IMPACT OF GENERAL MANAGER CHARACTERISTICS ON THE EXPORT PERFORMANCE OF MANUFACTURING COMPANIES IN TURKEY

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Impact of General Manager Characteristics on the Export Performance of Manufacturing Companies in Turkey

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Thesis Abstract

Özge Öz,

"Impact of General Manager Characteristics on the Export Performance of Manufacturing Companies in Turkey"

The objective of this study is to investigate the relation between export performance of manufacturing firms and the characteristics of their general managers. A survey of the literature revealed several general manager characteristics that have the potential to influence export performance. Some of these parameters are age, educational background, linguistic skills, technical capabilities, risk tolerance, and foreign country exposure. In this study, age, educational attainment, and foreign country exposure were chosen as general manager characteristics to be investigated.

General managers constituting the sample were randomly selected among manufacturing companies quoted on Istanbul Stock Exchange (ISE).The data were collected mainly from archival resources such as company yearbooks, annual reports, corporate governance compliance reports of the firms in the sample. Frequency analysis and non-parametric Mann Whitney U tests were run for the statistical analysis of the data set.

Results of the study reveal no direct relationship discovered between objective general manager characteristics and export performance of firms in Turkey.

Tez Özeti

Özge Öz,

"Türkiye'de İmalat Sektöründe Faaliyet Gösteren Firmaların İhracat Performansı Üzerinde Genel Müdür Karakteristiklerinin Etkisi"

Bu çalışmada Türkiye'de yönetici genel karakteristkleri ile ihracat yönelimi arasında bir bağ kurmaya çalıştık. Literatür taramasından sonra, ihracat yöneliminde etkili olduğu savunulan bazı verier elde ettik. Bu verilerin bazıları yaş, eğitim durumu, yabancı dil kabiliyetleri, teknik beceriler, risk toleransı ve yabancı ülke etkisi olarak örneklendirilebilir.

Çalışmamızda ihracat etkenleri olarak yaş, eğitim düzeyi ve yabancı ülke etkisi değişkenleri kullanıldı. Objektif karakteristik özelliklerden bu değişkenleri seçmemizdeki amaç, genel müdürlerin subjektif karakteristiklerinin ihracata olan etkisinin yanı sıra şirketin diğer faaliyetleri üzerinde de etkili olduğunun bilinmesidir.

Örneklemimiz, İstanbul Menkul kıymetler Borsası'nda (İMKB) işlem göre imalat şirketleri arasından rastgele olarak seçilmiştir. Veriler, direkt olarak şirketler yıllığı, faaliyet raporları, kurumsal yönetim ilkelerine uyum raporları gibi arşivsel kaynaklardan toplanmıştır. Veri setinin analizinde frekans analizleri ve parametrik olmayan Mann-Whitney-U testleri uygulanması yoluyla gerçekleştirilmiştir.

Çalışmanın sonuçları Türkiye'de genel müdür karakteristikleri ile ihracat performansı arasında direkt bir bağlantı olmadığını öngörmüştür.

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CHAPTER ONE

INTRODUCTION

In addition to their mission and vision at the macro level, all organizations have specific goals and objectives that need to be met. Top executives devise strategies and formulate policies to ensure that these goals and objectives are fulfilled. Although the decision makers have a wide range of titles—such as, president, chief executive officer, general manager, director - all build policies and manage the overall operations of their organizations. The organizations are composed not only of businesses for profit, but also include non-profit organizations, public sector and others.

In strategic management, the key performance indicator is usually considered to be the development and sustainability of firm-level competitive advantage. Sustainability of a firm is measured through the assessment of efficiency of rent equilibriums. With the increasing interest to resource-based view (RBV) of firm, the strategic-management field adopted an approach with less hierarchy of research issues. Resource based view has been introduced as a tool to enable to have a clearer conceptualization of the main concerns of strategies (Barney, 1991). In addition, due to the aggressive marketing effort, the resource-based view has become the active modern approach to the analysis of sustained competitive advantage.

The general manager, in collaboration with the other top executives, establishes a corporation’s goals and policies. All of these principals are closely monitored by a board of directors in corporate firms. In a large corporation, the general manager meets frequently with the other top executives to ensure that the overall operation of the corporation is conducted in accordance with established goals and policies. Thus, critical decisions are likely to be taken by general managers. Since decisions regarding the internationalization of a company are strategic in nature, it is possible to construct a link between the performance of a company and the characteristics of its general managers. In this regard, the objective of this study is to investigate whether there exists relationship between the internationalization performance of a company, measured in terms of export intensity, and the characteristics of its general manager.

Chapter two covers the theoretical basis of our study. In this chapter, managerial determinants of export performance are analyzed with respect to the resource-based view of the firm. Emergence and development of resource-based view of the firm are also summarized, starting with the early contributions from 1980s. Furthermore, types of managerial characteristics, which are likely to influence export performance, are identified in order to provide the context of our study. After defining the research topic, this chapter eventually ends with the hypothesis of the study.

The third chapter provides information regarding the research setting, as well as information on Turkish economy and export antecedent since the establishment of Turkish Republic as those macroeconomic parameters have a coralline with our design. This chapter also provides the general manager profile in the Turkish context.

The fourth chapter summarizes the sample selection and data collection procedures, and methodology of the study. The chapter also outlines the variables of the study and how they are measured.

Chapter five delineates the findings of the study. Findings are provided in two sections as descriptive and explanatory findings.

Finally, the study concludes with Chapter six, which aims at drawing an insightful picture of the study.

CHAPTER TWO

THEORETICAL BACKGROUNDS

Determinants of Export Performance

During the recent decades, a significant number of studies has been conducted regarding the determinants of export performance. Abundance of such studies is a sign of how important this topic has become. Additionally, it can be regarded as a proof of both the legitimacy of research about export marketing (Zou and Stan, 1998). Knowledge on the parameters of export performance is still featured by different and sometimes confusing results. Despite the number of studies completed, no concrete conclusions have been reported as the major determinant of exporting. However, there are excellent efforts to review and synthesize export performance literature. Thus, the primary reason why there exists no concrete conclusion is supposed to be the lack of combination and suppression of this divided knowledge (Zou and Stan, 1998).

This study investigates the impact of managerial characteristics on export intensity. Among the potential influential factors, demographic, educational, and experiential characteristics of general managers who are potentially, or actually, committed to the export management process are depicted.

Top management is also responsible for the accelerative and directive functions from which firms can derive benefits, during the export development path (Leonidou et al., 1998). Most of the export development models view the general manager as the principal key factor behind a firm's progressive steps from one stage to the next, chiefly through the mutual interaction of decisions involving foreign market expertise and resource commitment.

Past studies indicate the general manager as a pivotal actor in developing, sustaining and succeeding a firm's export decision (Miesenbock, 1988). Thus, managerial attributes and their influence on exporting have been a focal point in many empirical studies, although the theoretical orientation has been limited (Leonidou et al., 1998). Some researchers stated that objective and qualitative characteristics of general managers, such as linguistic abilities, technical capabilities, and business competence, are having a great impact on the company while moving to higher degrees of exporting (Leonidou et al., 1998). Moreover, their cognitive characteristics are expected to determine the level of a firm's commitment to and participation in export activities (Leonidou et al., 1998).

General Managers and Theoretical Approaches to Their Characteristics

Referring to the general manager as the essential player behind the initiation, execution, and success of a firm's export decisions, this position is considered to be an important resource to a firm among other resources. General managers and their contributions to the firms will be viewed based on resource-based view of the firm.

Resource Based View of Firm

Resource based view of the firm has been developed, especially since 1984, with contributions of several scholars. Wernerfelt's (1984) study, published in the Strategic Management Journal, is assumed to be the first systematic output of resource-based perspective of the organization within the strategic management field (Fuss and Ishikawa, 2006). Studies of Barney (1986) and Dierickx and Cool (1989), which are conducted in the same decade, ensured resource based view's recognition in the strategic management field as a distinct theoretical approach. Although studies similar to Wernerfelt's (1984) did exist in the management literature, Wernerfelt was the first to look at the source of competitive advantage from a different perspective.

Wernerfelt (1984) focuses on the idea that performance differences among organizations can emerge from internally controlled resources. This idea has fundamentally been one of the most important theses of resource-based view of the firm. As such, the resource-based view is different from and complementary to the environmental models in strategic management (e.g. Porter, 1980) in two ways. First of all, while the environmental models claim that the resources different firms in an industry enjoy are homogenous (i.e. the same), the resource-based view asserts that firms in the same industry may vary from one another based on the quality and quantity of resources they control. Second, while the environmental models can accept such heterogeneity on a temporary basis only, for the resource-based view such inequalities in the quantity and quality of resources may be long-lasting phenomena.

During the emergence of resource-based theory, Barney (1986) published an article in which he proceeded Wernerfelt's study to a next level by proposing that sustainable comparative advantage can be enhanced via company controlled resource characteristics based on firm controlled resource specifications. Barney (1986) stated there is a "strategic factor market" where firms can obtain and develop the resources they need to implement product-market strategies.

Due to the fact that strategic factor markets are not in perfect competition permanently, Barney proposed two alternatives, which are keen to secure economic rents by obtaining, or enhancing the resources needed for the implementation of product-market strategy.

According to the first alternative, organizations can grab opportunity when faced with ambiguity regarding the value of a resource. The price of a strategic resource can be determined lower than its actual future value in case of entry and competition in the strategic factor market. In such a case, the firms that can succeed to determine the value of the resource in the strategic factor market higher than its normal value in the resource market can derive economic benefit (Barney, 1986).

Second alternative involves the situations that firms do not have accurate insights regarding the actual future value of the resources that can be obtained or enhanced in the strategic factor market. Precisely, the firms having accurate insight will not prefer to pay for a resource higher than its normal value and will try to grab and advance the resources with less value than they normally accommodate. Only firms having the accurate insights, which as a result can make advantages from opportunities, will be able to gain economic benefits (Barney, 1986).

After the studies of Wernerfelt (1984) and Barney (1986), the resource based view theory was developed further by Dierickx and Cool (1989) with the aspect, that economic rent is possible by defining the intra-company resources. Dierickx and Cool (1989) defined the characteristics of the firm's resources that are unaffected by market competition. These characteristics were also used by Barney (1991) in further studies. It is argued that the only way to improve comparative advantage is to utilize its resources that not are affected from market competition, for analysis (Dierickx and Cool, 1989). The common framework of these studies suggests that firms should only acquire the resources that would provide comparative advantage.

Of the three studies, Barney (1986) focused on the question "which resource should be obtained or enhanced" process in order to ascend the organization's performance. Barney's study investigates how and when the resources are used to apply product-market strategy and create more value than expected in terms of the conditions. Wernerfelt (1984) focused on heterogeneous distribution of firm resources and competitive implications of this distribution, rather than studying the conditions, these resources are obtained.

Firms Resources

Resources are assets that can be considered as strengths or weaknesses for an organization; they are tangible and intangible equities controlled by a firm at a given time (Wernerfelt, 1984). According to the resource-based view, a firm owns a bundle of resources. Every firm has its unique resource structure and the change of this structure is a matter of time and cost (Wernerfelt, 1995).

Tangible or intangiblel firm resources can be developed internally or they can be obtained from the market (Hall, 1993). Firms' resources can be exemplified as trademarks, technical skills, and employment of skilled staff, machinery, equipment, and capital. Main difficulty in determining and evaluating firm's resources emerges because management information systems typically provide a divided and rough picture of the firm's resources base.

Financial tables do not take the value of human resource capabilities and competencies into consideration although human resources are strategically the most important intangible resources of a firm (Grant, 1991). This negligence causes the big picture of resource base of a company to stay in concealment. Classification of resources in order to provide a big picture of resource base of the firm would be helpful as an initial step.

There are different suggestions to identifying and classifying resources. Wernerfelt (1984) defined resources, as everything can be either a strength or weakness. For Amit and Schomaker (1993) resources are factor stocks, controlled or obtained by the firm. Grant (1991), on the other hand, defines resources as inputs for the production process. According to Barney, resources are tangible or intangible assets, which are employed to develop or implement a strategy (Barney, 2001). As there is a lack of consensus regarding the definition of resources, there is also no consensus regarding how they should be classified.

Before the emergence of resource based view of the firm, Grant identified six basic resource category. These are financial resources, physical resources, human resources, technological resources, firm reputation, and organizational resources (Grant, 1991). Barney (1991) classified firm resources into three categories, which are physical capital, organizational capital and human-resources capital (Selekler-Gökşen and Yıldırım-Öktem, 2008).

According to Barney's classification, physical capital resources involve the combination of firm's technology, property in terms of building and equipment, and geographical position, while organizational capital resources include firm's planning, controlling and coordination systems, reporting tool, internal communication of employee groups and their relation and interaction with the other firms in the business environment. Finally, human capital resources involve the skills, capabilities, education, training, experience, expertise of and relationship among the managers within the firm (Selekler-Gökşen and Yıldırım-Öktem, 2008).

Of the three groups of resources, special emphasis can be attributed towards human capital since they contribute to the strategy development. Hence, this resource group may influence a firm's endowments in physical capital and organizational capital resources (Selekler-Gökşen and Yıldırım-Öktem, 2008).

Characteristics of Firm Capabilities

In general sense, firm's strategic resources are not expected to bring competitive advantage to them if they are equally distributed among the companies competing in the market. Firms endowed with same strategic resources are expected to apply same strategies. Application of the same strategic resources and tactics, influences their efficiency in the same manner, hence, sustainable competitive advantage cannot be obtained (Barney, 1991). There is no doubt that not all resources and capabilities have the potential to provide sustainable competitive advantage. In order to provide this potential, resources need to meet certain criteria. According to

Barney (1991), resources and capabilities need to be valuable, rare, inimitable, and non-substitutable (VRIN) to enable sustainable competitive advantage.

Resources are valuable if they help a firm to exploit the opportunities and/or neutralize the threats in its external environment. They are rare when they are not possessed by any or are possessed by only a few current or potential competitors. If many firms have the same resources and capabilities, their value will decrease. Resources and capabilities are costly to imitate when other firms are unable to develop them except at a cost disadvantage relative to the firm that already enjoys them. Finally, resources and capabilities are non-substitutable when they do not have strategic equivalents. If capabilities are intangible, they are more likely to be non-substitutable (Ireland et al., 2009).

Resource Based View of Firm Internationalization

Decades after its emergence, resource based view is increasingly used in explaining firms' internationalization processes (Selekler-Gökşen and Yıldırım-Öktem, 2008).

While many kinds of firm resources and capabilities have already been identified as tool for attaining competitive advantage, previous theoretical approaches do not consider the view of top management (Westhead, 2001). In the context of resource-based view, top managers are perceived as one of the most valuable, rare, and hard to imitate resources of a firm (Peng, 2001). On the other hand, a relationship is expected between a firm's human resources characteristics and its international expansion (Selekler-Gökşen and Yıldırım-Öktem, 2008). Managerial factors are claimed to affect export expansion decision of firms at different levels, such as setting export objectives, gathering foreign market information, and implementing export-marketing strategies (Leonidou et al., 1998).

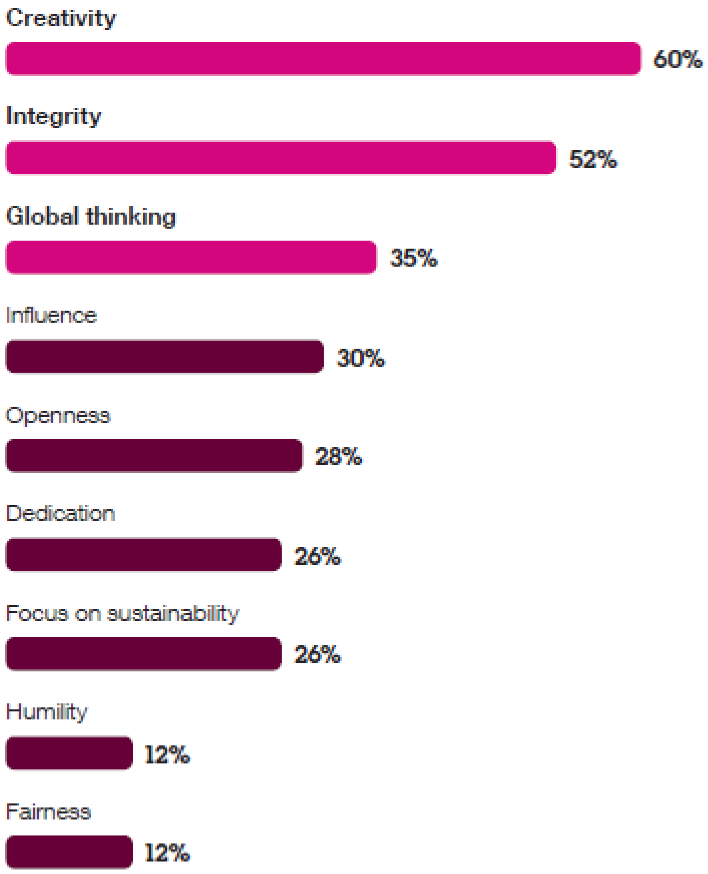
The study will continue with the analysis of general manager characteristics and the establishment of hypothesis. Firstly subjective and objective characteristics of general managers are addressed.

General Subjective Characteristics

Subjective characteristics of general managers mainly refer to attitudes, perceptions, and personality (Hutchinson and Quinn, 2006). Management attitudes are important in steering the international involvement of their companies. Thus, the attitudes towards the expansion are mostly shaped by manager's perceptions.

Subjective characteristics can be exemplified by risk tolerance, innovativeness, flexibility, commitment, quality and dynamism, profit perception, growth perception and complexity perception. Besides objective characteristics, subjective characteristics are gradually gaining relative importance. (IBM.com, 2010) held a study, "Capitalizing Complexity", which is prepared upon the face-to-face interviews with more than 1,500 CEOs around the world. According to the CEOs, creativity has become one of three most important leadership characteristics for the last five years.

Figure 1. Top Leadership Qualities



Source: IBM, Capitalizing Complexity, 2010

These characteristics, contrary to objective characteristics, are of a relatively general nature thus, may have influence over other activities of the firm in addition to exporting (Leonidou et al., 1998).

This study focuses exclusively on general manager's objective characteristics and their link with export intensity in their firms, rather than subjective characteristics.

General Objective Characteristics

This category comprises of managerial factors that refer to the objective characteristics of the general manager, but that are of a general nature, and thus may influence exporting activities of the firm. This includes the general manager's age, educational background, and foreign country exposure (Hutchinson and Quinn, 2006).

Age

Age of managers has been suggested as a factor that can account for the differences between exporting and non-exporting firms with the assumption that younger managers, compared to older managers, are more internationally focused and more cosmopolitan (Leonidou et al., 1998). As they are more export oriented, younger managers are also expected to play a more active role in the export expansion process. Researchers expect an inverse relationship between the managerial age and export performance of company (Leonidou et al., 1998). Taking into account the principal role of general managers behind the export activity, it is expected that younger general managers will contribute to the export performance of their firms. Thus, a negative relationship is expected to exist between the age of a general manager and export intensity of its company.

H1: General Managers will be younger in firms with larger export shares.

Educational Attainment

In the literature, scholars built a link between the educational level and internationalization in different forms. According to some past studies, the amount of knowledge the manager has about internationalization is related to the manager's education level (Simpson and Kujawa, 1974). Better-educated managers are considered to be more open-minded and interested in foreign affairs, therefore, are expected to be more willing to evaluate the benefits and disadvantages of exporting (Garnier, 1982). The education has to do with the knowledge, skills, problem-solving ability, discipline, motivation, and self-confidence. Hence, more educated managers are expected to have better problem solving skills (Cooper at al, 1994), which in turn, may improve internationalization performance.

Furthermore, higher-level education has been proposed as an essential factor in internationalization activities as it broadens management knowledge and capabilities (Schlegelmilch, 1986).

Previous studies regarding the export marketing has suggested that there is a positive link between the educational attainment of a manager and his/her firm's export intensity (Reid, 1986).

As better education is expected to have a positive impact on internationalization performance, the following hypothesis is proposed.

H2: Firms the general managers of which have higher education levels will have larger export shares.

Foreign Country Exposure

Length of time managers spend in an international context has been regarded as an important parameter that could explain export intention, propensity, and intensity. Given the fact that time spent abroad implies manager's exposure to other cultures, it leads to greater experiential knowledge about international markets (Leonidou et al., 1998). Indicators of foreign country exposure can be exemplified as foreign education, work experience abroad, multinational company experience and living abroad as a combination of education and work experience abroad. Foreign country exposure of general managers represents various effects on organizational performance. International experience is considered as a tool for decreasing uncertainty and it is also expected to enhance cultural accumulation within the organization. More importantly, international experience of general managers implies the response of firms to internationalization in the face of a progressing global economy and markets. All these cycles assists in establishing organizational know-how and constructs a storage of specialties leading to a global mindset (Sambharya, 1996).

The professional experience of the manager attained in international environments such as working for multinational companies or working abroad has been associated with export performance (Garnier, 1982). It has been posited that managers who have foreign exposure and experience bring natural competitive advantage to their firm by improving export management and expansion (Reid, 1983). Similar to professional experience, time spent abroad including the period for educational purposes can also enhance internationalization performance.

Additionally a manager may also draw upon his or her personal contacts established during the time he/she had studied, worked or travelled abroad to facilitate the export development.

Time spent abroad can distinguish firms in respect of export tendency, aggressiveness, expansion, and performance. Research indicates that when a company has managers who are immigrants or who have lived or worked abroad, the firms are more export oriented (Reid, 1986). Also, an association has been implied between time spent abroad and exporting that finds managers of exporting orientation. Managers of firms spent more time abroad than managers in non-exporting firms (Zou and Stan, 1998). Furthermore, it is emphasized that the foreign exposure of general managers is also important in relation to export performance (Zou and Stan, 1998).

According to the association revealed in previous studies, we expect general managers who spent time abroad to be more successful in export business.

H 3A: Firms the general managers of which have foreign education will have larger export shares.

H 3B: Firms the general managers of which have multinational company experiences will have larger export shares.

H 3C: Firms the general managers of which worked abroad will have larger export shares.

H 3D: Firms the general managers of which lived abroad through foreign education or work experience abroad will have larger export shares.

CHAPTER THREE

RESEARCH SETTING

The Context

In this section of the study, the characteristics of research setting are summarized. First, the export performance of Turkey is analyzed with a focus on 1980 as this year points out a turning point in Turkey's industrialization policy. 1980 is considered to be a critical year in Turkey's internationalization policy as well since Turkey shifted from an import substituting industrialization policy to an export-led industrialization in that year.

The Economy in Turkey

Turkey's economy is considered to be one of the most dynamic economies of the world. After the Second World War, the Turkish economy has been transformed by the stable growth in industry and services, and as a result experienced a significant decline in the share of agriculture in national income (University of Plymouth, 2006). As of 2009, the distribution of shares within Turkey's industry mix is as follows: 24.7% agriculture, 19.4% industry, 5.9% construction and 50% services (Undersecreteriat of Treasury, 2010). The economic growth rate has been one of the highest among the OECD countries (University of Plymouth, 2006)

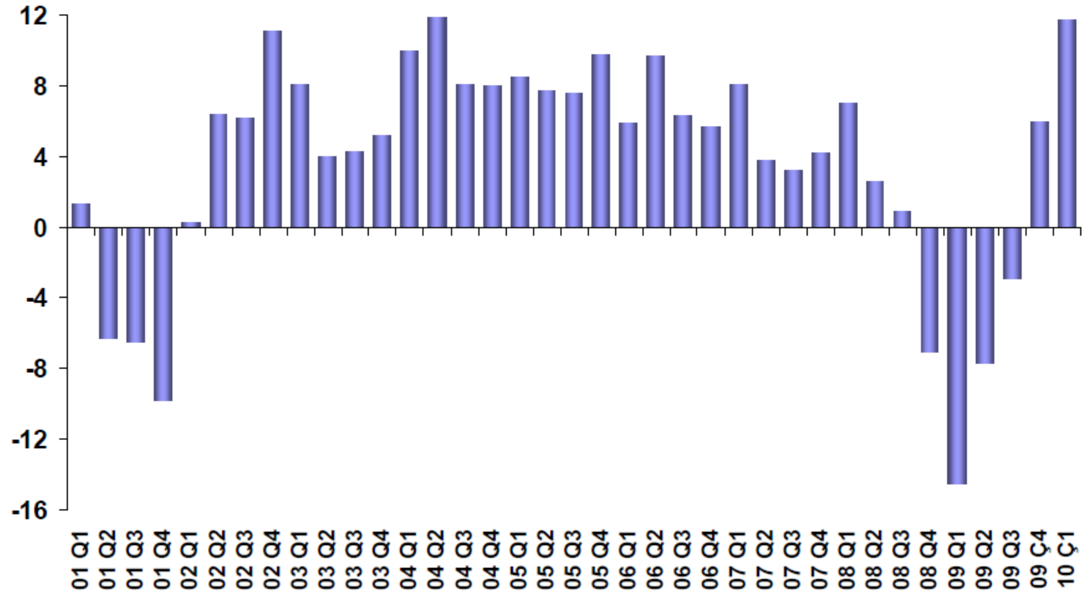
Turkey has a strong and rapidly growing private sector, and while the state still remains as an important player in industry, transportation, banking, and communication, this role has been diminishing over time as Turkey's privatization and further liberalization program continues (Undersecreteriat of Treasury, 2010).

The largest industrial sector is textiles and clothing, which account for a significant portion of industrial employment and exporting. Currently the industry faces fierce competition in international markets due to the end of the global quota system. However, other sectors, notably the electronics and automotive industries are rising in importance and taking an important role in Turkey's export mix (Undersecreteriat of Treasury, 2010).

In Turkey, real GDP has grown approximately by 6 % in several consecutive years, but this strong expansion has been interrupted by sharp declines in output in 1994, 1999, and 2001 (Undersecreteriat of Treasury, 2010).

Due to global economic conditions, GDP fell to a 0.9% annual rate in 2008, and contracted by about 6% in 2009. Inflation fell to 6.5% in 2009 – a 34-year low. Despite the strong economic gains from 2002-2007, which were largely due to renewed investor interest in emerging markets, IMF backing, and tighter fiscal policy, the economy has been burdened by a high current account deficit and high external debt. Further economic and judicial reforms and prospective EU membership are expected to continue boosting foreign direct investment (CIA.com, 2010).

Figure 2. GDP Growth Rates (percentage)



Source: Turkey Prime Ministry Undersecretariat of Treasury, 2010

In the global financial crisis of 2009, Turkey's financial market and banking system did not suffer significantly due to the banking and structural reforms implemented during the country's internal financial crisis in 2001.Major banks have declared increase in their profits for the first six months of 2010 (BDDK.gov.tr, 2010).

Economic fundamentals remained to be sound, but there are expectations for more negative economic indicators in 2010 as the global economic slowdown continues to curb demand for Turkish exports. In addition, it can be argued that

Turkey's relatively high current account deficit, uncertainty related to policy-making, and fiscal balances leave the economy vulnerable to destabilizing shifts in investor confidence (CIA.com, 2010).

Export in Turkey, Before and After 1980

The state has been a pivotal actor in the efforts for industrialization in Turkey since the beginning of establishment. After the establishment in 1920s, Turkey followed a pattern common to Latin American and Asian countries: Turkey was open to the world economic currents in the 1920s and followed a state-interventionist policy in the 1930s (Keyder, 1979).

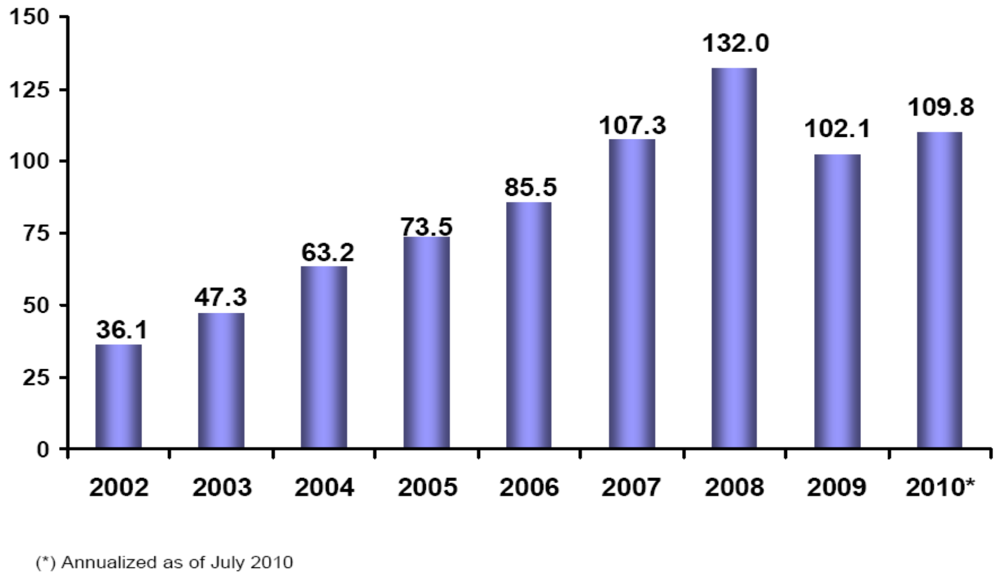
Beginning with the 1950s, state support in the way of protection from domestic and international competition and through incentives for investments, subsidized credit, and under-priced inputs enabled the development of a sizable private sector organized predominantly in the form of family controlled diversified business groups (Bugra, 1994). The outcome in the 1960s and the 1970s was an inward-oriented business sector that benefited from a lucrative domestic market (Öniş, 1996).

After having pursued an import-substitution industrialization strategy during the 1960s and 1970s, Turkey switched to a much more outward-oriented strategy in the 1980s. This new strategy entailed export-promoting measures and import liberalization (Pamukçu, 2003). Reforms after trade liberalization in the early 1980s spurred private sector activity and improved the structural factors for international competitiveness, which then caused high growth rates for exports.

In the period between 1981 and 1987, export revenues increased by 15 % on average. Following Turkey's application for EU membership in 1987, an incomplete Customs Union (CU) between Turkey and the EU was put into force on 1 January 1996. According to the CU, except for iron and steel products, manufacturing goods and processed agricultural products could circulate freely between Turkey and the EU. The CU agreement with the EU did not encompass agriculture or services sectors. In addition to eliminating the custom duties and charges and forbidding quantitative restrictions, Turkey accepted the common tariff of the EU with respect to third countries. This resulted in Turkey having to face serious competitive pressure (Aysan and Hacıhasanoğlu, 2007).

The most significant phenomenon in Turkey's foreign trade policy is the Customs Union established between the EU and Turkey as of 01.01.1996. This development initiated the duration needed for the legal infrastructural consistency of foreign trade strategy with the EU's norms, and thus both import and export regimes have been made consistent with the regulations of the EU. Within the framework of the modifications made in the laws, the Export Support Regime applied until 1.1.1996 was modified as Turkey accepted the common tariff of the EU with respect to third countries.

Figure 3. Turkey’s Annual Exports



Source: International Trade Center, 2010

Export Regime of Turkey

According to the modifications in the Export Regime, (article 4(e) of the Export Regulation published in the Official Gazette on 6 June 2006/26190), the phenomenon of Export refers to the exportation of goods, in compliance with the current laws and regulations. (i.e. Export regulations, custom regulations) (DTM, 2010).

Types of exports are as follows:

(a) Registered Export

(b) Pre-licenced Export

(c) Exports by means of consignment

(d) Barter trade

(e) Exports without returns

(f) Exports through leasing (Subject to Customs Legislation)

All goods, other than those that are not subject to any prohibition by laws, decrees and international agreements, can be freely exported within the framework of the Export Regime Decree. However, within the framework of WTO rules, restrictions and prohibitions on exports may be imposed in cases of market turmoil, and scarcity of exported goods, and in order to protect public safety, morals, health, flora and fauna, environment, and articles bearing artistic, historical, and archeological value (DTM, 2010).

Turkey has been implementing an export-oriented strategy since 1980 with encouragement from and support by the international agencies like the World Bank and the IMF. With this support and encouragement, Turkey represented a radical shift from inward-orientated import subsitation towards export-led industrial development. Since 1980, an export-led growth strategy has been adopted by the State and successive governments have formulated their annual programs within the framework of this state policy (Eximbank.gov.tr, 2010). The basic objective of this strategy is to constitute an outward oriented economic structure in the framework of free market economy and to be integrated with world markets (Öniş, 1996).

With this new strategy, export intensive measures consisting of various supportive components, arrangements directed to the foreign trade liberalization. In addition to liberal arrangements made to improve exports, some support programs came into effect. The main facilities provided for the exporters were as follows: corporate tax exemptions, tax refunds, premium to the Resource Utilization and Support Fund, subsidies obtained from the Support and Price Stabilization Fund. However, the above mentioned supports have been gradually eliminated in accordance with the international commitments since the second half of 1980s. It should also be noted that this provisional regime has also been abused by some local players in that time (DTM, 2010).

On the other hand, with the establishment of the Turk Eximbank in 1987, export support gained a new dimension. In this respect, in order to increase the competitive strength of the Turkish exporters in foreign markets, some credits and guarantee programs under the international commitments began to be applied to the sectors with high export potentials. Türk Eximbank has a crucial and expanding role in the implementation of this strategy and its operations reflect Turkish government policies. The strategy of Türk Eximbank is set in its annual programs and is formulated in accordance with current Turkish economic policies (Eximbank.gov.tr, 2010).

Related to particularly support of exports, policies of the foreign trade strategy that was set up under the conditions of 1980s have been reviewed and modified in view of the developments taken place in the world and Turkey in the 1990s. In this respect, State Aids prepared in compliance chiefly with the World Trade Organization and our international commitments were put into practice as of 01.06.1995.

General Manager Characteristics in Turkey

Top management teams (TMTs) of business firms have become an interest area during the last two decades (Yamak and Üsdiken, 2006).

The lack of studies investigating top management impact on firm's internationalization process in the Turkish context is worth noting. One of the studies on general managers belongs to Üsdiken (1992) which examines the impact of environmental change on the background characteristics of top management teams in the Turkish banking sector before and after the liberalization and internationalization period during 1980s. Üsdiken (1992) found for the banking industry that top managers became younger in the post liberalization period. This is parallel to what the literature claims regarding the age of the managers. As the degree of internationalization increases, the managers tend to become younger. In the study of Üsdiken (1992), it is also found that the downward shift of average age is pioneered by smaller players in the sector and the process is followed by larger banks. Üsdiken (1992), considering the industry nature, explains this change with the argument that after the liberalization period smaller banks considered themselves in a more uncertain task environment while adapting innovative business practices and needed top managers who completed their formal education in recent dates. The relatively late response of larger firms to the shift has been explained by their slow reaction to the changing environment.

In Turkey, after the liberalization during 1980s, industrial firms adapting state initiative and support have faced great change in their top managements and attempted to recruit managers who have broader vision and who can carry out new tasks in the new competitive foreign contexts (Yamak and Üsdiken, 2006). During economic transition period, top management positions are filled with well-educated professionals with international or academic experience (Yamak and Üsdiken, 2006). Also, the literature reviewed in the previous chapters proposes that higher educated professionals tend to be more export - focused. On the other hand, Üsdiken (1992) found that, during the 1980's educational attainment showed immediate effects in the banking industry, that is, the sector hired more educated managers in the post 1980 period.

Yamak's (1996) doctoral dissertation is another study that investigates managerial characteristics in Turkey. The study focuses in the managerial backgrounds in larger enterprises of Turkey. Yamak (1996) found that Turkish top managers, who are males in majority, are more conservative compared to other contexts. Top managers in Turkey lay stress on education level and the average holds a master degree (Yamak, 1996). In addition to top managers' characteristics, CEOs also tend to graduate from prestigious schools (Yamak, 1996). Furthermore, CEOs are usually having engineering backgrounds and they are older compared to the rest of management team (Yamak, 1996).

CHAPTER FOUR

SAMPLE, DATA COLLECTION AND VARIABLES

Sample

This study investigates the relationship between a company's export performance and the characteristics of its general manager. Because efforts of a general manager can pay off in a certain amount of time (Bonn et al., 2004), data regarding export performance and managerial characteristics do not pertain to the same year. While data on general managerial characteristics belong to 2006, data on export performance belong to 2007.

The sample of this study has been established from manufacturing firms quoted on the Istanbul Stock Exchange both in 2006 and in 2007. A manufacturing company is defined as a firm, which uses the machines, tools, and labor to make things for use or sale. The term may refer to a range of human activity, from handicraft to high tech, but is mostly applied to industrial production, in which raw materials are transformed into finished goods on a large scale. Such finished goods may be used in business-to-business or business-to-customer markets. The reason we have selected only the manufacturing companies is the solidity of export performance in firms.

After the investigation of the 2006 Year Book, main business lines of all the companies quoted on the ISE in 2006 were reviewed and companies whose main business line are not manufacturing were eliminated. An investigation of the Company Year Books for 2006 and 2007 provided 177 manufacturing companies, which had nominated general managers for the year 2006. In order to establish the sample, we applied random selection method, picked the firms with even numbers, and had 88 companies out of 177. Then we continued to select one and skip next to round off to 100 companies. However, it has been possible to reach complete general manager data in 38 companies.

Data Collection and Method

The yearbook of companies is a book annually published by the Documentation Department of the ISE to list the firms quoted on the stock market and to provide both financial and organizational information about the companies. This yearbook contains data regarding the company’s main shareholders and their participations in the equity capital, main business line, top management, paid capital, export and import figures in the last two years, the ongoing investments, and projects.

The data regarding general objective characteristics of general managers were collected mainly from archival sources such as annual reports and corporate governance compliance reports of the companies. In addition to these, various sources including published biographies and interviews were also studied. On the other hand, social networking websites also emerged as useful sources during the collection of personal information on general managers. We have also contacted investor relations department of the companies and made research on company's websites.

At the end of data collection process, it has been possible to reach complete data about general managers of 38 companies.

Variables of the Study

Independent Variables

Age

Age is operationalized as the age of the general manager as of 2006 and is calculated by subtracting the general manager's birth year from 2006.

Educational Attainment

Educational attainment is evaluated by three dummy variables. These dummy variables take the value of "1" if the general manager has a. an undergraduate degree, b. a master's degree and c. a Ph.D. degree and the value of "0" otherwise.

Foreign Country Exposure

Foreign country exposure evaluates the international experience of the general managers and is assessed by four different measures. “Foreign education” is a dummy variable, which takes the value of “1” if the general manager has taken one of his/her degrees from an educational institution in a foreign country and “0” otherwise. “Work experience abroad” is also a dummy variable, which takes the value of 1” when the general manager had work experience in a foreign country and “0” otherwise. A composite variable is created from these two variables: living abroad. This is also a dummy variable, which takes the value of “1” when the general manager either studied or worked abroad. Finally, “MNC experience” is a dummy variable, which takes the value of “1” when the general manager worked in an MNC in his/her career and “0” otherwise.

Dependent Variable

Export Share in Sales

Export share is operationalized as the proportion of export sales in overall sales of the company. It is calculated by dividing exports to total sales.

Data Analysis Method

In order to analyze the data, two different analyses were conducted. Firstly, descriptive tests are run, aiming to assess the descriptive characteristics of general managers with respect to age, educational attainment, and foreign country exposure. Secondly, Mann-Whitney U tests were run in order to test the hypotheses.

Mann-Whitney U is the the non-parametric version if the t-test and is preferred when the sample size is below twenty.

CHAPTER FIVE

FINDINGS

This chapter presents the findings of the study in two sections. The first section focuses on the descriptive findings of the study with the aim to provide an outlook of the general manager characteristics in the sample. The second section presents the findings regarding the relationship between general manager objective characteristics and share of export sales. Furthermore, the results of hypothesis testing are also provided.

Descriptive Findings

38 manufacturing companies quoted on the Istanbul Stock Exchange as of 2006 and 2007 establish the sample of this study. Below, results obtained from the descriptive analyses are provided. General manager characteristics are described with age, education level, and foreign exposure variables. After general manager characteristics, descriptive findings about export performance are provided.

General Manager Characteristics

Age

Average age of the general managers in the sample is calculated as 52.

The youngest general manager in the sample is 36 whereas the oldest is 66 years old.

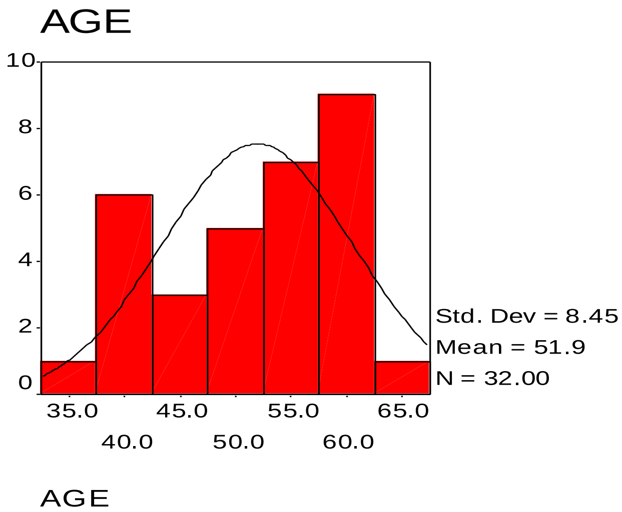
44 % of the general managers are younger than 50 while 15% is younger than 40.

Mean and standard deviation of the age variable are displayed in Table 1.

Table 1. Age Statistics

	AGE
Mean	51.94
Standard Deviation	8.455

Figure 4. Age Frequency



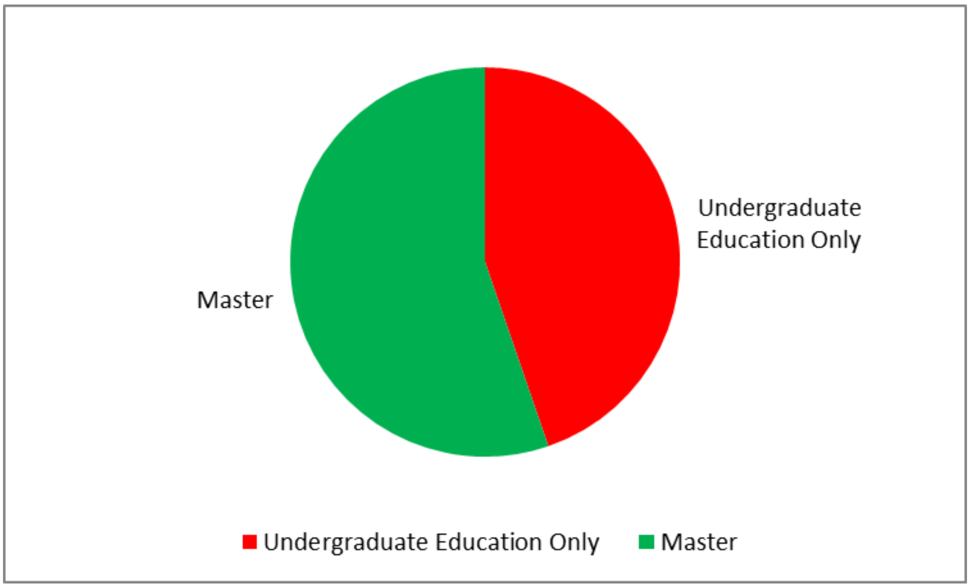
Educational Attainment

In order to acquire an understanding of the educational attainment variable, we have analyzed education levels of general managers in terms of undergraduate, master and Ph. D. degrees. In our sample, all general managers have undergraduate degrees while more than half of them (55.3%) have master degrees. Although a master degree seems to be common among general managers, this is not the case for doctorate degrees. There is only one manager who has a Ph.D. degree. The data are provided in Table 2.

Table 2. Undergraduate, Master and Ph. D. Degree Frequency

	Frequency	Percent
Undergraduate	38	100
Master	21	55.3
Ph. D.	1	2,6

Figure 5. Master Degree Frequency



Foreign Country Exposure

Foreign country exposure is evaluated by three variables: foreign education, work experience abroad, MNC experience, and living abroad.

Foreign Education: Almost one-fifth (18.4%) of the managers received their undergraduate degrees abroad. Slightly more than 20 per cent (21.1%) of the managers, on the other hand, received their master degrees from educational institutions in foreign countries.

Table 3. Foreign Education Frequency

	Frequency	Percent
Undergraduate	7	18.4
Master	8	21.1
Ph.D.	0	0
Foreign Education	10	26.3

Combining having undergraduate and/or graduate degrees abroad, the "foreign education" variable is created. As seen on Table 4, 10 (26, 3% of the sample) companies have general managers who have at least an undergraduate or graduate degree from educational institutions abroad.

Work Experience Abroad: The general managers who previously worked in a foreign country were also identified. About a quarter of the general managers (23, 7%) acquired international experience by working in a foreign country.

MNC Experience: 34.2% of the general managers in the sample acquired foreign experience through previous work assignments in MNCs.

Living Abroad: Finally, we have analyzed the frequency of companies whose general managers have lived abroad while studying and/or working abroad. As seen on Table 4, 17 (44, 7% of the sample) of companies have general managers who at least studied or worked abroad. 21 (55, 3% of the sample) of companies have general managers with no foreign country residence history.

Table 4. Foreign Country Exposure Frequency

	Frequency	Percent
Multinational Company Experience	13	34.2
Work Experience Abroad	9	23.7
Foreign Education	10	26.3
Living Abroad	17	44.7

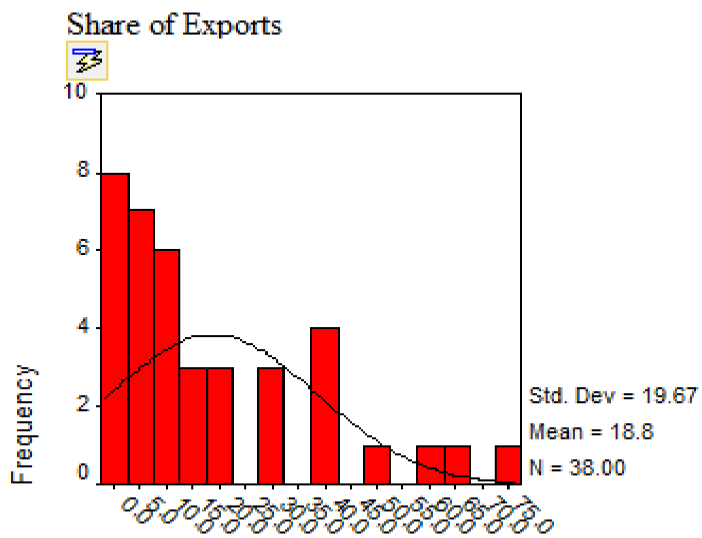
Export

In the sample, as illustrated in Table 5, firms' average export share in sales is 18,81 % with a maximum of 75% share in sales while there are 7 (18% of companies in the sample) non-exporting companies. There are three (9% of exporting companies in the sample) companies for which exporting constitutes more than 50% of sales revenues. In other words, 28 (90% of exporting companies in the sample) companies' export share constitutes less than 50% of sales revenues.

Table 5. Export Share Statistics

	SHARE OF EXPORTS
Mean	18.8116
Standard Deviation	19.67037

Figure 6. Export Share Frequency



Explanatory Findings

In this section, hypotheses established in Chapter Two are tested by Mann-Whitney U Non Parametric test.

H1: General Managers will be younger in firms with larger export shares.

In order to test the hypothesis, firms in the sample have been categorized into two groups as “firms export sales of which is below the mean export sales of the sample” and “firms export sales of which is equal to or above the mean export sales of the sample”. As one of the sub-groups created includes fewer than 20 firms, non-parametric version of t-test has been used. The Mann-Whitney test revealed that there is not a difference between the age distribution of managers from “firms export sales of which is below the mean export sales of the sample” and from “firms export sales of which is equal to or above the mean export sales of the sample”. Thus, as seen in Table 6, hypothesis 1 is not supported.

Table 6. Test Statistics of Age - Export Statistics

	EXPORT SHARE	N
AGE	Above average Below average Total	23 9 32
		AGE
Mann-Whitney U Exact Sig. [2*(1-tailed Sig.)]		95.500 .742(a)

(a) Not corrected for ties

H2: Firms the general managers of which have higher education levels will have larger export shares.

In this study, companies with general managers who attained higher education were expected to be more successful in export performance.

In order to test the hypothesis, firms in the sample have been categorized into two groups as “companies with general managers who have only undergraduate degrees” and “companies with general managers who have master or Ph.D. degrees”. As one of the sub-groups created includes fewer than 20 firms, non-parametric version of t-test has been used. The Mann-Whitney test revealed that there is not a difference between the export performances of firms, which have “general managers who have only undergraduate degrees” and “general managers who have graduate or

Ph.D. degrees". Thus, as seen in Table 7, hypothesis 2 is not supported.

Table 7. Test Statistics of Export Share – Higher Education

	HIGHER EDUCATION	N
EXPORT	Only undergraduate	17
	Higher education	21
	Total	38
		EXPORT SHARE
Mann-Whitney U		153.000
Exact Sig. [2*(1-tailed Sig.)]		.467(a)

(a) Not corrected for ties

H3a: Firms the general managers of which have foreign education will have larger export shares.

In order to test the hypothesis, firms in the sample have been categorized into two groups as "companies with general managers who studied abroad" and "companies with general managers who did not study abroad". As one of the sub-groups created includes fewer than 20 firms, non-parametric version of t-test has been used. The Mann-Whitney test revealed that there is not a difference between the export performances of "companies with general managers who studied abroad in the sample" and "companies with general managers who did not study abroad in the sample". Thus, as seen in Table 8, hypothesis 3a is not supported.

Table 8. Test Statistics of Export Share – Studying Abroad

	FOREIGN EDUCATION	N
EXPORT	Abroad	10
	Turkey	28
	Total	38
		EXPORT SHARE
Mann-Whitney U		106.000
Exact Sig. [2*(1-tailed Sig.)]		.272(a)

(a) Not corrected for ties

H 3b: Firms the general managers of which previously worked in a multinational company experience will have larger export shares.

In this study, companies with general managers who had previous multinational company work experiences were expected to be more successful in export performance.

In order to test the hypothesis, firms in the sample have been categorized into two groups as “companies with general managers who previously worked in a multinational company” and “companies with general managers who did not previously worked in a multinational company”. As one of the sub-groups created includes fewer than 20 firms, non-parametric version of t-test has been used. The Mann-Whitney test revealed that there is not a difference between the export performances of “companies with general managers who previously worked in a multinational company” and “companies with general managers who did not previously worked in a multinational company”. Thus, as seen in Table 9, hypothesis 3b is not supported.

Table 9. Test Statistics of Export Share – Studying Abroad

	MNC EXPERIENCE	N
EXPORT	Yes	13
	No	25
	Total	38

	EXPORT SHARE
Mann-Whitney U	130.000
Exact Sig. [2*(1-tailed Sig.)]	.329(a)

(a) Not corrected for ties

H 3c: Firms the general managers of which worked abroad will have larger export shares.

In order to test the hypothesis, firms in the sample have been categorized into two groups as “companies with general managers who worked abroad” and “companies with general managers who did not work abroad”. As one of the sub-groups created includes fewer than 20 firms, non-parametric version of t-test has been used. The Mann-Whitney test revealed that there is not a difference between the export performances of “companies with general managers who worked abroad” and “companies with general managers who did not work abroad”. Thus, as seen in Table 10, hypothesis 3c is not supported.

Table 10.Test Statistics of Export Share – Work Experience Abroad

	WORKEXPERIENCE ABROAD	N
EXPORT	Yes	9
	No	29
	Total	38
		EXPORT SHARE
Mann-Whitney U		120.500
Exact Sig. [2*(1-tailed Sig.)]		.736(a)

(a) Not corrected for ties

H 3d: Firms the general managers of which lived abroad through foreign education or work experience abroad will have larger export shares.

Companies with general managers who lived abroad while either studying or working were expected to be more successful in export performance.

In order to test the hypothesis, firms in the sample have been categorized into two groups as “companies with general managers who lived abroad” and “companies with general managers who did not live abroad”. As one of the sub-groups created includes fewer than 20 firms, non-parametric version of t-test has been used. The Mann-Whitney test revealed that there is not a difference between the export performances of “companies with general managers who lived abroad” and “companies with general managers who did not live abroad”. Thus, as seen in Table 11, hypothesis 3d is not supported.

Table 11. Test Statistics of Export Share – Living Abroad

	WORKİNG ABROAD	N
EXPORT	Yes	17
	No	21
	Total	38

	EXPORT SHARE
Mann-Whitney U	162.500
Exact Sig. [2*(1-tailed Sig.)]	.642(a)

(a) Not corrected for ties

CHAPTER SIX

CONCLUSION

This study investigates the relationship between a company's export performance and the characteristics of its general manager. Resource-based view of the firm establishes the theoretical framework of the study. In this framework, managers, like other human resources, are perceived as part of a firm's resource set and it is claimed that the characteristics of this resource has the potential to influence how valuable, rare, inimitable and non-substitutable it is and thus the extent to which it can create a sustainable competitive advantage.

In this study, among possible managerial characteristics objective characteristics of age, educational attainment, and foreign country exposure are selected. The average age of the general managers in the sample is almost 52. However, our finding is nearly same with Üsdiken's (1992) finding about the average general manager age in Turkish banking sector before pre-liberalization period. Our sample seems to be older compared to the average general manager age 45, which is found by Üsdiken (1992) for the post liberalization period. In line with Yamak's (1996) findings, general managers in Turkey are quite well educated. They all have undergraduate degrees and master's degree is also quite common among them. However, doctorate degree is quite uncommon. The findings also reveal that

26, 3% of managers received education in a foreign country, 23, 7% of them worked in a foreign country and 44, 7% of general managers lived in a foreign country. Additionally, 34, 2% of them worked in a multinational company. Thus, foreign country exposure in one way or another is common in the Turkish context.

Until now, the literature has not been able to reach a consensus regarding the managerial characteristics that are influential over export performance and how they influence it. Studies reviewing the past literature (e.g. Leonidou et al., 1998) show that different studies reach different conclusions regarding the very same variable; while some find a positive or a negative association, some others find no association at all. Our study adds to those, which has not been able to find a relationship between objective characteristics of age, educational attainment, and foreign exposure and export performance. This may be due to a number of reasons.

First of all, the context in which managers operate is highly significant. Thus, findings of different studies may be varying based on context. In Turkey, family-owned and –controlled business groups emerge as the dominant economic actors. One of the means families use to maintain control over the firms that establish the business group is board of directors. Thus, it may be the board members, who are more influential over the export decision and their characteristics may be shaping export performance.

Second, rather than objective characteristics, subjective characteristics of general managers may be more significant. This is possible given the differences among individuals of similar ages, educational attainments, and/or foreign experiences.

Third, focusing on one dimension of international diversification may not exactly reflect the extent of internationalization. In order to have concrete results, considering the activities and resources abroad and top management's international orientation can proceed this study to a further step.

LIMITATIONS

Regarding the limitations of the study, given its small sample size, we cannot statistically generalize these results to a larger population. On the other hand, sample is composed of only manufacturing companies, which is limiting the industrial context. Furthermore, the study analyzed only objective characteristics thus the influence of the subjective managerial characteristics on export performance are not observed.

Further studies should be carried out in a variety of industrial and national contexts in order to identify the managerial characteristics in exporting firms as well as their influence o firms' export performance. Moreover, given the fact that this study analyzed the influence of the managerial characteristics on export performance, future research should focus on investigating the direct incidence the organizational and environmental factors, together with the managerial factors examined here, have on export marketing strategy and this in turn of firm's export performance. Alternatively, other managerial determinants such as personality traits, risk tolerance, innovativeness, flexibility, commitment, quality and dynamism, profit perception, growth perception and complexity perception should also be researched in relation with the export behavior of the firm. Additionally, future research should also investigate the influence of the human resource management on the export behavior of the manufacturing companies in Turkey.

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