt, & Wan, 1999) and recommends the management to look inside, rather than outside, the firm to identify sources of competitive advantage (Wernerfelt, 1984; Barney, 1991; Teng, 2007).

The RBV of the firm also differs from the environmental models on the basis of its claims regarding the distribution of resources among firms and mobility of resources across them. First, RBV suggests that the strategic resources of firms within an industry may be heterogeneous. In other words, firms may be different from each other based on the quality and/or quantity of resources they have access to. Second, these resources may be perfectly immobile among firms. On the basis of these two suggestions, the RBV of the firm perceives resources of a firm as the main source of its ability to acquire and maintain a sustainable competitive advantage (Hoopes, Madsen, & Walker, 2003; Barney, 1999; Wernerfelt, 1984).

2.1.1 Resources as a source of sustainable competitive advantage

Although considering the firms as a bundle of resources goes back to 1950s and the writing of Selznick, Penrose, Chandler and Andrew, the sense of resources as a source of sustainable competitive advantage was first recognized by Wernerfelt (Kostopoulos, Spanos, & Prastacos, 2002). Wernerfelt (1984, 1994) stated that evaluating firms with respect to their resources could enable understandings that differ from those emerging from traditional perspectives. The resources of the firm including all assets, capabilities, attributes, information and knowledge serve the firm to design and perform strategies that are more efficient and effective (Wernerfelt, 1984).

According to Wernerfelt (1984), a firm's resources can be analyzed under two categories: tangible and intangible resources. Tangible resources are composed of physical assets such as land, buildings, machinery, equipment and financial capital are meaning. As tangible resources can be relatively easily acquired by other firms in the market, the comparative advantage they provide may not be sustainable.

Intangible resources, on the other hand, have no physical presence. Brand recognition, the goodwill of customers and intellectual property are some important examples of intangible assets. Brand name, for example, takes a long time to build and cannot be bought from the market or substituted for. Therefore, intangible resources are more difficult for competitors to understand, purchase, imitate or substitute for and they are the main sources of sustainable competitive advantage for a firm (Wernerfelt, 1984).

Barney (1991) classifies the numerous resources a firm can control into three categories: physical capital resources, human capital resources and organizational capital resources. Physical capital resources include a firm's technology, plant, equipment, and geographic location while human capital resources include the training, experience, judgment, intelligence, networks and insight of the employees of a firm. Organizational capital resources, on the other hand, include a firm's reporting structure within the firm, coordination and control systems in addition to the informal relations among groups and the other actors in the market (Barney, 1991).

Barney (1991) presents a comprehensive framework to investigate what kind of resources that are needed in order to need to generate a sustainable competitive advantage (Kostopoulos et al., 2002). Barney (1991) states that the resources of a firm should be valuable, rare, imperfectly imitable, and non-substitutable in order to be able to create a sustainable competitive advantage. Resources are valuable to the extent that they enable a firm to exploit the opportunities and offset the threats in its environment (Barney, 1991). Valuable resources help a firm to shape and implement strategies which improve its efficiency and effectiveness (Talaja, 2012) and create superior value for its customers (Hoopes et al., 2003). Rare resources, on the other

hand, are those that are either fully unavailable or available to competitors only to a limited degree. Rareness may be both physical and perceptual in nature and it enables a firm to distinguish itself from its competitors (Barney, 1991; Talaja, 2012). Resources can be categorized as inimitable if other firms are unable to develop them except at a cost disadvantage. Inimitable resources may enable a firm to produce products superior to and different from those of its competitors' (Barney, 1991). Finally, non-substitutability refers to lack of strategic equivalents for a resource, which in turn, eliminates competitors' ability to account for their deficiency (Barney, 1991).

In summary, RBV suggest that valuable, rare, imperfectly imitable and non-sustainable resources can be a source of sustainable competitive advantage for a firm. In other words, acquisition and maintenance of competitive advantage depend, in a critical way, on the resource endowments controlled by the firm (Barney, 1991; Hoopes et al., 2003). In a similar vein, a firm's competitiveness in exports can be a function of the resources it controls.

2.2 The antecedents of export performance

Numerous studies have been published on the antecedents of export performance in the literature (Aaby & Slater, 1989; Madsen, 1998; Zou & Stan, 1998; Singh, 2009; Mysen, 2013). However, knowledge on the issue is still described as a disjointed collection of complicated findings (Aaby & Slater, 1989; Çavusgil & Zou, 1994; Mysen, 2013; Zou & Stan, 1998). A primary reason for the incompatible findings on the antecedents of export performance, despite the large amount of published studies, is the lack of synthesis and divergence of partial knowledge (Leonidou & Katsikeas, 1996; Zou & Stan, 1998; Mysen, 2013). A study made by Sing (2009) reports some

antecedents of export performance identified in the literature in order to show the complexity on the classification of the export performance. Table 1 lists some of different denominations of the export performance antecedents.

Table 1. Antecedents of Export Performance

Study	Antecedents of Export Performance
Ling-Yee and Ogunmokun, 2001	Management perceived export advantages
Dusoglu and Guner, 2001	Ownership type Organizational culture
Hasnat, 2002	Human capital
Verwaal and Donkers, 2002	Size of export relationships Firm size
Codagan, et al., 2002	Export market oriented activities
Rodriguez and Rodriguez, 2005	Product innovations Patents and process innovations R&D spending intensity
Wilkinson and Brouthers, 2006	Export promotion activities
Pla-Barber and Alegre, 2007	Innovation Firm size
Estrin, et al., 2008	Host institutional environment Economic freedom
Sousa and Bradley, 2008	Managers' international experience Foreign market characteristics
Styles, et al., 2008	Commitment to future exchanges
Stoian, et al., 2011	International business knowledge Firm's export commitment Technological intensity
Hultman, et al., 2011	International experience
Beleska –Spasova et al., 2012	Managerial resources Organizational capabilities Knowledge-based resources Physical Resources
Uzay et al., 2012	R&D expenditure
Çiftçi and Çiftçi, 2013	R&D activity Advertising-marketing expenditure Managerial characteristics
Agnihotri and Bhattacharya, 2014	Educational level Functional heterogeneity International exposure Age Length of tenure
Denicolai et al., 2014	Knowledge intensity External asset ratio

Source: Adapted from Singh, 2009

Since there have been very different denominations of antecedents in the literature, it was necessary to classify them to eliminate the danger of having too many factors (Aaby & Slater, 1989; Leonidou & Katsikeas, 1996; Zou & Stan, 1998; Mysen, 2013). Reviewing the literature published between the years 1987 and 1997,

Zou and Stan (1998) classify export performance determinants into four groups because they believed an updated review was needed for the last decade and as a guide for future research. The studies reviewed by Zou and Stan have investigated several vast numbers of independent variables and used numerous indicators for export performance.

Zou and Stan's (1998) classification is based on two dimensions. The first dimension regards the source of the antecedent variable such that a variable can be either internal or external to the firm. The second dimension, on the other hand, is concerned with the extent to which the dimension can be controlled: controllable versus uncontrollable. Using a two-by-two matrix, Zou and Stan classify the antecedents they identified in the literature as follows:

Table 2. Classification of Independent Factors of Export Performance

	INTERNAL	EXTERNAL
C O N T R O L L A B L E	<p>Export Marketing Strategy</p> <ul style="list-style-type: none"> ○ General export strategy ○ Export planning ○ Export organization ○ Market research utilization ○ Product adaptation ○ Product strengths ○ Price adaptation ○ Price competitiveness ○ Price determination ○ Promotion adaptation ○ Promotion intensity ○ Distribution channel adaptation ○ Distribution channel relationships ○ Distribution channel type <p>Management Attitudes and Perceptions</p> <ul style="list-style-type: none"> ○ Export commitment and support ○ International orientation ○ Proactive export motivation ○ Perceived export advantages ○ Perceived export barriers 	
U N C O N T R O L L A B L E	<p>Management Characteristics</p> <ul style="list-style-type: none"> ○ Management's international experience ○ Management's education/experience <p>Firm's Characteristics and Competencies</p> <ul style="list-style-type: none"> ○ Firm size ○ Firm's international competence ○ Firm's age ○ Firms technology ○ Firm characteristics ○ Firm capabilities/competencies 	<p>Industry Characteristics</p> <ul style="list-style-type: none"> ○ Industry's technological intensity ○ Industry's level of instability <p>Foreign Market Characteristics</p> <ul style="list-style-type: none"> ○ Export market attractiveness ○ Export market competitiveness ○ Export market barriers <p>Domestic Market Characteristics</p> <ul style="list-style-type: none"> ○ Domestic market

Source: Zou & Stan, 1998, p. 343

Zou & Stan's (1998) classification of export performance determinants into external and internal factors also has theoretical bases. External determinants of

export performance are derived from the environmental models of strategic management while internal determinants are justified by the RBV of the firm, which form the theoretical framework of this study. As discussed at the beginning of this chapter, environmental models focus on the external environment of the firm whereas the RBV focuses on the internal environment.

In a review article, the controllable/uncontrollable classification considers the extent to which an antecedent can be changed in the short run (Zou & Stan, 1998). Controllable characteristics are the characteristics firms can change or affect in the short run while uncontrollable characteristics are those that cannot be readily changed in the short run (Zou & Stan, 1998). For example, a firm can change its price orientation or export strategy in the short run but it is almost impossible for a firm to change its size or technology and to improve the level international competencies in the short run. In addition, they leave the quadrant for external-controllable variables empty because they think that firms are unable to change the external environment in the short run.

2.3 Conceptual model of the study

In this study, internal characteristics of the classification are taken into analysis since all sample firms operate in the same industry, textile and apparel. The conditions of the industrial environment are therefore similar to a significant extent. In addition, an analysis of Turkish textile and apparel industry, which is presented in Chapter 3, reveals that the problems can only be solved in the long run. The industry has structural problems such as low R&D expenditure and very small number of patents. Thus, this study focuses on the effects of uncontrollable variables which cannot be changed in the short run to see their effects on export performance.

Figure 1 presents the conceptual model of the study.

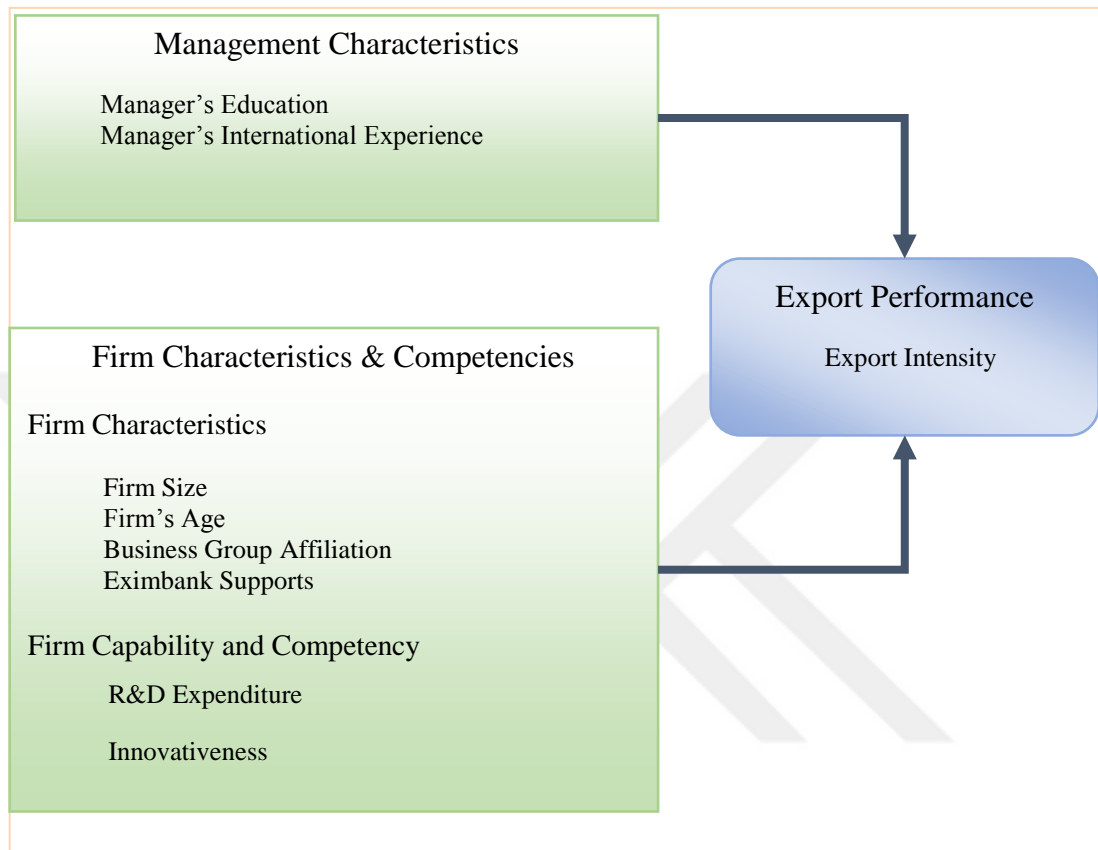


Fig.1: The model of the study

2.3.1 Management characteristics

According to human resources managers, human capital resources play an important role on the firm performance (Ployhart, Nyberg, Reilly, & Maltarich, 2014). Many corporate annual reports commonly state that a firm's human capital resources are its most important assets (Barney & Wright, 1998). Human capital scholars suggest that human capital of a firm consists of its employees, so these employees' individual knowledge, skills, abilities, networks and other characteristics (KSAOs) are the main bases of a firm's human capital resources structure (Ployhart et al., 2014).

Key decision-makers, as an important part of human capital resources, are commonly regarded as the ‘drivers’ and the most important actors in shaping the international orientation of a firm (Aaby & Slater, 1989; Zou & Stan, 1998; Leonidou & Katsikeas, 1996). They influence not only a firm’s strategic orientation but also the structure and level of its internationalization process (Loane, Bell, & McNaughton, 2007). Thus, managers, as key decision makers, are influential in identifying the mode, direction and speed with which the firm moves along the internationalization route (Leonidou & Katsikeas, 1996; Loane, Bell, & McNaughton, 2007). Managers’ innovative, proactive and risk-taking behavior throughout the internationalization process is, in turn, often influenced by their prior experiences acquired through education, international exposure, foreign language capabilities, international travel and access to global networks (Aaby & Slater, 1989; Loane et al., 2007).

Managerial features, which are likely to affect the export performance, are categorized into two groups such as objective and subjective characteristics (Leonidou, Katsikeas, & Piercy, 1998). Objective characteristics include education and international exposure of managers acquired from being born and/or living or working abroad and/or foreign travel and/or having access to international networks. Subjective characteristics, on the other hand, involve attitudes, perceptions and personality characteristics (Hutchinson, Quinn, & Alexander, 2006; Leonidou et al., 1998) such as risk tolerance, openness to change and flexibility. In this study, only the objective characteristics are taken into consideration because of the ease of measuring data.

2.3.1.1 Manager's education

Education enables individuals to expand their knowledge, skills, problem-solving ability, discipline, motivation and self-confidence (Hatch & Dyer, 2004; Westhead, Cowling, & Howorth, 2001). The chance of success has increased for educated people since higher education has started to play a significant role in every aspect of life (Knight, 2004). An individual with superior education is expected to have a higher degree of open-mindedness, foreign affairs concern and willingness to estimate the advantages of international business operations (Leonidou et al., 1998). From the RBV of the firm, managers with a relatively higher level of education may be accepted as valuable and non-substitutable resources for the firms. In the literature, there are studies which suggest that education level of managers and the export performance of a firm are positively related (Zou & Stan, 1998; Selekler-Gökşen & Yıldırım-Öktem, 2008). Therefore, it can be concluded that the export performance of a firm will benefit from having educated managers (Zou & Stan, 1998; Selekler-Gökşen & Yıldırım-Öktem, 2008) and so, education level of managers is expected to have a positive impact on a firm's export performance. The study makes its first hypothesis (H1);

H1: Firms with managers that have relatively higher education are expected to have better export performance.

2.3.1.2 Manager's international experience

International experience acquired through education or work experience abroad has the potential to increase a manager's ability to identify potential market opportunities in foreign countries, to establish contacts with foreign partners and to perform successfully in the international arena (Stoian, Rialp, & Rialp, 2010). The more time

a manager has spent in an international environment, the better he/she can interpret foreign cultures and business activities (Leonidou et al., 1998). Therefore, managers' international experience can contribute the firm to determine and empower the opportunities international markets while avoiding threats emerging from the international environment (Zou & Stan, 1998; Hutchinson et al., 2006). Thus, internationally experienced managers can be seen as a valuable resource for a firm. In addition to being valuable, this resource is also difficult to imitate and substitute for because it provides a firm with tacit knowledge (Barney, Wright, & Ketchen, 2001; Selekler-Gökşen & Yıldırım-Öktem, 2008). Various studies also reveal a positive relationship between a manager's international experience and export performance (Leonidou et al., 1998; Zou & Stan, 1998; Selekler-Gökşen & Yıldırım-Öktem, 2008). Therefore, managers' international experience performance can contribute to export performance.

H2: Firms with managers who have international experience are expected to have better export performance.

2.3.2 Firm characteristics and competencies

Firm characteristics and competencies seem to be potential important export performance determinants (Zou & Stan, 1998), since they can act as valuable, rare, inimitable and non-substitutable resources for the firms. In this study, unlike in the original classification of Zou & Stan (1998), characteristics and competencies of the firm are differentiated.

2.3.2.1 Firm characteristics

Characteristics of a firm are studied in various different ways in the literature. For example, Vozlyublennaia (2013) studied with book-to-market ratio, earnings per share, size, leverage and turnover and liquidity as the financial characteristics of the firm while Stockmans, Lybaert and Voordeckers (2013) investigated board level variables of CEO duality and proportion of outside directors as human capital characteristics. In addition, the country of origin, the type of ownership and business group affiliation have been widely studied as firm level characteristics (Bamiatzi, Cavusgil, & Jabbour, 2014).

In this study, firm characteristics are classified as physical capital, human capital or organizational capital resources as done by RBV, and are analyzed in the study, since they may be included by the internal environment. Hence, firm size, firm age and Eximbank supports are accepted as physical capital and business group affiliation is accepted as organizational capital affecting the export performance.

2.3.2.1.1 Firm size

Size can be perceived as an approximation of firm resources and can be a source of sustainable competitive advantage (Bonaccorsi, 1992; Vila & Kuster, 2008); larger size can indicate abundance of a firm's resources. In the literature, many empirical surveys have investigated various firm size measures, such as the total number of employees, total sales and total assets (Zou & Stan, 1998). When it is measured in terms of the number of employees, size can be taken as a sign of how rich a firm is in terms of human resources. On the other hand, when it is measured in terms of total sales or total assets, it can indicate a firm's ability to acquire resources that are

available in the market and can contribute to a firm's competitiveness when integrated with the already available resources.

Although the firm size and export performance relationship has been widely analyzed (Bonaccorsi, 1992; Calof, 1994; Stoian et al., 2010; Rodriguez & Rodriguez, 2005), findings are mixed (Zou & Stan, 1998; Pla-Barber & Alegre, 2007). It is also interesting to note that positive results are generally found when size is measured with the total sales of the firm, while negative results are found when it is measured with the number of employees (Zou & Stan, 1998). However, some scholars (e.g. Calof, 1994) have also stated that firm size and export performance is positively related without noticing how to measure it, but the amount of variance explained limits the importance.

According to the RBV of the firm, large size can be considered a valuable resource because it can provide economies of scale, easier and quicker access to needed resources, and greater skills to eliminate the risks arising from exporting (Singh, 2009). Additionally, reaching a large size is hard to achieve in the short run, so size can also be considered a resource that is hard to imitate (Barney, 1991). In addition, it seems reasonable to think that size may provide comparative advantage to firms in labor-intensive industries such as the textile and apparel industry (International Labor Organization (ILO), 2015). Thus, larger firms can be expected to have better export performances.

H3: Larger firms are expected to have better export performance.

2.3.2.1.2 Firm's age

Various studies indicate that firm age, expressed as the number of years during which firm has been in business, may have a positive (Javalgia, White, & Lee, 2000;

Sterlacchini, 2001; Brouthers & Nakos, 2005) or a negative or insignificant (Bodur, 1994; Das, 1994; Moini, 1995) impact on export performance of the firm. Age can be seen as an indicator of a firm's experience and ability to establish superior networks, both of which can contribute to improved performance as valuable resources. The age of the firm is an indicator that a firm cannot control, so it is an inimitable resource. Additionally, experience is hard to substitute for because it may provide a firm with tacit knowledge about the demands, risks and opportunities of the foreign markets. On the other hand, younger firms' dynamism, aggressiveness, willingness to learn (Nassimbeni, 2001) and newer machinery and equipment (Lefebvre & Lefebvre, 2001) can improve their export performance. Thus, younger firms could change the conditions to their advantage and have a comparative advantage thanks to their flexibility and energy, which are also valuable and non-substitutable resources. Thus, it can be inferred that younger firms are more likely to be successful exporters (Zou & Stan, 1998).

H4: Younger firms are expected to have better export performance.

2.3.2.1.3 Business group affiliation

Business groups are collections of independent firms which are held together by social and economic ties (Khanna & Rivkin, 2001). The imperfections in capital, labor and input markets encourage the emergence of business groups in Turkey as well as in many other emerging economies (Çolpan, Hikino, & Linkoln, 2010) to expand their businesses and profits. Being affiliated with a business group can provide advantages (Sterlacchini, 2001) to group members in various different ways, such as providing financing advantages, improving operating efficiency, promoting R&D investment and knowledge spillovers and creating an internal labor market

(Singh, 2009). In addition, the benefits from being part of a network are likely to raise their export competitiveness (Singh, 2009). Therefore, business group affiliation can be seen a valuable and non-substitutable organization capital resource, which can contribute to export performance.

H5: Firms affiliated with a business group are expected to have better export performance.

2.3.2.1.4 Eximbank supports

Funds with relatively lower interest rates provide cost advantages to a firm and enable it to sell its products at more competitive prices in international markets (Petersen & Rajan, 1995). For this reason, governments establish Export Credit Agencies (ECAs) to support their domestic firms in several different ways. If a firm uses credit or other types of supports from an Eximbank, it gains not only access to relatively cheaper funds but also to other types of benefits such as insurance and guarantee. In addition, Eximbanks encourage firms to expand their market shares in the domestic markets. These, in turn, provide a firm with a comparative advantage in international arena. Therefore, using Eximbank supports can be seen as a valuable and non-substitutable physical capital resource for the firm. Thus, the firm can gain some advantages by taking Eximbank supports, which in turn may enable a firm to have a relatively better export performance.

H6: Firms which use Eximbank supports/credits are expected to have better export performance.

2.3.2.2 Firm capability and competency

A firm's capabilities and competencies can be defined as what the firm can achieve relatively superior to its competitors. The main objective of a capability or competency is to improve the efficiency and effectiveness of resources kept by the firm in order to reach its goals (Amit & Schoemaker, 1993). Thus, a firm which combines all of its resources to create capabilities that the competitors do not have can have a comparative advantage vis-à-vis its rivals. Firm capabilities began to draw attention as the significance of technological competencies on export performance was observed. (Hirsch & Bijaoui, 1985; Çiftçi & Çiftçi, 2013; Rodriguez & Rodriguez, 2005). Recently R&D expenditure and the innovativeness have started to be taken as good measures of firms' capabilities and competencies (Rodriguez & Rodriguez, 2005; Singh, 2009). Thus, in this study, a firm's R&D expenditure and its innovativeness are taken as indicators of a firm's capability and competency.

2.3.2.2.1 R&D expenditure

R&D and innovation activities have an important role in the ability of a firm to make exports (Cassiman & Golovko, 2011). A higher level of R&D expenditure can improve a firm's capacity to add more economic value in the production process and enable it to produce more sophisticated and higher quality products (Singh, 2009). By investing in R&D facilities, a firm can introduce new goods and methods of production, which in turn, may enhance a firm's ability to make exports (Knight & Kim, 2009; Özçelik & Taymaz, 2004).

A number of studies (e.g. Hirsch & Bijaoni, 1985; Benvignati, 1990; Kravis & Lipsey, 1992; Staerlacchini, 2001; Lee & Habte-Giorgis, 2004; Özçelik & Taymaz, 2004; Singh, 2009 and Çiftçi & Çiftçi, 2013) confirmed that R&D and

export performance have a positive relationship, while Nessimbani (2001) and D'Angelo (2012) reported no significant relationship.

The RBV of the firm also underlines the importance of R&D expenditures. The technology related resources through R&D investments can provide long term competitive advantage for firms. In addition, R&D's positive effect on firm efficiency may decrease costs and improve competitiveness in terms of exports (Çiftçi & Çiftçi, 2013). R&D expenditure can therefore be seen as valuable and non-substitutable resource for a firm, suggesting that firms can increase their export performance by investing in R&D.

H7: Firms with more R&D expenditure are expected to have better export performance.

2.3.2.2.2 Innovativeness

Innovation can be considered the most important capability for a firm because it is the commercialization step of the inventions (Cohen, Nelson, & Walsh, 2014). Innovativeness is considered as an important determinant of firm's export behavior (Wakelin, 1998). Many empirical studies indicate that there is a positive relationship between innovativeness and export performance (Cassiman & Golovko, 2011; Sterlacchini, 2001).

Patenting has been popularly used as an indicator of innovativeness in the empirical literature (Li & Ni, 2012). As Levin, Kievorick, Nelson and Winter (1987) and Cohen et al. (2014) show patenting is the only mechanism that innovating firms can employ to appropriate the benefits from innovations. In addition, a firm can maintain its effectiveness by protecting its innovations from imitation thanks to patents. Therefore, innovativeness is a valuable, inimitable and non-substitutable

resource for the firm from the RBV point of view and can make positive contribution to the export performance.

H8: More innovative firms are expected to have relatively better export performance.



CHAPTER 3

CONTEXT OF THE STUDY

This section begins with an evaluation of Turkey's export performance and the role Turkey's ECA, Turk Eximbank, in promoting exports. The textile and apparel industry is then defined and its significance in world trade and exports of Turkey are discussed.

3.1 The export performance of Turkey

Turkey has been employing an export-oriented growth strategy since 1980s. Parallel to this strategy, import restrictions were introduced, practices related to protectionism were reduced and foreign exchange transactions were liberalized. As a result, not only the volume but also the composition of the Turkish trade has changed (Republic of Turkey Ministry of Foreign Affairs, 2014).

According to data from TurkStat, the volume of Turkish exports increased from 36.1 billion USD in 2002 to 157.6 billion USD in 2014. This refers to an average yearly increase rate of 13.1 percent in this period. On the other hand, in the years 2002-2008 there was a fast upward trend, with an average increase rate of 24.1 percent, while there was a 22.6 percent decline in 2008, the year of the global financial crisis. After the crisis, Turkey's exports started to increase with an average yearly growth rate of 9.1 percent until 2014. This slowdown in the growth rate of exports can also be seen as the aftershock effect of the global financial crisis.

In Figure 2, the export performance of Turkey between the years 2002 and 2014 is presented.

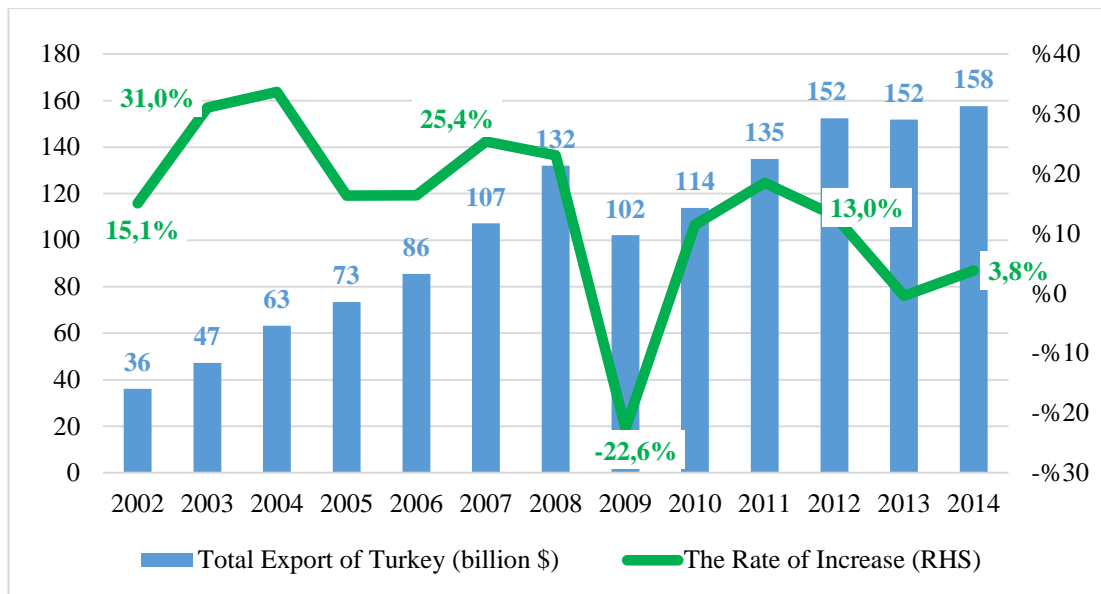


Fig. 2: Export performance of Turkey, 2002-2014. Adapted from TurkStat data

3.2 Eximbank

Turk Eximbank is an Export Credit Agency (ECA) acting as export incentive instrument of the Turkish government as a strategy for sustainable export growth since 1987. The main objective of Turk Eximbank is to increase the share of Turkish exporters in international trade by supporting them to find or penetrate markets and to increase their competitiveness in a risk-free international market. Turk Eximbank offers specialized financial services in addition to insurance and guarantee programs to Turkish exporters, in the same way that ECAs of other developed countries operate. However, Turk Eximbank performs all of its services within the same institution, unlike other ECAs (Turk Eximbank, 2013).

In parallel to export the oriented growth strategy of the Turkish government in recent decades, Turk Eximbank increased its supports to exporters as well as the increase in its share in the total export of Turkey. In Figure 3, a moderate increase can be seen in the total support of Turk Eximbank between the years 2002 and 2008. while there is a downward trend in its share. After a stable movement during the

global financial crisis, there is a sharp increase in both the volume of total support and the share of Turk Eximbank in the total exports of Turkey.

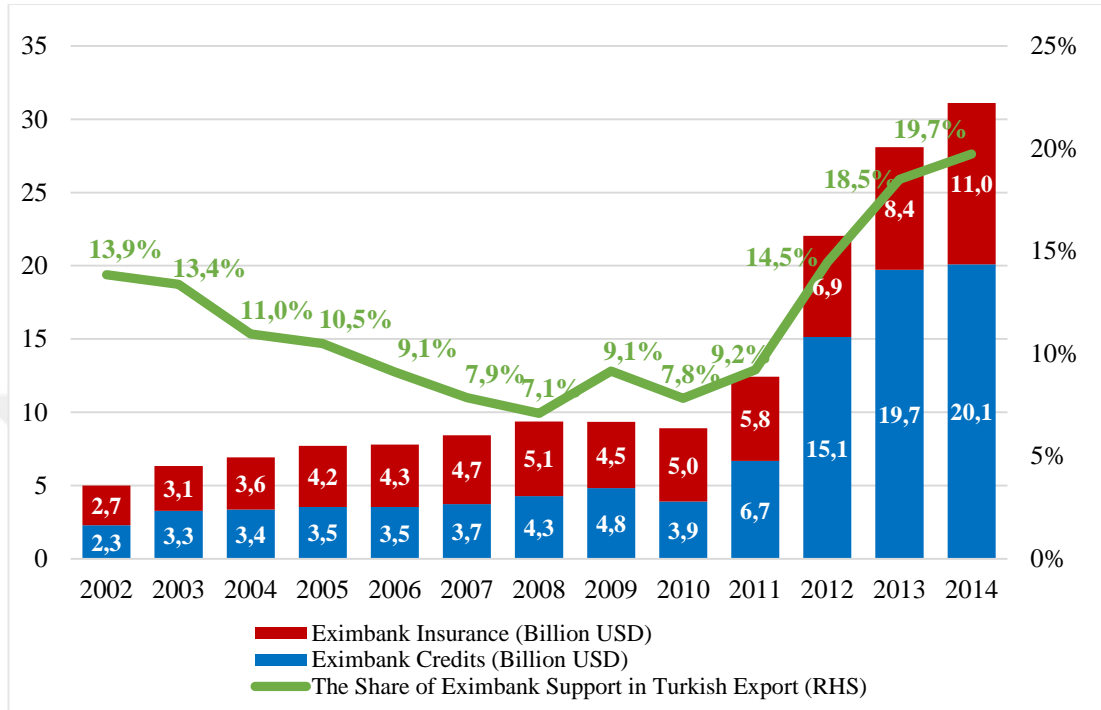


Fig. 3: Eximbank supports and its share in total export of Turkey. Adapted from TurkStat data and annual reports of Eximbank

Figure 4 represents the composition of Turk Eximbank supports in the year 2012. It is seen that the textile industry takes the highest ratio with a share of 19 percent, followed by the iron and steel industry by 18 percent. These two industries are followed by machinery/electrical appliances, food/agriculture/livestock, mining/metal products, plastic/natural rubber, motor vehicles, chemicals, and glass and ceramics industries.

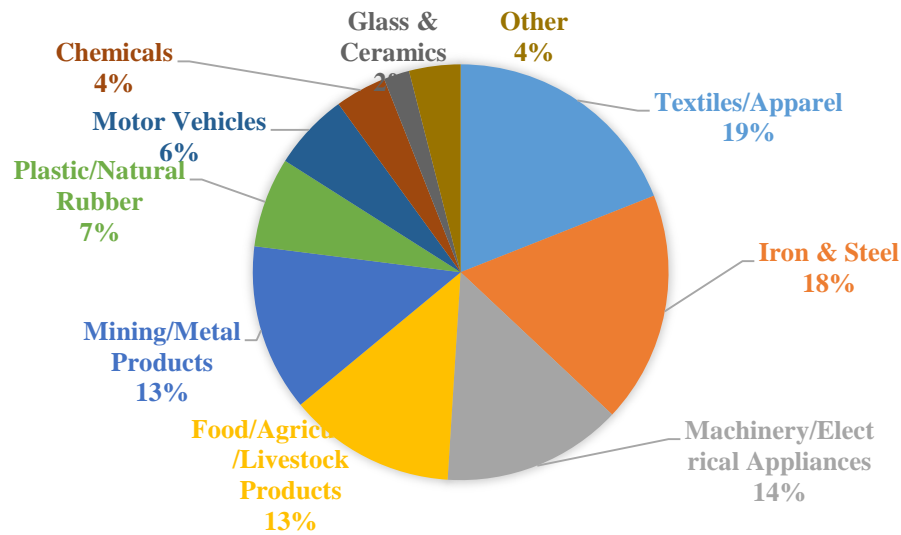


Fig. 4: The composition of Turk Eximbank credits by sector. Annual Report of Turk Eximbank, 2012

3.3 Definition of the textile and apparel industry

The main function of the textile industry at the beginning was “to cover the body”; the very basic need of human beings. However, today a wide range of products such as bed sheets, towels, bathrobes, blankets, voiles, carpets, gray cloth, car upholstery, weaves, and tents are all products of the textile industry. The raw materials of the textile industry may be natural or synthetic. Natural raw materials of the industry can be obtained from animals, plants and minerals while synthetic raw materials (nylon, polyester, and acrylic) are products of the chemical industry (Güteryüz, 2011).

The textile and apparel industries are interrelated in the production and distribution of clothing sectors (Mittelhauser, 1997). The International Standard Industrial Classification (ISIC) system Revision 4 classifies the textile and apparel industry by digit numbers 13 and 14, respectively while ISIC Revision 2 labeled them with digit numbers 17 and 18. On the other hand, NACE (Nomenclature des Activités Économiques dans la Communauté Européenne) Standardization System, which is the European industry standard classification system similar in function to ISIC, makes another classification by using the digit numbers 321 and 322 for the

textile and apparel industry, respectively. The classification of ISIC Revision 4 system is employed in this study because Turkish Statistical Institute (TurkStat) provides secondary data according to this classification.

3.4 An overview of world textile and apparel industry

The textile and apparel industry was one of the major revenue generating industries of countries such as Britain, Japan and China in their early industrialization efforts (Rosen, 2004). Since textile and apparel industries attend to the basic needs of the people, they usually play an important role in a country's development period.

It is seen in Table 3 that China has become the leader of the world to export textile and apparel products. If the recent economic growth of China is considered with the data presented in this table, the role of the textile and apparel industry in the development stage of China can be observed. It can also be seen from Table 3 that, Turkey ranks fifth in the apparel industry by a market share of 3.4 percent. Turkey enjoyed a three percent average yearly growth rate between the years 2005 and 2012, while close competitors of Turkey such as Bangladesh, Vietnam and China had double-digit growth rates of 16, 17 and 12 percent, respectively in the same period. On the other hand, there are also countries which have a weaker performance than Turkey such as Hong Kong with minus three percent, the United States with two percent and Thailand with one percent. Clearly, Turkey has a growing apparel industry but is losing ground in the world market because of weaker growth performance than some of the leading competitors.

Table 3. Leading Exporters of Apparel, 2012

Rank	Exporters	USD (billion)	Share in the World (%)	2005-2012 (%)
1	China	159.6	37.8	12
2	European Union*	137.0	32.5	3
3	Hong Kong	22.5	5.3	-3
4	Bangladesh	19.9	4.7	16
5	Turkey	14.3	3.4	3
6	Vietnam	14.1	3.3	17
7	India	13.9	3.3	7
8	Indonesia	7.5	1.8	6
9	United States	5.6	1.3	2
10	Malaysia	4.6	1.1	9
11	Mexico	4.5	1.1	-7
12	Cambodia	4.3	1.0	10
13	Thailand	4.3	1.0	1
14	Pakistan	4.2	1.0	2
15	Sri Lanka	4.0	0.9	5
	Total	370	87.5	-

Adapted from WTO Statistics by the Year of 2013. * Total of intra trade within EU 27 and extra trade with other countries of world

Since the apparel industry and textile industry are closely related, the leading exporters of both industries are very similar. In Table 4, it is seen that China is also a leader in the textile sector. Turkey ranks the sixth with a market share of 3.9 percent and had an average yearly growth rate of 6.6 percent between the years 2005 and 2012. India, China and Vietnam — the close competitors of Turkey — have growth rates of 9, 12.8 and 28.1 percent, respectively. There are also countries with weaker growth performance than Turkey in the textile industry. It is seen here that almost all countries have similar positions in textile and apparel sectors.

Table 4. Leading Exporters of Textile, 2012

Rank	Exporters	USD (billion)	Share in the World (%)	2005-2012 (%)
1	China	95.5	33.4	12.8
2	European Union*	91.7	32.1	0.4
3	India	15.3	5.3	9.0
4	United States	13.5	4.7	1.2
5	Korea	12.0	4.2	2.0
6	Turkey	11.1	3.9	6.6
7	Hong Kong, China	10.5	3.7	-3.8
8	Taipei, China	10.3	3.6	0.8
9	Pakistan	8.7	3.0	3.0
10	Japan	7.8	2.7	1.8
11	Indonesia	4.5	1.6	4.4
12	Vietnam	4.1	1.4	28.1
13	Thailand	3.5	1.2	3.5
14	Mexico	2.2	0.8	0.6
15	United Arab Emirates	2.2	0.8	7.3
	Total	260.2	91.1	-

Adapted from WTO Statistics by the Year of 2013, * Total of intra trade within EU 27 and extra trade with other countries of world

In general, the first fifteen countries account for almost ninety percent of world exports in the textile and apparel industry and almost all of these fifteen countries are developing countries, including Turkey, confirming the role of the textile and apparel industry in the development period of countries is confirmed (Allwood, Laursen, Rodriguez, & Bocken, 2006).

3.5 The Turkish textile and apparel industry

The Turkish textile production history starts with the Ottoman Empire in the 16th century. The textile industry was a very important part of the Ottoman economy and the industry had the highest shares in the economy through employment, production and profits (Akalin, 2001). In the 20th century, between 1923 and 1962, significant improvements were achieved in the Turkish textile industry. In 1933, Sumerbank, a governmental institution with the aim of increasing investment and the education level of new workers was established to bring the textile factories and small work

places together. In 1990s, the share of the textile industry in the Turkish economy increased dramatically in comparison to other sectors. Thanks to export orientation strategy practices such as the Agreement on Textile and Clothing and joining the Customs Union, the Turkish textile industry has retained its important role in the Turkish economy. Thus, the textile and apparel industry has always been in the forefront of the Turkish economy. Today, the textile and apparel sector employs two million people, generates about one fifth of the total export and contributes to GDP about ten percent (Istanbul Textile and Apparel Export Associations (ITKIB), 2008). However, although there is a moderate increase in the textile and apparel exports of Turkey, its share of total exports has been decreasing since the 2000s.

As seen in Figure 5 below, the total exports of the textile and apparel industry experienced a moderate increase between 2002 and 2012, while there was a fast increase in the total export volume of Turkey. Thus, the share of the textile and apparel exports in the total exports of Turkey shows a decrease for those years.

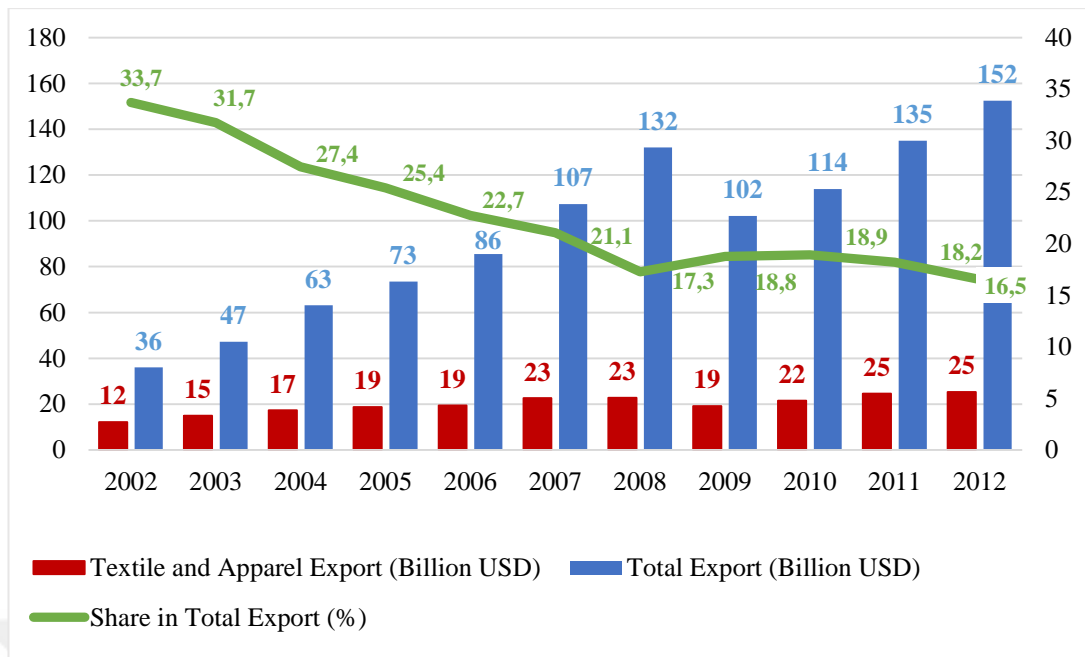


Fig. 5: Turkish textile and apparel export volume and the industry share in total exports of Turkey. Adapted from TurkStat data

According to the Ministry of Economy, almost 50,000 firms are included in the Turkish textile and apparel industry and one fourth of them are active exporters. Additionally, 1,000 of those 50,000 companies have almost 60 percent of the market and dominate the industry (TGSD, 2013).

The Istanbul Chamber of Industry (ICI) publishes the top largest 500 firms and second largest 500 firms (largest first 1000 firms) in the manufacturing industry every year. Table 5 shows the number of textile and apparel firms between 2002 and 2012, indicating a decrease in the number of textile and apparel firms in the list and this decrease parallels the decrease in the share of textile and apparel industry exports in total Turkish export volume.

Table 5. The Change of Textile and Apparel Firms in the ICI 1000 List

Years	Number of Textile Firms	Number of Apparel Firms	Total Number of Textile and Apparel Firms	% of Textile and Apparel Firms in List
2002	202	79	281	28.1
2003	197	79	276	27.6
2004	178	76	254	25.4
2005	158	70	228	22.8
2006	148	61	209	20.9
2007	133	59	192	19.2
2008	122	42	164	16.4
2009	124	43	167	16.7
2010	123	44	167	16.7
2011	109	40	149	14.9
2012	108	44	152	15.2

Adapted from the data from ICI Lists

In addition to a decreasing number of textile and apparel firms in the ICI list, another trend is the expansion of firms in different cities of the country. In the 2012 ICI list, 47 of 152 largest textile firms were located in Istanbul, 25 of which were located in Gaziantep, 11 in Bursa and 11 in Kahramanmaraş. Additionally, Kayseri, Denizli and Bursa hosted six firms each. All of the 152 textile and apparel firms were located in 15 different cities in the year 2012, whereas almost half of the companies were located in Istanbul in 2002.

3.6 R&D expenditures and the number of patents in Turkey

R&D expenditures in Turkey have been increasing; total money spent for R&D in 2012 was five times more than ten years ago, while the increase in the R&D intensity was less than twice in the same period, according to TurkStat data. This means that total expenditures for R&D increased much more slowly than the GDP of Turkey in the years from 2002 to 2012. R&D expenditures of the Turkish textile and apparel industry show the same trend. Although there is an increase of almost 600 percent in ten years, total R&D expenditures of the sector were about 58 million dollar as of

2012. In addition, the share of R&D expenditures of the textile and apparel industry in the total R&D expenditures of Turkey was less than 1 percent. Table 6 shows the details of this situation.

Table 6. R&D Expenditures of the Turkish Textile and Apparel Industry

Year	Turkish Economy (million USD)	Textile and Apparel Industry (million USD)	The Share of Textile and Apparel Industry	R&D Intensity of Turkish Economy
2002	1,221	-	-	0.53%
2003	1,468	8.219	0.56%	0.48%
2004	2,032	9.188	0.45%	0.52%
2005	2,853	26.935	0.94%	0.59%
2006	3,067	25.374	0.83%	0.58%
2007	4,674	32.414	0.69%	0.72%
2008	5,316	39.043	0.73%	0.72%
2009	5,216	40.039	0.77%	0.85%
2010	6,162	41.755	0.68%	0.84%
2011	6,663	55.854	0.84%	0.86%
2012	7,271	58.892	0.81%	0.92%

Adapted from TurkStat data

Table 7 presents the number of patents taken in Turkey between the years 2002 and 2012. It is observed from the table that there was a rising trend in the patent numbers taken by firms in the textile and apparel industry. However, the total number of patents taken in textile and apparel industry was just 1.5 percent of the total number of patents taken in the year 2012. On the other hand, there was a fast increase in the total number of patents taken in Turkey in the same period.

Table 7. Domestic Number of Patents in Turkey

Years	Textile Industry	Apparel Industry	Textile and Apparel Industry	Total Number of Patent in Turkey
2002	5	4	9	1,279
2003	16	12	28	1,607
2004	25	14	39	2,077
2005	20	15	35	2,757
2006	15	20	35	3,427
2007	39	26	65	4,365
2008	45	41	86	4,584
2009	21	30	51	4,529
2010	27	36	63	5,146
2011	30	51	81	6,011
2012	37	52	89	5,907

Adapted from the data Turkish Patent Institute (TPI)

As the data indicate, the Turkish textile and apparel industry performed below the country average in terms of both R&D intensity and the number of patents during those years. There was an upward trend but the total numbers at the end were very small, considering the share of the textile and apparel industry exports in the total exports of Turkey.

Finally, there was a slowdown in the growth of Turkish textile and apparel industry exports and Turkey has been losing ground in the world market.

CHAPTER 4

THE RESEARCH METHODOLOGY

This section of the study focuses on the methodology: the sample selection, survey design, data collection, operationalization of the variables and data analysis.

4.1 Sample selection

The sample was comprised of textile and apparel firms which are listed among the first and second largest 500 firms lists published by ICI in the year of 2012 and which exported goods (ICI, 2013). There were 152 textile and apparel firms on this list. However, as 22 of these firms had no exports, they were eliminated from the sample. As a result, 130 firms were included in the study, all of which were invited to participate in the study.

4.2 Data collection method, survey and survey design

Data were collected from archival sources and through a survey. Publications of the Istanbul Chamber of Industry provided data on the firms' total sales, export sales and size, while publication of the Turkish Patent Institute provided data on the number of patents. A questionnaire was employed for collecting rest of the data since questionnaire is an efficient way of collecting data (Sekaran, 2003). The objective of a questionnaire is to collect data on a particular topic and this method can be seen as an efficient one with respect to collecting huge amounts of data in a short time (O'Brien, 1995). The questionnaire was a fact-finding instrument used to learn about the manager's education and international experience, the firm's age, R&D expenditures, business group affiliation and support from Turk Eximbank.

The questionnaire was conducted online (13/58) and face to face (45/58). A pilot study was conducted on professionals and managers working in the textile and apparel industry to check for clarity of the wording used in questions and instructions. No other version of the questionnaire was prepared for the internet-based survey. The two-page survey was first sent to the companies' e-mail addresses requesting that they be completed by highest level office holder responsible for exports. Respondents consisted of upper level managers of the firms, e.g. general managers, functional managers or factory managers. After two weeks, the questionnaire was re-sent to the same e-mail addresses with a reminder. A week later, in the third round, personal contacts were used to reach the firms. Finally 13 surveys were filled by e-mail and 45 of the surveys were filled face to face by making visits to the firms. After three rounds, a total of 58 surveys were obtained, resulting in a response rate of 44.6%.

Table 8 represents the positions of the institutional informants in their firms. The results show that general managers have the highest percentage with 58.6 percent and the functional managers have represent 31 percent while factory managers have the lowest proportion with 10.3 percent among the responding managers.

Table 8. The Positions of Responding Managers in their Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	General Manager	34	58.6	58.6	58.6
	Functional Manager	18	31.0	31.0	89.7
	Factory Manager	6	10.3	10.3	100.0
	Total	58	100.0	100.0	

I was also able to reach some information such as number of employees, total sales and export sales about the remaining firms on the list and it was determined that there was no statistically significant difference between them on the basis of these dimensions.

4.3 Variables and measure

In this section, operationalization and measurement of the dependent variable and the independent variables used in the study are presented.

4.3.1 The dependent variable: Export performance

There is not yet a consensus on measuring export performance despite various different approaches to studying such performance (Zou & Stan, 1998; Cassiman & Golovko, 2011). Researchers sometimes tend to create different and new export performance measures, although the extent to which they can effectively evaluate export performance is open to dispute (Zou & Stan, 1998). Zou and Stan (1998) reviewed several export performance measures and classified them into seven categories: sales, profit, growth, success, satisfaction, goal achievement and composite scales.

The term “sales measure” refers either to the absolute volume of export sales or to export intensity, which is measured by the percentage of exports in total sales. The profit measure is alternatively operationalized as the absolute value overall export profitability or as a percentage of total profits or in ratio to the profits acquired from the domestic market. Growth measure, on the other hand, refers to changes in export sales or profits in a specific timeframe. These three measures can be collected under the umbrella of financial measures.

Export success is measured by the manager's belief that exporting makes positive contribution to the total performance or reputation of the firm. Satisfaction measure refers to the overall satisfaction of managers with the export performance, whereas goal achievement measure refers to the performance evaluation of managers based on the objectives. These three measures can be classified together as non-financial measures.

Finally composite scales refer to measures that are the total scores obtained from the different export performance measures (Zou & Stan, 1998).

Financial measures seem relatively more objective than nonfinancial measures. Export intensity under the export sales category has been employed as a performance indicator for exporting more than other type of measures (Beleska-Spasova et al., 2012; Singh, 2009). Thus, this study also uses export intensity as the export performance measure.

4.3.2 The independent variables

There are two categories of independent variables in the study: management characteristics and firm characteristics and competencies.

4.3.2.1 Management characteristics

In the analysis of management characteristics, two objective characteristics of managers are used, namely, the manager's education and the manager's international experience.

The manager's education is a categorical variable operationalized as the highest educational degree the manager held. A high school or an associate degree was coded as 1, a bachelor degree as 2 and a graduate degree as 3.

The manager's international experience was evaluated in terms of foreign experience acquired through either education or work experience abroad. This is a dummy variable coded as "1" if the manager had worked or received education in a foreign country and "0" otherwise.

4.3.2.2 Firm characteristics and competencies

The other group of independent variables of the study, firm characteristics and competencies, consists of six variables, four of which are characteristics and two are competencies.

Firm characteristics were analyzed with four different variables: firm size, firm age, business group affiliation and Eximbank supports.

Firm size was operationalized as the average number of employees that the firm employed in 2012. For statistical analysis, firms were divided into two groups as relatively larger and relatively smaller firms. The firms with more employees than the average number of employee of the firms in the sample were categorized as larger firms and the others as smaller firms.

Firm age was operationalized as the number of years a firm had been operating in the industry for the majority of the studies in the literature, although there are some studies operationalizing age as the total number of years the firm has been exporting (Zou & Stan, 1998). In this study, the number of years the firm had been in the textile and apparel industry was used as the firm age measure. On the other hand, since nonparametric methods are used in the study, firms were divided into two groups as relatively younger and relatively older firms. Relatively younger firms are those that had been operating in the industry less than the average age of

the firms in the sample and relatively older firms are those that had been operating in the industry for more than the average age of the firms in the sample.

Business group affiliation is a dummy variable which is coded as “1” if the firm is affiliated to any business group and as “0” if it is not.

Eximbank supports is also a dummy variable which is coded as “1” if the firm receives any support from Turk Eximbank and as “0” if it is not.

Firm capability and competency was analyzed with the two variables: R&D expenditures and innovativeness.

R&D Expenditures were measured by the amount of investment made in R&D by a firm within a year. Previous studies strongly state that the effects of R&D expenditure are usually felt at least three years after an investment is made since R&D is a long-term investment (Uzay, Demir, & Ertuğrul, 2012; Rodriguez & Rodriguez, 2005). Thus, in the present study, in the study R&D expenditures of the year 2010 are taken into consideration, while the export performance numbers belong to the year 2012. On the other hand, since nonparametric methods are used in the present study, firms are categorized into three groups on the basis of R&D expenditures: firms that spent less than 100 thousand USD were coded as 1, firms that spent between 100 and 500 thousand USD were coded as 2 and firms that spent more than 500 thousand dollars were coded as 3. Such a classification was needed because, while some firms in the sample were not spending any money or else spending very little on R&D, others were spending large amounts. Instead of categorizing the firms as those which had or did not have R&D investments, a three-group categorization was seen as a superior way to appreciate the differences among firms in terms of R&D investments.

Innovativeness was assessed by the number of patents the firm had. In the literature, the number of employees working for R&D facilities, the number of patents the firm had and the R&D expenditures of the firm within a year emerge as the three major ways of measuring firm innovativeness. However, majority of the studies in the literature conclude that the number of patents a firm has is the best indicator of the innovativeness of a firm (Rodriguez & Rodriguez, 2005; Özçelik & Taymaz, 2004). The number of patents was therefore accepted as the capability and competency indicator by the present study. However, it was not possible to use the number of patents that the firms had directly since nonparametric methods were being used. Therefore, the variable was entered as a dummy variable where those firms with patents were coded as “1” and those without as “0”.

4.4 Data analysis

The statistical analysis of the study was made by using SPSS 21. Kolmogorov-Smirnov and Shapiro-Wilks were employed as normality test indicators to see if the variables are normally distributed. Both of these well-known tests showed that none of the variables was normally distributed (Significance<0.05), as seen in Table 9.

Table 9. Normality Tests of Variables

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Export Intensity	.175	58	.000	.878	58	.000
Firm Size	.205	58	.000	.687	58	.000
Firm's Age	.125	58	.025	.928	58	.002
R&D Expenditures	.356	58	.000	.497	58	.000
Manger's International Experience	.419	58	.000	.601	58	.000
Manager's Education	.294	58	.000	.767	58	.000
Business Group Affiliation	.341	58	.000	.687	58	.000
Eximbank Supports	.340	58	.000	.433	58	.000
Innovativeness	.370	58	.000	.447	58	.000
a. Lilliefors Significance Correction						

Descriptive statistics (e.g., maximum, minimum, mean, standard deviation) are generally considered insufficient to report the data, although it is not normally distributed. A superior method is needed. Nonparametric tests are also able to compute a wide variety of measures and dispersion (Statsoft, 2014), but nonparametric statistics are not statistically as powerful (sensitive) as their parametric counterparts. Thus, two of the strongest nonparametric tests, Mann-Whitney U and Kruskal-Wallis (Akbulut, 2010; Field, 2013; İslamoğlu & Alnıaçık, 2013) were selected for the analysis.

The study used the Mann-Whitney U test to report the differences between two independent groups and the Kruskal-Wallis test to determine if there were statistically significant differences in more than two groups. The Mann-Whitney U and Kruskal-Wallis tests are generally known as the nonparametric alternatives to the t-test and one-way ANOVA, respectively (Akbulut, 2010; Field, 2013).

CHAPTER 5

FINDINGS OF THE RESEARCH

This chapter introduces the findings of the study, beginning with sample characteristics, continuing with the inter-correlations of the variables and ending with hypothesis testing with nonparametric statistical techniques, and an analysis of the research model.

5.1 Sample characteristics

The descriptive statistics of the variables are presented in Table 10. The number of employees in the firms ranged between 117 and 6,740 with an average of 1008. The average age of the sample is 29.48 years, while youngest and oldest firms were seven and 71 years old, respectively. Thirty-one firms in the sample had no R&D expenditures, while the maximum amount of investment in R&D was more than 3 million USD. The average R&D expenditure was 321,450 USD. The average for the number of patents was 1.38 for the firms in the sample. Forty-one firms had no patents, while the firm richest in patents had 21. The minimum export intensity was 0.004 percent for the sample firms, while the maximum was 99.989 percent and the average 35.578 percent.

Table 10. Descriptive Statistics of Variables

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Firm Size	58	117	6,740	1,007.81	1,042.758
Firm's Age	58	7	71	29.48	15.447
R&D Expenditures	58	0	3,464,275	321,450.22	753,703.701
Number of Patents	58	0	21	1.38	3.588
Export Intensity	58	.00004	.99989	.3557809	.31759493

Table 11 shows the education levels of responding managers. According to the results, 12.1 percent had high school or associate (two-year) degrees whereas 41.4 percent of them have university degrees; 46.6 percent of all responding managers have a master's or doctorate degrees.

Table 11. Education Levels of Responding Managers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School Degree or Associate Degree	7	12.1	12.1	12.1
	University Degree	24	41.4	41.4	53.4
	Master or Doctorate	27	46.6	46.6	100.0
	Total	58	100.0	100.0	

Table 12 indicates the international experiences of responding managers. 34.5 percent of the managers do not have any foreign experience whereas 65.5 percent of them either studied or worked in a foreign country.

Table 12. International Experiences of Responding Managers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	The manager has no foreign experience	20	34.5	34.5	34.5
	The manager either worked or studied abroad	38	65.5	65.5	100.0
	Total	58	100.0	100.0	

Table 13 presents if the sample firm is affiliated to a business group or not. The results show that, 34.5 percent of surveyed firms are affiliated to a business group while 65.5 percent of them are not.

Table 13. Business Group Affiliation of Sample Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non-affiliated	38	65.5	65.5	65.5
	Affiliated	20	34.5	34.5	100.0
	Total	58	100.0	100.0	

Table 14 shows the size distribution for the firms in the sample. Sample firms had the total employees of almost 1008 on average in 2012. The firms with more than 2000 employees are the 13.8 percent of the sample while the firms with the employees between 1500 and 2000 are 6.9 percent. Besides, 12.1 percent of the sample firms employees between 1001 and 1500. On the other hand, more than one third of the firms have fewer than 500 employees while about 30 percent of sample firms have more than 500 but fewer than 1000 employees.

Table 14. Size of Sample Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2,000+	8	13.8	13.8	13.8
	1,501-2,000	4	6.9	6.9	20.7
	1,001-1,500	7	12.1	12.1	32.8
	501-1,000	17	29.3	29.8	62.1
	0-500	22	37.9	37.9	100.0
	Total	58	100.0	100.0	

Table 15 demonstrates the age distribution of firms in the sample. The average age of sample firms is 29.48. About 14 percent of the firms in the sample is composed of firms, which have been in business for more than 50 years whereas only 6.9 of the firms have been in operation for less than 10 years. About more than 50 percent of sample firms are between 10-30 years of age while remaining 27.5 percent of the firms are between 30-50 years old.

Table 15. Age of Sample Firms (years)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	50+	8	13.8	13.8	13.8
	41-50	6	10.3	10.3	24.1
	31-40	10	17.2	17.2	41.4
	21-30	16	27.6	27.6	69.0
	11-20	14	24.1	24.1	93.1
	0-10	4	6.9	6.9	100.0
	Total	58	100.0	100.0	

Table 16 shows R&D expenditures of the firms in the sample. The average R&D expenditure for the sample firms is around 28 million USD and their total R&D investment corresponds to 44.7 percent of the industry's total expenditure for the year 2010. While 53.45 percent of the firms in the sample do not have any R&D expenditures, 6.9 percent of them have R&D expenditures of more than 2 million

USD. Another 6.9 percent of firms invested less than 2 million USD but more than 1 million USD. The firms with the R&D expenditure between 500 thousand USD and 1 million USD are just 1.72 percent while 13.80 percent of the firms has R&D expenditure between 100 thousand USD and 500 thousand USD. On the other hand, majority of the firms (65.52 percent) spent less than 50 thousand USD.

Table 16. R&D Expenditures of Sample Firms, 2010 (USD)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2,000,000+	4	6.90	6.90	6.90
	1,000,001-2,000,000	4	6.90	6.90	13.79
	500,001-1,000,000	1	1.72	1.72	15.51
	250,001-500,000	4	6.90	6.90	22.41
	100,001-250,000	4	6.90	6.90	29.31
	50,001-100,000	3	5.17	5.17	34.48
	1-50,000	7	12.07	12.07	46.55
	0	31	53.45	53.45	100.0
	Total	58	100.0	100.0	

Table 17 shows the usage of Eximbank supports of the firms in the sample. It is seen that, 69 percent of the firms used Eximbank supports but remaining 31 percent did not in the year 2012.

Table 17. Eximbank Support Usages of Sample Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Uses Eximbank Supports	40	69.0	69.0	69.0
	Does not Use Eximbank Support	18	31.0	31.0	100.0
	Total	58	100.0	100.0	

Table 18 displays the number of patents for sample firms. According to the results only one firm has more than 20 patents while 70.69 percent of firms do not

have any patents. On the other hand, 13.79 percent of the firms have one or two patents while remaining 13.79 percent of the sample firms have patents between three and 20. In addition, the total number of patents for the entire sample is 80.

Table 18. The Number of Patents of Sample Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20+	1	1.72	1.72	1.72
	11-20	2	3.45	3.45	5.17
	5-10	3	5.17	5.17	10.34
	3-4	3	5.17	5.17	15.52
	1-2	8	13.79	13.79	29.31
	0	41	70.69	70.69	100.0
	Total	58	100.0	100.0	

Table 19 indicates the export sales for the firms in the sample. There is only one firm, which made exports of more than 250 million USD while there are 19 firm, which made exports of less than 10 million USD. 41.37 percent of the sample firms made export between 10 to 50 billion USD whereas remaining 24.01 percent made export between 50-250 million USD in 2012. On the other hand, total export volume for sample firms is 2,495 million USD which corresponds to the 9.90 percent of all textile and apparel exports of Turkey in the year 2012.

Table 19. Export Sales of Sample Firms, 2012 (USD)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	250,000,000+	1	1.72	1.72	1.72
	100,000,001-250,000,000	6	10.34	10.34	12.06
	50,000,001-100,000,000	8	13.79	13.79	25.85
	25,000,001-50,000,000	10	17.24	17.24	43.09
	10,000,001-25,000,000	14	24.13	24.13	67.22
	0-10,000,000	19	32.78	32.78	100
	Total	58	100.0	100.0	

Table 20 shows the total sales of sample firms. There is only one firm with total sales of more than 500 million USD while 11 of the firms have total sales of less than 50 million USD. 23 of the firms have total sales between 100 and 500 million USD whereas remaining 23 sample firms have total sales between 50-100 million USD.

Table 20. Total Sales of Sample Firms, 2012 (USD)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	500,000,000+	1	1.72	1.72	1.72
	250,000,001-500,000,000	3	5.17	5.17	6.90
	100,000,001-250,000,000	20	34.48	34.48	41.38
	75,000,001-100,000,000	8	13.79	13.79	55.17
	50,000,001-75,000,000	15	25.86	25.86	81.03
	0-50,000,000	11	18.97	18.97	100.0
	Total	58	100.0	100.0	

Table 21 demonstrates the export intensities of sample firms. According to the results, 18 firms exported more than half of their products while 14 of the firms in the sample exported less than 10 percent of their total production in the year 2012. In addition, 24.1 percent of the firms in the sample exported 10 to 20 percent of their products while remaining 20.7 percent exported 20 to 50 percent.

Table 21. Export Intensities of Sample Firms, 2012

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0.75+	11	19.0	19.0	19.0
	0.51-0.75	7	12.1	12.1	31.0
	0.41-0.50	5	8.6	8.6	39.7
	0.31-0.40	4	6.9	6.9	46.6
	0.21-0.30	3	5.2	5.2	51.7
	0.11-0.20	14	24.1	24.1	75.9
	0.0-0.10	14	24.1	24.1	100.0
	Total	58	100.0	100.0	

5.2 Inter-correlations of variables

The correlation coefficients are calculated by using Spearman non-parametric correlation. Table 22 displays correlation matrix of all variables of the study. Among the independent variables, manager's international experience shows the highest correlation with the dependent variable, export performance ($p < 0.01$). Export performance also has statistically significant positive correlations with R&D expenditure ($p < 0.01$) and manager's education ($p < 0.05$). Finally, the positive relationship between the Eximbank supports and export performance is also statistically significant ($p < 0.1$).

There are significant correlations among independent variables, too. The innovativeness is correlated with firm size ($p < 0.01$), business group affiliation ($p < 0.01$) and R&D expenditure ($p < 0.05$). R&D expenditure, on the other hand, is correlated with business affiliation ($p < 0.05$), manager's education and Eximbank supports ($p < 0.1$). Finally, firm size is correlated with firm's age and business affiliation ($p < 0.05$) and ($p < 0.1$) respectively.

Table 22. Inter-correlations of Variables

Variables	1	2	3	4	5	6	7	8	9
(1) Manager's Education	1								
(2) Manger's International Experience	.162	1							
(3) Firm Size	.077	-.027	1						
(4) Firm's Age	.122	-.162	.319**	1					
(5) Eximbank Supports	-.033	.057	.150	.016	1				
(6) Business Group Affiliation	.033	.068	.220***	.178	.169	1			
(7) R&D Expenditure	.253***	.129	.094	.146	.232***	.311**	1		
(8) Innovativeness	.015	.158	.447*	.203	-.087	.366*	.291**	1	
(9) Export Performance	.330**	.496*	-.083	.073	.250***	.041	.350*	.150	1

*. Correlation is significant at the 0.01 level (2-tailed).

** Correlation is significant at the 0.05 level (2-tailed).

***. Correlation is significant at the 0.10 level (2-tailed).

5.3 Hypothesis testing

Educational attainment of managers is analyzed at three levels. Table 23 shows that firms with managers that have master or doctorate degrees have the highest level of export intensity; exports make 47.7 percent of their sales. Firms with managers that have university degrees have the second highest level export intensity with 26 percent while the firms with managers that have high school or associate degree have the lowest level of export intensity with 21.90 percent. This statistically significant result ($p < 0.05$) shows that firms with managers who are more educated have higher export intensities. So, hypothesis 1 is supported.

Table 23. Manager's Education

Means				p-value
Manager's Education	High School Degree or Associate Degree	University Degree	Master or Doctorate Degree	0.033
Export Intensity	0.219	0.260	0.477	

Firms are categorized into two groups on the basis of their managers' international experience. As can be seen in Table 24, the average export intensity is 0.452 for firms which have managers with international experience. On the other hand, the same average is 0.172 for firms managers of which do not have any international experience. The difference between the two types of firms is statistically significant ($p < 0.01$) pointing out to that export intensity of the firms with the internationally experienced managers is relatively higher than that of the firms without such managers. Therefore, hypothesis 2 is supported.

Table 24. Manager's International Experience

Means			p-value
Manger's International Experience	No Foreign Experience	The Manager Either Worked or Studied Abroad	0.00
Export Intensity	0.172	0.452	

Firms are categorized into two groups on the basis of the average number of employee for 2012. In Table 25, it is seen that larger firms have higher levels of export intensity (0.370) than smaller firms (0.349). However, this result is not statistically significant ($p > 0.1$). So, hypothesis 3 is not supported.

Table 25. Firm Size

Means			p-value
Number of Employee	Below average	Above average	0.674
Export Intensity	0.349	0.370	

Firms are again categorized into two groups according to age, that is, the total number of years they have spent in the industry. As can be seen in Table 26, younger

firms have an export intensity of 29.7 percent whereas older firms make 43.9 percent of their sales to foreign countries. This finding contradicts with the expectation put forward in hypothesis 4, however, the difference is not statistically significant ($p>0.1$). So, hypothesis 4 is not supported.

Table 26. Firm's Age

Means			p-value
Total Year in the Industry	Below average	Above average	0.165
Export Intensity	0.297	0.439	

The comparison of firms which take Eximbank supports and which do not show that the former has higher export intensity. Table 27 demonstrates that the firms which use support from Turk Eximbank have an average export intensity of 0.394 while the average for firms which do not use any Eximbank support is 0.289. The difference between the two groups is statistically significant ($p<0.1$), supporting hypothesis 5.

Table 27. Eximbank Supports

Means			p-value
Eximbank Supports	Uses Support from Eximbank	Does not Use Support from Eximbank	0.059
Export Intensity	0.394	0.289	

When firms affiliated to a business groups are compared with those that are not, it is seen that (Table 28) the former group has relatively higher export intensity than the latter. However, the difference is small (0.393 versus 0.336) and statistically insignificant ($p>0.1$). So, hypothesis 6 is not supported.

Table 28. Business Group Affiliation

Means			p-value
Business Group Affiliation	Not Affiliated to a Business Group	Affiliated to a Business Group	0.756
Export Intensity	0.336	0.393	

Firms are categorized into three groups on the basis of their R&D expenditures. Table 29 indicates that the firms which spend most on R&D have the highest average export intensity while those that spend least have the lowest export intensity. Firms which spend more than \$500 thousand for R&D have an average export intensity of 0.578 while the firms that are spending between \$100 and 500 thousand for R&D have average export intensity of 0.422. Finally, firms which spend less than 100 thousand USD for R&D have an export intensity of 0.300. This means that, the average export intensity of firms increase depending on the amount that the firm spends for R&D. So, hypothesis 7 is supported ($p < 0.1$).

Table 29. R&D Expenditures

Means				p-value
R&D Expenditure	0-100	100-500	500+	0.072
Export Intensity	0.300	0.422	0.578	

Number of patents has been used to evaluate firm's innovativeness. The comparison of firms with and without patents shows that firms that have patents have relatively higher average export intensity, 0.410 as seen in Table 30. However, the result is not statistically significant ($p > 0.10$). Thus, hypothesis 8 is not supported.

Table 30. Innovativeness

Means			p-value
The Number of Patent	Has no any Patent	Has Patent	0.235
Export Intensity	0.333	0.410	

5.4 The analysis of research model

Hypotheses testing show that the first group of independent variables, management characteristics, has positive relationship with the dependent variable, export performance. Both hypotheses regarding the relationship between managerial characteristics and export intensity are supported. The export performance is found to be higher in the firms that have relatively more educated managers and the firms with managers that have international experience. Correlation analysis also supports this finding as both variables have positive and statistically significant correlation coefficients with export intensity.

The other set of independent variables, firm characteristics & competencies, and the dependent variable export performance have mixed relationships. Findings regarding the relationship between export intensity, on the one hand, and R&D expenditure and Eximbank supports, on the other, are in line with the expectations. Firms that spend more on R&D and the firms that use supports from Turk Eximbank have relatively higher export performances. The correlation matrix also confirms same results with positive and significant coefficients. On the other hand; expectations of the study regarding firm size, firm age, business group affiliation and innovativeness are not supported by statistical analyses. Although the correlation coefficients of these variables with export performance are all in line with the expectations, none of them is statistically significant. Table 31 presents a summary of the results for hypothesis testing.

Table 31. The Hypotheses

Hypotheses	Result
Hypothesis 1: Firms with managers that have relatively higher education are expected to have better export performance	Supported
Hypothesis 2: Firms with managers who have international experience are expected to have better export performance	Supported
Hypothesis 3: Larger firms are expected to have better export performance	Not Supported
Hypothesis 4: Younger firms are expected to have better export performance	Not Supported
Hypothesis 5: Firms affiliated with a business group are expected to have better export performance	Not Supported
Hypothesis 6: Firms which use Eximbank supports/credits are expected to have better export performance	Supported
Hypothesis 7: Firms with more R&D expenditure are expected to have better export performance	Supported
Hypothesis 8: More innovative firms are expected to have relatively better export performance	Not Supported

CHAPTER 6

CONCLUSION AND SUGGESTIONS

There is a growing number of studies on the antecedents of export performance, the majority of which are country specific, like this study. However, to our knowledge, this study is the first industry-specific study which takes into account the lagged effect of R&D expenditure on export performance in the Turkish context.

The study utilizes the resource-based view of the firm to investigate the antecedents of export performance for Turkish textile and apparel firms. The effect of factors internal to the firms and which are uncontrollable in the short run are analyzed. The impact of eight characteristics categorized under two groups as managerial characteristics (manager's education, manager's international experience) and firm characteristics and competencies (firm size, firm's age, Eximbank supports, business affiliation, R&D expenditures and innovativeness) on export performance is analyzed. Four of these characteristics — manager's education, manager's international experience, Eximbank supports and R&D expenditure — are found to be positively and significantly related to export performance, while the other four variables — firm size, firm's age, business group affiliation and innovativeness — had insignificant relationships.

According to the results, export intensity is higher in the firms with internationally experienced managers and managers that have a relatively higher level of education. Since the managers with international experience and a relatively higher level of education are valuable and inimitable human capital resources, they were expected to have a positive impact on export performance. Similarly, export intensity is found to be relatively higher in the firms which are using Eximbank

supports and are making relatively more R&D expenditures. These results were also expected because Eximbank supports and R&D expenditures were seen as valuable and non-substitutable physical capital resources that have positive effects on export performance.

On the other hand, statistically insignificant analyses conducted to compare firms with different levels of export performance are also worth summarizing. Although the results do not support the contrary of the hypotheses, some coherent reasons should be stated in this station.

Firstly, the number of employee (firm size), which is a valuable and inimitable human capital resource, does not have a significant effect on export performance. It should be noted that the study analyzed and compared relatively larger firms of the industry; small firms were not included. This situation could have shaped the current results. In addition, this result can also show that the textile and apparel industry in Turkey is becoming more capital intensive since the study measures size in terms of the number of employees.

Secondly, the total number of years the firm spent in the industry (firm's age), which was perceived as a valuable and inimitable physical capital resource, does not have a significant relationship with the export performance. Actually, the literature is composed of mixed results for the firm's age and export performance relationship. In addition, the textile and apparel industry in Turkey has a long history and the older firms have experience and lots of networks in the traditional markets. Although younger firms have started to increase their export performance, the older ones retain their power.

Thirdly, business group affiliation, which is a valuable organizational capital resource, does not significantly affect export performance. This means that being a part of a business group does not provide an advantage to the firms.

Lastly, innovativeness, which is a valuable, inimitable and non-substitutable physical capital resource, is found not to have significant effect on export performance. The contrary of the hypothesis is also not supported because of the insignificant results. Additionally, the results show that the ability to create a patent is low in the industry; that is why R&D expenditures and export performance are positively correlated with export performance, while the number of patents does not. This indicates a propensity in the industry to convert investment in R&D into patents is low.

6.1 Practical implications for the sector

The results provide contributions to both practitioners and policymakers.

The policymakers should seek the ways of increasing the international outlook of decision makers. Therefore, supporting activities for foreign languages and education and training programs designed to increase international business knowledge for both schools and working places should be increased. In addition, policies encouraging an increase in R&D investments and the use of supports from Turk Eximbank are strongly recommended.

Practitioners should aim to increase the international experience and level of education of the decision makers in the firm. Additionally, investing in R&D is strongly encouraged. It is important that the ultimate goal of investments in R&D should be securing patents.

6.2 Limitations of the study

The study has some limitations. The first is that it was conducted in only one country, Turkey. This limits generalizability of the findings to the other countries. The second limitation is that the study focuses only on one sector, textile and apparel, and this makes it impossible to see sectoral differences. Thirdly, the study includes only objective characteristics of managers. Subjective managerial characteristics such as innovativeness, decision making patterns and commitment to internationalization, risk tolerance, and openness to change and flexibility were excluded because of potential inefficiencies in measurement and reporting. Finally, the sample consisted of relatively larger textile and apparel firms in Turkey since the sample is all from the ICI first and second 500 Lists. Therefore, the sample was not randomly selected and the study's findings may not apply to smaller firms of smaller size. However, this limitation was somehow compulsory because of the difficulties in accessing firm level data for small firms in Turkey.

6.3 Recommendations for future research

Future studies in this field may enlarge the number of sectors and include firms of a wider range of sizes. In addition, the external or controllable factors affecting the export performance are worth studying in same sector or by adding some sectors. An international comparison may help increase generalizability of the findings.

APPENDIX

ORIGINAL SURVEY

Dear Sir/Madam,

We are performing this research project at Boğaziçi University. We settled the objective of the study to determine and measure the effect of various determinants of the internationalization performance of the large firms of Turkey operating in the textile industry. A small number of studies have been conducted in our country despite a significant number of such studies in the world literature. Our study comes to the forefront, for which reason it has an academic structure and is being done for an only industry.

We are analyzing firms included by the lists published every year by the Istanbul Chamber of Industry (ICI), known in Turkish as İSO (İstanbul Sanayi Odası) on the “Largest 500 Industrial Enterprises” and “Second Largest 500 Industrial Enterprises” that are operating in the textile industry. It is very important for our study that top managers (general manager, functional manager, factory manager) of the firm complete the questionnaire we have prepared.

We are planning to publish the results of our study in an international or a national academic journal. In the articles, the firms will be evaluated not individually but as a whole. As a part of the international professional literature, we are not going to reveal any special information about any of the firms included by the study. You can therefore be sure that any information given will be kept confidential.

We want to underline that, it is very important for our study that the questions be answered objectively and completely because every unanswered question will mislead us when we analyze the results and the efficiency of the study will be seriously damaged.

We wish you luck in your business life and thank you in advance for your attention.

PART A

For how many years have you been in this firm? _____ years

What is your total business experience? _____ years

What is your position? General Manager ___ Factory Manager ___ Functional manager ___ other ___ (Please specify your department _____)

How old are you? _____

What is your gender? Male _____ Female _____

What is your level of education? High School _____ Associate Degree _____

Undergraduate _____ Master _____ PhD _____

Please indicate your kind of high school.

Industrial School _____ Regular High School _____ Anatolian High School _____

Anatolian Teacher High School/Science High School _____ Private High School/College _____

Private High School with Foreign Language _____

Please specify the information below about the diplomas you have:

Type of Education	I got from Turkey	I got abroad
High School		
Undergraduate		
Master		
PhD		

Please specify the number of languages you know besides your native language.

Please indicate the languages you know:

Turkish _____ English _____ German _____ French _____ Italian _____

Arabic _____ Japanese _____ Chinese _____ Spanish _____ Other _____

Please indicate how long you have spent in foreign countries,

Any ___ 0-2 years: ___ 2-4 years: ___ 4-6 years: ___ 6-8 years: ___ More than 8 years: ___

Please specify your foreign country experience by showing country and reason:

Country	Time Spent (Year)	Reason		
		<i>Business</i>	<i>Education</i>	<i>Other</i>
1.				
2.				
3.				
4.				

How many times do you travel abroad in a year?

Never: _____ 1-6: _____ 7-12: _____ 13-24: _____ More than 25: _____

PART B

What is the founding year of your firm? _____

For how many years has your firm been exporting? _____ years

Please specify the number of foreign markets that where your firm is exporting:

Please specify the percentage of your sales as foreign and domestic:

Domestic: _____ % Foreign: _____ % (Total % 100)

Please specify the distribution of export revenues of your firm to foreign markets:

Country	The share of your exports (% for year 2012)
1.	
2.	
3.	
4.	
5.	

What is modernity level of the basic machinery and equipment you are currently using in your firm, if you consider the machinery and equipment that have highest level of modernity in the industry?

Very Little _ 1 _ 2 _ 3 _ 4 _ 5 _ Very Much

When did you buy the basic machinery and equipment you are currently using in your firm? _____

For how many years you have been using the basic machinery and equipment you are currently using? _____ years

Is your firm using credits/supports from Turk Eximbank? Yes: _____ No: _____

PART C

What is the share of the yearly average R&D expenditures of your firm in total sales _____ %?

Please specify the R&D expenditure of your firm in years below:

2010 (TL)	2011(TL)	2012 (TL)

*Thanks for your participation of our survey. Do you want to receive information about the results of our study? Yes: ___ (E-mail: _____) No: ___

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