

THE EFFECTS OF BOARD MEMBER CHARACTERISTICS ON
INTERNATONALIZATION PERFORMANCE: ANALYSIS OF TURKISH CASE

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Thesis Abstract

Özge Erkan, “The Effects of Board Member Characteristics on Internationalization Performance: Analysis of the Turkish Case”

Although both boards of directors and internationalization performance of firms have been popular areas of study, the impact of the former on the latter remains as a relatively untapped area of research. Therefore, this study aims to investigate the impact of board member characteristics on internationalization performance of firms. Resource-based view (RBV) of the firm establishes the theoretical framework of the study. This theory has been increasingly used in the international business and has been recommended for use in developing economies.

According to the RBV of the firm, a firm derives its competitiveness from the rare, valuable, inimitable and non-substitutable resources it controls. As board members establish a part of firm’s human resources, board member characteristics are expected to have an impact on a firm’s internationalization performance. It is suggested in this study that younger boards with higher educational attainment and higher foreign country exposure will have better internationalization performances.

Firms included in the ISE National 100 Index establish the sample of the study. Data were collected mainly from archival and by direct contact when necessary. Frequency analyses, Mann-Whitney tests and bivariate correlation analyses were used for data analysis.

Mann-Whitney tests revealed no statistically significant difference between boards of firms with different levels of internationalization performance. However, correlation analysis shows a statistically significant positive relationship between educational attainment, foreign country exposure and internationalization performance.

Tez Özeti

Özge Erkan, "Uluslararasılaşma Performansı Yönetim Kurulu Üyesi Özelliklerinin Etkileri: Türkiye Örneği"

Hem yönetim kurulları hem de firmaların uluslararasılaşma performansı popüler araştırma alanlarından olmuştur fakat ilkinin ikincisi üzerindeki etkisi nispeten daha az araştırılmıştır. Bu nedenle, bu çalışmanın amacı yönetim kurulu üyelerinin özelliklerinin uluslararasılaşma performansı üzerindeki etkisini belirlemektir. Kaynak temelli yaklaşım (KTY) çalışmanın teorik çerçevesini oluşturmaktadır. Bu teorinin uluslararası iş idaresi literatüründe kullanımı gitgide yaygınlaşmakta ve geliştirmekte olan ekonomilerin incelenmesinde kullanılması uygun görülmektedir.

KTY'ya göre, bir firmanın rekabet gücü, değerli, eşsiz ve ikame edilemeyen, nadir kaynaklardan türetilmiştir. Yönetim kurulu üyeleri de firmanın insan kaynaklarının bir parçası olduğu için, yönetim kurulu üyesi özelliklerinin bir firmanın uluslararasılaşma performansını etkilemesi beklenmektedir. Bu çalışmada, daha yüksek eğitim düzeyi, yüksek yabancı ülke etkisine maruz kalma ve genç olmanın daha iyi uluslararasılaşma performanslı şirketlerde gözlenmesi beklenmektedir.

Çalışmanın örneklemini İMKB Ulusal 100 Endeksine dahil edilmiş olan firmalar içinden seçilmiştir. Veri esas olarak arşivleme yoluyla gerekli durumlarda ise doğrudan temas aracılığı ile toplanmıştır. Frekans analizi, Mann-Whitney testleri ve korelasyon analizleri veri analizi için kullanılmıştır.

Mann-Whitney testleri sonucunda farklı düzeyde uluslararasılaşma performansı ile firmaların kurulları arasında istatistiksel olarak anlamlı bir fark saptanmadı. Ancak korelasyon analizi eğitim düzeyi ve yabancı ülke etkisine maruz kalma ile uluslararasılaşma performansı arasında istatistiksel olarak anlamlı bir pozitif ilişki göstermektedir.

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CHAPTER 1

INTRODUCTION

This study investigates the relationship between a firm's board member characteristic and its internationalization performance in the context of an emerging economy. Although both boards of directors and internationalization performance have been extensively studied in the literature, the impact of the former on the latter has begun to draw attention only recently. The impact may be particularly important in the context of emerging economies where boards of directors take more active roles in the management of firms.

Boards of directors have been studied extensively by the management scholars since the 1980s (Goodstein et al., 1994). Literature is rich in terms of studies that investigate the impact of boards on organizational-level phenomena such as acquisitions, poison pills, take-overs, greenmail, strategic planning and change, research and development strategy, executive compensation and CEO turnover. However, the impact of boards on firms' internationalization performance has been scarcely studied (Selekler-Gökşen and Yıldırım-Öktem, 2008).

A popular area of study has been the antecedents of internationalization performance. Emphasizing the significance of human resources, a large number of studies analyze the impact of a firm's top management team characteristics on its internationalization performance. (e.g. Leonidou et al., 1998). Various attributes of top managers such as age, education, foreign country exposure, tolerance in risk taking, decision making patterns, networking ability, foreign language capability,

innovativeness and commitment to internationalization have been studied as potential antecedents of internationalization performance. Many studies reveal that such characteristics have the potential to influence firms' internationalization performances. (Hutchinson et al., 2006; Rocha et al., 1990). Thus, explanation of internationalization by referring to its top management team is no longer a new approach.

On the other hand there is not sufficient research relating internationalization performance to board member characteristics (Sherman et al., 1998; Castanias and Helfat, 2001).

Boards of directors establish a part of firms' human resources as well. Members of a board fulfill three groups of roles, namely control, service and resource acquisition (Johnson et al., 1996). Through the fulfillment of these roles, they also have the potential to influence firms' internationalization performances. Thus, this study investigates the impact of board member characteristics on internationalization performance.

There are two reasons why an emerging economy establishes the appropriate setting for the study of the relationship between board member characteristics and internationalization performance (Selekler-Gökşen and Yıldırım-Öktem, 2008). First of all, this situation can be explained by the decision making style prevalent in emerging economy firms. In this context, strategic decision making is actively undertaken by board members (Tsui-Auch and Lee, 2003) while operational decisions are usually delegated to professional managers to a significant extent (Selekler-Gökşen and Yıldırım-Öktem, 2008). In other words, emerging

economies can be argued as the contexts where board members are more active in firm's strategic decisions, one of which is internationalization. Thus, their impact on internationalization performance can be more readily observed.

The second reason why an emerging economy is an appropriate research setting for this study is the increasing significance of internationalization for these countries. Emerging economies have been going under an economic transition period since 1980s. Liberalizations in their trade and investment regimes intensified the level of competition faced by their domestic companies (Chang, 2006; Yeung, 2006). This, in turn, made internationalization an issue of pivotal importance for them. Therefore, taking into account both the significant role boards of directors play in emerging economies and the increasing importance of internationalization for emerging economy firms, this study investigates the effect of board member characteristics on the internationalization performance of firms in an emerging economy, Turkey.

To sum up, the ever increasing importance of internationalization performance issue in management literature; the undeniable role of the board of management plays in emerging economies and some neglected untapped points in the intersection of these two issues led us to further investigate this topic.

Outline of the Thesis

The theoretical framework of the thesis is mainly set on the resource-based view of the firm. The second chapter outlines the theoretical framework of the study and states the hypotheses. Here the above discussed contents as well as the limitations in

international business and management literature are discussed. Since the research takes its roots from the resource-based view of the firm, the theory and its extensions are also discussed in this chapter. Then, taking into account past studies in the field, hypotheses are formulated by.

The third chapter presents the context of the study, Turkey. First of all, the history of internationalization in Turkey is summarized. Then, business groups are introduced as the dominant economic actors of Turkey. As Turkey is an emerging economy, the advantages and disadvantages of conducting a study about board members' impact on internationalization performance in an emerging economy is discussed.

The fourth chapter provides information regarding the sample, data, variables and the method used. The sample is established by the firms quoted on the ISE National 100 Index of Turkey in 2007. Manufacturing firms are included in the sample whereas those firms engaged in the services industry and holding companies are excluded. Data have been collected mainly from archival sources though direct contact has been established with firms in the sample when necessary. Analysis of the data required non-parametric methods most of the time.

The fifth chapter displays the findings of the study. The analyses include two phases. The first part provides descriptive statistics so as to draw an overall picture of the firms establishing the sample of this study. The second part, on the other hand, presents the findings of the hypothesis testing.

The last chapter provides concluding remarks. In this chapter, after making a summary of what has been done throughout this research, some conclusions are drawn on the basis of the findings.

CHAPTER 2

THEORETICAL FRAMEWORK AND HYPOTHESES

The theoretical framework of this study is established by the resource-based view (RBV) of the firm (Barney, 1991; Barney et al., 2001). Although theories similar to the RBV can be found in the literature as early as the end of 1950s, the main introduction of the approach to the field of strategic management has been in 1980s and according to Hoskisson et al. (1999), the RBV has been a dominant approach in the 1990s.

According to the RBV, organizational resources have the potential to improve a firm's overall performance. The board members constitute a part of organizational resources as they add to the capital of a company. Thus in the analysis of the relationship between board member characteristics and internationalization performance, the RBV of the firm is considered relevant (Selekler-Gökşen and Yıldırım-Öktem, 2008).

Another reason why the RBV is chosen as the theoretical basis of this study is that the RBV has largely contributed to two other literatures that this study draws from, namely, international business (Peng, 2001) and corporate governance literatures (Barney et al., 2001; Selekler-Gökşen and Yıldırım-Öktem, 2008).

Finally, the preference of the RBV as a basis for this study relates to the research setting. The RBV of the firm is considered to be appropriate since this study investigates circumstances in an emerging economy, and the RBV is deemed particularly useful in the context of emerging economies (Hoskisson et al., 2000).

The components of the RBV theory and research diverge from the other schools of thought, particularly from the environmental models. The main focus of the theory and research in the field of strategic management has been changing since the early stages of the literature (Hoskisson et al., 1999). In order to understand the essentials of the resource-based theory of the firm, firstly the evolution in the field of strategic management is going to be explained.

Resource-Based View of the Firm

The RBV and Environmental Models from a Historical Perspective

There have been dramatic changes in the emphasis of the theory and the tools of research methodology in the strategic management literature (Hoskisson et al., 1999). The change has been described as the “swings of a pendulum” (Hoskisson et al., 1999) since the focus of research in the field switches between internal and external environments of the firm. While the earlier periods of research mainly focused on the idea that the firm performance is determined by the resources controlled by a firm, that is, its internal environment, the latter decades between the 1960s and the 1980s emphasized the importance of the industrial environment (e.g., Porter, 1980: 1981). By the introduction of the resource-based view, the emphasis once again turned to the role of firm resources in explaining firm performance (Hoskisson et al., 1999).

As an approach that has been influential in the field of strategic management, the resource-based view of the firm diverges from the environmental models of theory and research, in three ways. First, in terms of explaining the firm performance, the RBV is focused on the internal dynamics, namely the firm

resources whereas the environmental models focus on the external dynamics, namely the industrial variables. Second, there is a difference in terms of how the two frameworks, that is, environmental models and the RBV approach the issue of heterogeneity among firms within an industry (Barney, 1991). The resource-based view assumes that firms in the same industry may vary from one another depending on the quantity and quality of internal resources they control. The RBV is built on the assumptions that a firm's competitive advantage is generated by the rare, inimitable, valuable and non-substitutable resources it owns and other firms do not own (Barney, 1991). Environmental models, on the other hand, do not accept such heterogeneity especially in the long-run.). Third, the divergence among the two approaches is on the expected duration of the heterogeneity observed within an industry (Barney, 1991). While the resource-based view of the firm assumes that the heterogeneity among firms of the same industry might be a long-lasting phenomenon, environmental models are built on the assumption that heterogeneity, if it exists at all, might only be temporary. In other words, the RBV advocates the immobility of resource endowments among the firms in the same industry (Barney, 1991). Building on the assumptions that the resource endowments of the firms in the same industry are heterogeneous and immobile, the RBV draws attention of the strategic management field back to the internal environment of the organizations (Hoskisson et al., 1991) and claims that firms can derive sustained competitive advantages from the resources they control.

The RBV and Firm Resources

According to the resource-based view of the firm, the source of a company's success in comparison to its rivals can be explained via its sustained competitive advantages, which in turn, emerge from the resources controlled by a company. The resources, however, need to have four main characteristics in order to confer a sustained competitive advantage: value, rarity, inimitability and non-substitutability (Barney 1991; Barney et al., 2001; Wernerfelt, 1984).

Firm resources can be defined as bundles of assets that enable a firm to conceptualize and implement strategies (Barney, 2001). Resources may be tangible or intangible. According to Barney's classification (2001) intangible resources include a firm's management skills, organizational processes, information and knowledge whereas the tangible assets include its financial assets, capital, production capability, and machinery. Both tangible and intangible resources may indirectly increase the effectiveness of a firm in comparison to its rivals via strategy formation (Selekler-Gökşen and Yıldırım-Öktem, 2008). Scholars who used a RBV of the firm have identified a variety of resources that contribute to firm performance.

Organizational resources can be analyzed under three categories: physical capital resources, organizational capital resources and human capital resources (Barney, 1991). On the basis of this categorization, physical capital resources include a firm's technology, equipment and geographical location in terms of their effects on the firm's processes. Organizational capital resources involve the processes of planning, controlling and coordinating systems, the structure of reporting, firm

culture in terms of the relations among the groups inside the firm and external relations of the firm with other firms in the industrial environment (Barney, 1991). Human capital resources mainly refer to characteristics and circumstances related to the decision maker(s) in a firm. They include the abilities, capabilities, education, experience, expertise, training and relationship networks of individual managers in a firm (Barney, 1991; Castanias and Helfat, 2001).

The human capital resources establish the main focus in this study. In the development and implementation stages of a firm's strategies, the human capital resources may play an important role in the development and implementation of a firm's strategies. The role of human resources may be attenuated via its impact on the firm's endowments of physical capital resources and organizational capital resources (Selekler-Gökşen and Yıldırım-Öktem, 2008).

The RBV & Internationalization Performance of Firms

The nature and intensity of the internationalization performance of firms, and the factors that contribute to the internationalization performance has been a matter of question in the literatures of international business and strategic management. Throughout the past of strategic management literature, there have been periods when different theoretical frameworks have been utilized in order to explain the international behavior of corporations, including the environmental models, the RBV and the earlier approaches from which the RBV has mainly borrowed from (Hoskisson et al., 1999). Taking into account the last two decades of the field, there has been an increasing tendency among the scholars of the strategic management field towards utilizing the RBV in order to analyze companies' internationalization

processes (Bloodgood et al., 1996; Graves and Thomas, 2006; Westhead et al., 2001).

While explaining the internationalization processes of companies, the RBV of the firm establishes a link between the company's internationalization performance and the way its resources are organized. A company's performance in international operations is seen as dependent on the global competencies that the company has in comparison to its rivals. The generation of such competencies, on the other hand, is an outcome of how the company organizes its resource endowments, namely the physical capital, organizational capital and the human capital resources (Graves and Thomas, 2006).

It has been argued that the human capital resource of a firm is related to the creation, expansion and maintenance of a firm's international operations (Leonidou et al., 1998). It has also been claimed that there is a significant impact of managers on internationalization performance in a firm (Hutchinson et al., 2006; Leonidou et al., 1998). The impact is explained through the function of managers as decision makers in a firm. The managers, through their key decisions, are argued to affect the mode, direction and speed of a firm's internationalization process (Hutchinson et al., 2006; Leonidou et al., 1998). It has been commonly agreed in the literature that the internationalization behavior of companies are a function of various managerial characteristics and managerial characteristics are significantly influential in explaining the intensity of internationalization performance (Leonidou et al., 1998; Zou and Stan, 1998; Hutchinson et al., 2006; Loane et al., 2007; Selekler-Gökşen and Yıldırım-Öktem, 2008).

The RBV of the firm explains the relationship between the managerial characteristics and the internationalization performance through the “human capital resources” concept (Barney,2001). The managerial characteristics have an impact on the degree and the quality of human capital that the firm enjoys thanks to its managers. From this point of view, the board of directors can be argued to have a similar impact with the managers of a firm. As the board members are influential in particularly on the strategic decisions of a firm, they can also be expected to have an impact on the firm’s internationalization process. Therefore, board members may similarly influence the internationalization performance of a firm through their characteristics. The impact on the internationalization performance might be argued as an extension of the ability of the board members on performing their professional roles. While explaining the international company behavior, different managerial characteristics have been argued to be influential on the internationalization performance. In a parallel manner, the characteristics deemed as crucial in the case of managers can be also crucial for the board members (Selekler-Gökşen and Yıldırım-Öktem, 2008).

In order to establish a sensible connection between the roles of board members inside the company and their effect on the internationalization performance, it is appropriate to examine the types and the functions of the board roles.

Roles of the Boards of Directors

Board member characteristics are expected to influence a firm’s internationalization performance as they will affect the potential of board members to fulfill their roles.

Corporate governance literature typically recognizes three types of roles for board members namely, control, service and resource acquisition (Zahra and Pearce, 1989; Johnson et al., 1996; Muth and Donaldson, 1998; Selekler-Gökşen and Yıldırım-Öktem, 2008).

Within the frame of control role, directors act as the representatives of the shareholders of the company and monitor the managers to make sure that they will not expropriate the rights of the shareholders. In the fulfillment of the service role, on the other hand, the directors provide advice and counsel to the managers, which in turn, may help increasing the quality of strategy formulation. Finally, directors perform the resource acquisition role when they enable managers to reach the tangible and intangible resources that are beyond company's control (Johnson et al., 1996; Young et al., 2001).

The internationalization performance can be argued to be enhanced by smooth fulfillment of all these three roles (Selekler-Gökşen and Yıldırım-Öktem, 2008). When there are volatile and/or uncertain circumstances within the industrial environment of a company, the proper fulfillment of the service roles and the resource acquisition role are more significant in terms of their contributions on the firm performance (Zahra and Pearce, 1989; Filatotchev, 2007). In a parallel manner, the significance of the service and the resource acquisition roles surpass that of the control role as far as internationalization performance is concerned because internationalization process takes place in an uncertain and volatile environment (Fernandez and Nieto, 2005).

It is possible to make a classification among the resource endowments of a company according to the way they contribute to the company. In such a classification, the service and the acquisition roles would be categorized as firm resources which contribute to the human capital of a firm. (Hillman and Dalziel, 2003). Since the board member characteristics significantly influence the extent and the quality of human capital in a firm, they are argued to have an important indirect effect on the firm's internationalization performance. Thereby, the board member characteristics shape the internationalization patterns as they simultaneously influence the boards' ability to perform the roles of service provision and resource acquisition (Selekler-Gökşen and Yıldırım-Öktem, 2008).

Board Member Characteristics and Hypotheses

In order to more effectively analyze the managerial characteristics that have an impact at the nature and the direction of internationalization, the characteristics have been classified into two groups as subjective and characteristics (Leonidou et al., 1998).

Subjective Characteristics

Measures related to attitudes, perceptions and personality of decision makers that define their behavioral patterns are classified as subjective characteristics. Firm performance including the firms' internationalization performance are affected in different ways from the subjective managerial traits such as attitudes towards risk-taking, attitude towards international markets, the degree and the nature of commitment to internationalization, and flexibility to international engagement and

innovativeness (Hutchinson et al., 2006.; Schlegelmilch and Ross, 1987.; Leonidou et al. 1987). According to Dichtl et al. (1984), on the other hand, risk preference, rigidity, willingness to change and the future perspective are the key attributes that have the potential to influence firm's internationalization performance (Schlegelmilch and Ross, 1987). Subjective characteristics such as intelligence, relationships within the company and with the environment of the company, together with the insight of the management team and workers in a firm have also found to be in relation to a firm's ongoing performance (Barney, 1991).

Objective Characteristics

Objective characteristics are defined as those characteristics that can be observed directly (Schlegelmilch and Ross, 1987). Managers' objective characteristics refer mainly to their demographic characteristics which can be observed externally and are measured through various variables (Selekler-Gökşen and Yıldırım-Öktem, 2008). The compounds of objective characteristics are commonly discussed in the business literature and different compositions of variables are chosen as measures by different scholars. A comprehensive and general classification includes the three topics: knowledge, experience and networks (Loane et al., 2007.; Hutchinson et al., 2006; Leonidou et al., 1998). The concepts are measured through variables such as age, educational background, foreign country exposure, foreign language capabilities, relationship networks, place of birth and ethnic origin of board members (Selekler-Gökşen and Yıldırım-Öktem, 2006). The nature and degree of foreign exposure of management teams, on the other hand, were alternatively measured in

terms of foreign education, work experience abroad and international travel with or without business-related ambitions (Leonidou et al., 1998; Loane et al., 2007).

In this study, firms' internationalization performance is analyzed in relation to their board members' objective characteristics. The three main observable objective criteria chosen are: age, educational background and foreign country exposure. All of the three variables have commonly been discussed and further analyzed in both international business and RBV literatures (Selekler-Gökşen and Yıldırım-Öktem, 2008). Although there exist some disagreements on the intensity and direction of the above variables' effect on firms' internationalization performance, the existence of focal effect is widely accepted.

Age

Among the objective characteristics that are supposed to have an effect on firms' internationalization performance, age is a commonly discussed and widely accepted variable in the current literature. Whether younger or older age will contribute positively to internationalization performance is, however, open to dispute. While younger age may contribute to internationalization performance through its impact on risk tolerance and innovative behavior, older age may create a positive impact via the knowledge and experience accumulated over years.

In various research findings, younger ages of management team or firm managers have been associated with a more intense international business engagement and flexibility towards changes (Dichtl et al., 1990; Tihanyi et al., 2000).

In the context of developing economies, young directors may particularly be valuable for internationalizing firms. Most of developing economies have been going through a transition towards liberalization since 1980s. The transition has radically changed the value and priority of some assets (Toulan, 2002). Different kinds of knowledge, experience, education and inter-personal linkages may have become more important during the transition period. Younger management teams that have been exposed to liberalization period from the earlier ages, or that completely grew up with such mindsets may be more eager to put recent values in practice and go with the current flow. This may not only contribute to firms' internationalization performance but also enable firms to surpass their rivals in the business environment. Contemporaneous paths of thinking due to younger decision makers may lead firms to gain a competitive advantage among their domestic and international opponents (Toulan, 2002).

Built on the assumptions that board members of younger age would be less risk averse, more innovative and an asset for the transition period economies, younger age may be expected to have a positive impact on internationalization performance. Thus, the following hypothesis is posited.

H1: The average age of the board will be lower in firms with better internationalization performance.

Educational Attainment

In the past literature, firms' performance, both in general terms and in the context of international engagement, is widely argued to be related to its decision makers' level of educational attainment. Education is considered to be an internal asset for firms that contribute to their better performance via adding a competitive advantage on them (Selekler-Gökşen and Yıldırım-Öktem, 2008).

Educational attainment has been discussed as an important factor that improves the degree and the nature of the human capital resource a firm enjoys. The reason for the relation between education and better business performance is explained through the former's effect on decision makers' knowledge and skills, particularly in problem solving, discipline, motivation and self-confidence (Westhead et al., 2001; Hatch and Dyer, 2004).

Leonidou et al. (1998) have investigated 25 studies in order to discuss educational background as one of 26 managerial characteristics with a possible effect on exporting performance. According to Leonidou et al. (1998), better educated decision makers are more likely to be open-minded, interested in foreign affairs, and willing to objectively evaluate the benefits accruing from international business. Furthermore the research stated that "higher level of education is vital for success in overseas operations, since it enhances management knowledge and capabilities." As 10 of the 25 studies reviewed by Leonidou et al. (1998) reveal a positive relationship between educational attainment and export performance, the authors concluded that managers of exporting firms are more educated than those of non-exporting firms (Leonidou et al., 1998).

Reid (1981) examines various studies analyzing the relationship between firm, individual characteristics and foreign market entry behavior. In the paper it is concluded that foreign market entry and expansion can best be understood as an adoption of innovative-type of behavior. Among the factors that contribute to innovation and therefore better internationalization, “type and level of education” was also included. As a result of the analysis, Reid (1981) found college and university education to be important factors on the decision to make exports..

Zou and Stan (1998), likewise, have supplied international business and resource-based view literature with evidence on the effects of educational background on export performance. According to the classification they referred to, internal-uncontrollable factors that affect firms’ internationalization performance include managers’ formal education level (Zou and Stan, 1998).

Education particularly defined as being “formal”, is represented among material characteristics which contribute to better internationalization performance. Education, as an objective managerial characteristic, is an indirect contributor to export success via its effect on foreign market orientation in the scale of decision makers (Schlegelmilch and Ross, 1987). Foreign market orientation at board and senior management level is widely considered to be one of the most crucial, if not the most crucial, determinant of export success (Hunt et. al, 1967).

Therefore, it is expected that firms that have boards with better educational attainment will have better internationalization performances. Thus, the following hypothesis is posited.

H2: The educational attainment of board members will be higher in firms with better internationalization performance.

Foreign Country Exposure

The construct of “foreign country exposure” has been operationalized in various ways such as having foreign education, having foreign work experience, being born in a foreign country, having lived abroad or having travelled abroad for educational, business or other purposes.

The resource-based view of the firm focuses on the notion of foreign exposure particularly in the field of “international business”. Firm resources include the group of “intangible assets” such as management skills, organizational processes and finally the knowledge and information controlled by a firm. From this point of view, significant international experience by decision makers of a firm leads to sustained competitive advantage because international experience of top managers generates an *inimitable* firm resource in the form of tacit knowledge (Barney et al., 2001).

Foreign exposure was also included as an influential managerial characteristic in the literature review held by Leonidou et al. (1998). The study first identifies 26 different managerial characteristics that are likely to influence internationalization performance and then reduces them to 17. There are more than one components of foreign country exposure among these 17 characteristics.

Firstly, “being born abroad” was found to have a positive relationship with export performance with the support of one study of three that investigate the

variable. With respect to certain findings, the situation about exporting organizations that are more likely to have managers originating from a foreign country compared to non-exporting organizations. Increased familiarity with overseas markets and reduced uncertainty about international business operations is explained through the existence of board members who have been born or have lived abroad in a period of their lifetimes (Leonidou et al., 1998).

Leonidou et al. (1998) also reveal a positive association between the time spent abroad and export performance. Exposure of the manager to foreign cultures through living, working, or studying abroad is defined as a critical factor for better export performance since it enables accumulation of greater experimental knowledge of international market characteristics (Leonidou et al., 1998).

Another measure of foreign country exposure covered throughout the research is the existence and the density of foreign travel. The reason for the contribution on export performance can be explained as: "...by travelling abroad, the decision makers are more likely to learn about foreign business practices, meet prospective customers, and identify market opportunities. ". The two studies among the six that tested the issue came by positive results (Leonidou et al., 1998).

Having decision maker(s) with foreign nationality has also been discussed as a factor affecting international business operations in other studies. In the paper of Reid (1981), the varied empirical findings of the relationship between firm, individual characteristics and foreign entry expansion behavior was examined. Foreign nationality was found to be one of leading factors influencing foreign market entry and expansion with respect to being an adoption of innovation-type of

behavior. The findings on positive export decision revealed a significant over-representation of individuals who were born abroad or had experience living abroad (Reid, 1981).

Taking Brazil as the context for investigation, Rocha et al. (1990) draw attention to the management team's duration of foreign exposure as well. The research takes into account the effects of foreign exposure from the standpoint of how much time the chief executive officer of the company has spent abroad. Comparing aggressive and passive exporters, the study tries to build a link between foreign travel factor and attitude towards exporting. While evaluating the foreign travels, not the motivation but also the duration of the visits is taken into consideration. Total amount of time CEO spent in foreign countries in visits that exceed one month, regardless of the reason for the trip (business, tourism, education, etc.), is analyzed in terms of its relation to exporting patterns. Rocha et al. (1990) reach the conclusion that managers of aggressive exporters have spent much more time abroad than the managers of passive exporters.

Either by being educated abroad or working abroad, the foreign experience one has been exposed to enables an individual to gain a better sense of foreign market evaluation. It brings several endowments such as better awareness of opportunities and threats in foreign markets, a deeper understanding of foreign market circumstances and much better potential for establishing international networks. A positive association has been found between the factor foreign exposure and internationalization performance especially in the scale of export propensity and intensity (Selekler-Gökşen and Yıldırım-Öktem, 2008). Therefore, in this study, it is

expected that boards with more foreign country exposure will have better internationalization performances. Thus, the following hypothesis is posited.

H3: The percentage of board members with foreign country exposure will be higher in firms with better internationalization performance.

CHAPTER 3

RESEARCH SETTING

In this chapter, the characteristics of the research setting are going to be presented. The first part of the chapter investigates the internationalization efforts of firms in Turkey since the earlier periods of the Republic. The factors effecting the internationalization process and improvements throughout the republican history of the economy are summarized. The second part of the chapter, on the other hand, provides information on business groups in Turkey with a focus on the composition and roles performed by the boards of directors.

Internationalization Efforts in Turkey

Internationalization Efforts

Until 1980s, although the economy was mixed, the Turkish state played a major role in the economy through its control of infrastructure, basic industries and various state enterprises. Interest rates and the use of foreign exchange were controlled; barriers to trade were high; and import substitution was widespread (EIU, 2008). In a parallel manner to other emerging economies in the global scale, the last three to four decades of the Turkish economy has been marked by a period of transition (Gökşen and Usdiken, 2001; Toulan, 2002).

In the first years of the republic, which is also named as the period of transition to the national economy, the impact of governmental policy can be easily observed on the Turkish economy and therefore the internationalization efforts of the country. When the Turkish Republic was established in 1923, there was a deficit in the trade budget as the exports of the country were roughly 40% of the imports. The circumstance was a result of Lausanne Treaty's articles which were, related to customs and which enabled foreigners trade with Turkey in a manner beneficial for them. By 1929, the new law of customs, which revised and restricted imports into Turkey, was passed. The first seven years of the republic is remarked by trade deficit for Turkey due to two reasons. Firstly, the restrictions on imports were removed by the end of the World War I. Secondly, the government used to assign low amounts of duties on customs. By the revisions introduced in 1930, foreign trade was taken under the control of the government and the amount of exports began to exceed the amount of imports. Since Ataturk's project of the Turkish Republic included a nationalist model of economy, there were not any incentives toward foreign direct investment (FDI) (Tokgöz, 1997). However, it has to be noted that there had been foreign investment inflows in the form of joint ventures in the early years of the republic (Ökçün, 1997).

With the revisions of the Democratic Party, the initial movements towards liberalization of trade began to take place in Turkey (Tokgöz, 1997). There was an increase of nearly 200 million dollars in Turkish exports between 1950 and 1960 (TİY, 1997).

In the history of Turkish Republic, particularly the 1960s are recognized for the import-substituting industrialization policies (Keyder, 1987). In order to support the domestic industrialization efforts by Turkish producers, the government regulated the FDI regime strictly. Additionally there were certain limitations to foreign competition in the domestic market in order to protect the domestic producers (Öniş, 1992).

The period during which the impact of import substituting strategies in the Turkish economy is dominant can be clearly separated from the latter period where the impact of export-led growth strategies is existent (Keyder, 1987). After the import-substituting industrialization policies, the government introduced a liberalization and internationalization program in January 1980. The program was constructed on three main objectives: to reduce the state's intervention in the economy, to replace the import-substituting industrialization policies with the export-led growth strategy, and to liberalize trade and investment. The ultimate objective of the program through the above-mentioned measures was to create foreign competition in the domestic market (Öniş, 1992). It can be claimed that the liberalization and internationalization program actualized its objectives, at least partially (Gökşen and Üsdiken, 2001). After 1980, the economy began to be liberalized in line with international trends, and privatization began (EIU, 2008).

In periods of economic instability in Turkey, the IMF has played an important role in policymaking (1994-95 and almost continuously from 1998 until May 2008) and it has been seconded by the World Bank. Harmonization of legislation with EU norms has also played a significant role (EIU, 2008). Turkey's

exports have dramatically increased to over 100 million dollars by 2007, and reached to 132 million dollars in 2008 (TUIK, 2010). Before the introduction of the liberalization and internationalization project in industrialization area, the exports equaled merely to 2.25 million dollars. According to reports of the United Nations Conference on Trade and Development, there is a progress particularly in terms of FDI inflows by 2004 and on (Selekler-Gökşen and Yıldırım-Öktem, 2008). The annual average amount of inward FDI equaled 2.184 million dollars in between 1995 and 2005. In 2006 there has been a sharp increase in FDI of Turkey up to 20 million dollars. By the year 2008, the amount of FDI was reported as 18.148 million dollars (UNCTAD, 2010). Yet, the same trend cannot be observed for the outward FDI performance of Turkey (Selekler-Gökşen and Yıldırım-Öktem, 2008). Turkey's total outward FDI was reported as less than 0.5 million dollars in between the years 1995 and 2005 and increased up to over 2.5 million dollars as of 2008 (UNCTAD, 2010).

To sum up, the period beginning with the introduction of liberalization and internationalization program in 1980 and on, is remarked by internationalization efforts of Turkish firms, parallel to the other emerging economies of the world. Turkish companies were motivated towards internationalization by two interrelated factors. The first factor is the increasingly intensive foreign competition in the domestic market while the second factor is availability of opportunities in foreign markets (UNCTAD, 2006).

Business Groups in Turkey

The dominant economic actor in the Turkish business setting can be identified as business groups owned and controlled by families (Lins, 2003; Buğra and Üsdiken, 1995).

With reference to the previous research in the field, Turkish business groups can be described as multi-activity firms engaged in a wide scale of unrelated sectors, with vertically centralized authority structures (Buğra, 1994; Buğra and Üsdiken, 1995; Selekler-Gökşen and Üsdiken, 2001).

Next information on business groups is provided with a focus on their relationships with state, their involvement in a variety of unrelated industries, their centralized decision-making styles and internationalization performances.

State Effect

The existence and dominance of business groups in Turkey has been attributed to the policies of the state and its intervention in industrialization efforts, which in turn, are widely observed in late-industrializing countries of the world (Buğra, 1994). By extending credits to certain businessmen from the state-owned banks, investing in the same business as a partner, controlling foreign competition through its macroeconomic policies and supplying low-cost inputs, the state aimed at protecting and dealing with a limited number of trusted businessmen. Thus, an important criterion for business success in Turkey has always been establishment of good relationships with the state (Buğra, 1994). Therefore, the performance of business groups has been significantly influenced by their ability to change their strategies as

a response to the changes in the political economy of the state (Selekler-Gökşen, Yıldırım-Öktem, 2008). An example of such shifts is business groups' orientation towards exports following the state's shift to export-led growth strategy. Business groups which focused on the demands of the domestic market until then became the biggest exporters of Turkey through their export trading companies (Öniş, 1998).

Involvement in Multi-activity

Multi-activity refers to the family-owned and -controlled business groups' engagement in a high degree of unrelated diversification. The activity of Turkish business groups are almost always in more than one industry. This situation is an implication of the industrial policies of the state. In order to support industrial growth, Turkish state supplies the businessmen with incentives to operate in various industries, if and only if the businessmen have gained confidence of the state (Buğra, 1994). In order to be engaged with a fewer number of trusted business groups, the state encourages the trusted players to enter new areas of investment. This, in turn, leads to their growth through unrelated diversification.

Centralized Decision-Making

Vertically centralized decision-making mechanism is the dominant form of authority in Turkish business. Turkish business groups are characterized by centralized decision-making styles. Families and a limited number of professionals whom they trust and who have become almost family make the strategic decisions through their involvement in company boards (Buğra and Üsdiken, 1995).

Internationalization Performance of Business Groups

Business groups in Turkey have functioned as leaders of internationalization efforts in Turkey (Selekler-Gökşen, Yıldırım-Öktem, 2008). They established strategic alliances with foreign companies by acting as their agents, licensees and the joint venture partners of foreign investors (Sönmez, 1992).

CHAPTER 4

SAMPLE, DATA COLLECTION, VARIABLES AND METHOD

The current chapter provides information on the sample selection criteria, the methodology of data collection, conceptualization and operationalization of the variables of the study, and the methods of data analysis.

This study investigates the relationship between board member characteristics and internationalization performance in forty firms, which are quoted on the Istanbul Stock Exchange (ISE). Considering that board member characteristics in a given year may create an impact on performance with a lag, data on board member characteristics pertain to 2007; while data on internationalization performance pertain to 2008 (Bonn et al., 2004).

Sample

The forty firms that make up the sample of the study are selected on the basis of two criteria.

For a firm to be selected for the sample, the first condition to be fulfilled is being included on the Istanbul Stock Exchange's *ISE National – 100 Index*. The ISE National – 100 Index is chosen as a criterion because firms in the index are considered more likely to operate internationally in comparison to those not included in the Index. ISE National – 100 Index is renewed every year by the Istanbul Stock Exchange according to certain criterions. First criterion for a firm to be included in

the index is having stocks traded within the national market. Second criterion for a firm to be included in the index is, having stocks traded by the end of evaluation periods, namely the months of November, February, May and August. Third criterion for a firm to be included in the index is having stocks that have a high value in the market.

Among the hundred firms in the ISE National – 100 Index, only manufacturing firms were included in the sample. Those firms engaged in financial activities and services and compound entities such as holding companies were excluded.

When the firms with non-manufacturing engagements were excluded, the sample size decreased to 52 companies. Of the 52 companies, yearbooks of 12 included no data to operate on in terms of their internationalization performance in the official website of ISE. Finally, the remaining 40 firms that faced the above-mentioned two criteria as of the time point of 2007 established the sample of the study.

Data Collection and Methodology

Data on board members and their characteristics, and firms' internationalization performances were obtained mainly through two paths. First, archival resources were used. Archival data were mainly collected from the websites of ISE and focal firms. Various other web pages, including those of newspapers and trade associations were also used in data collection. When the formerly mentioned resources remained inadequate in terms of data provision, direct contact with companies was established.

Names of the board members of the sample firms were obtained from the ISE yearbooks. Information on the characteristics of these board members were acquired either from archival resources such as annual reports of the mentioned company, and various websites, where the biographies of the members were published, or through direct contact with company authorities. Data on firms' internationalization performance were obtained similarly from ISE year books and annual reports obtained through official websites of the companies, and through direct contact.

Variables and Measures

Independent variables of the study are the characteristics of board members that have the potential to affect a company's internationalization performance. Board members' age, educational attainment and foreign country exposure are the independent variables. The dependent variable, on the other hand, is firm's internationalization performance, which is, evaluated via four measures related to the volume and nature of internationalization.

Independent Variables

Age

Age is operationalized as the difference between 2007- the year for which data on board member characteristics are collected- and the birth date of the board member in years. For each firm, age is reported by taking an average of the ages of all members of the board.

Educational Attainment

Educational attainment is measured by the use of four variables. The percentage of board members that have graduated from high school, the percentage of board members that are university graduates, the percentage of board members with a master's degree and the percentage of board members having a PhD degree are calculated for each board.

Foreign Country Exposure

Foreign country exposure is assessed by three indicators, namely, foreign education, foreign work experience and being born abroad. Foreign education is measured as the percentage of board members who have received one of their diplomas abroad whereas foreign work experience is measured as the percentage of board members who worked abroad. Finally, being born abroad refers to the percentage of board members that were born abroad. Non-Turkish citizens on boards, who are representatives of the foreign partners in international joint ventures, were not excluded in the analyses. It was thought that existence of foreign partner representatives would also give an idea about how people with exposure to markets other than the Turkish market will influence the firm's internationalization performance

Dependent Variable: Internationalization Performance

The dependent variable of the study is internationalization performances. In the literature, there is no single accepted definition for the construct of internationalization performance. It has been operationalized in a variety of ways ranging from the ratio of foreign subsidiaries' sales to total worldwide sales

(Stopford and Dunning, 1983) to foreign assets as a percentage of total assets (Sherman, et. al, 1998). In this study, four types of measures are used to reach a conclusion on the depth and width of how focal firms are engaged in international efforts. Three of these variables are; export performance of the firm, total foreign sales, and whether the firm has foreign direct investment (FDI). For the firms that have FDI, an additional variable is introduced in order to clarify the extent of firm's geographical diversification. This last variable is called geographical diversity of FDI.

Export performance is operationalized as the share of the export sales in the total sales. This measure has been used in the literature to make a judgment particularly about firms in emerging economies (Selekler-Gökşen and Yıldırım-Öktem, 2008). A categorical variable was also created so as to compare firms the export performances of which are below average and the export performances of which are equal to or higher than average (Graves and Thomas, 2006).

Total Foreign Sales is another measure utilized for reaching a conclusion about the level of internationalization. Total foreign sales include not only firm's export sales but also the income generated by the firm's subsidiaries in foreign countries. The amounts acquired from the companies were usually in Turkish lira and were converted into US Dollars. The average TL-\$ parity of the year 2008 was found from the ISE data. A categorical variable was also created so as to compare firms total foreign sales of which are below average and the total foreign sales of which are equal to or higher than average (Graves and Thomas, 2006).

Whether the company has investment beyond Turkish borders or not is the third variable used to evaluate internationalization performance of a firm.

“Engagement in FDI” is a dummy variable coded as “1” if the firm has FDI and as “0” if he firms does not have FDI.

When a company has FDI, the number of countries in which the company has FDI is also taken into consideration. Geographical diversity of the FDI is also assumed to provide information about a firm’s internationalization performance. A firm which has FDI in a larger number of countries is perceived as more internationalized in comparison to another firm that has FDI in a smaller number of countries (Selekler-Gökşen and Yıldırım-Öktem, 2008). In order to reach sensible conclusions from the statistical analysis, a categorical variable was created for this variable as well. The mean of the number of countries that focal firms have FDI is calculated and then the companies were classified into two according to their location towards the mean (Graves and Thomas, 2006).

Method

Frequency analyses, Mann-Whitney tests and bivariate correlation analyses were used for data analysis. Mann-Whitney test is the non-parametric equivalent of the t-test and was used when the sample was divided into certain subgroups for comparison. Non-parametric tests are utilized in the cases where the sample is small in size and parametric tests fail to draw about sensible conclusions due to lack of normal distribution within the sample (Pallant, 2007).

CHAPTER 5

FINDINGS

This chapter provides the findings of the study in two sections. In the first section, descriptive findings on board member characteristics and internationalization performance are presented. This section aims at drawing a picture of the dependent and the independent variables investigated in this study. The second section, on the other hand, presents the results of the hypothesis testing. In this section, the relationship between a firm's board member characteristics, on the one hand, and its internationalization performance, on the other, is studied.

Descriptive Findings

40 manufacturing companies establish the sample of this study. They are involved in a number of different sectors within manufacturing. Automotive is the most frequently seen sector in the sample. 15% firms are active in automotive industry. Energy and fast-moving consumer goods industries are represented by 12.5 % each while durable consumer goods industry and cement industry are represented by 10 % each. Additionally the textile and iron industries are represented by 7.5 % each. There are also firms from painting, cardboard, copper, defense, glass, medicine and jeweler industries, which are represented by 2.5 % each.

The number of board seats in the 40 companies establishing the sample is three hundred and six. The board size varies between four and 12. The average board

size is 7.75 and the most frequently seen board sizes are seven and eight. 55% of the firms have 7 and 8 members on their boards with 27.5% each.

The descriptive findings are presented below. They are categorized in two groups as the “internationalization performance” and the “board member characteristics”.

Board Member Characteristics

Board member characteristics investigated in this study are age, educational attainment and foreign country exposure. Table 1 provides information regarding the board member characteristics of the 40 firms in the sample.

Table 1: Board Member Characteristics of the Sample

	Mean	Median	Max.	Min.
Characteristics				
Age	54,3028 (4,90075)*	53,6667	63,67	42,6
Educational Attainment (%)				
High School	98 (6)	100	100	0
University	95,38 (10,459)	100	100	56
Master	35,69 (21,560)	38,75	71	0
PhD	11,34 (10,260)	12,5	33	0
Foreign Country Exposure (%)				
Foreign education	45,09 (28,074)	47,22	90	0
Foreign work experience	21,18 (25,32)	11,81	8	0
Being born abroad	09,4 (15,987)	0	44	0

* Values in parenthesis refer to standard deviations.

Age

The average age for board members is 54 where the minimum is 43 and maximum is 64.

60% of the directors on boards are between the ages of 50 and 56 whereas there are only three directors who are younger than 50.

Educational Attainment

Educational attainment variable is evaluated by four variables: high school, university, master and PhD.

High School: On an average board, 98% of the board members have high school diplomas. In 93.3% of firms, every board member has at least a high school degree.

University: On an average board, 95% of the board members have university diplomas.

Master: On an average board, 35% of the board members have master's degrees. There are 26 boards, in which at least one director holds a master's degree. At the extreme, 71% of the directors on one of the company's boards have master's degrees .

PhD: On an average board, 11% of the board members have doctorate degrees. There are 19 firms with at least one board member having doctorate degree and the highest average percentage of doctorate degrees on a board is 33.

Foreign Country Exposure

Foreign country exposure variable is evaluated by three variables: foreign education, foreign work experience and being born abroad. Findings reveal that foreign country exposure is most frequently obtained through foreign education.

Foreign Education: On an average board, 45% of the members had education abroad.

Foreign Work Experience: On an average board, 21% of the members had work experience abroad.

Being Born Abroad: On an average board, 1% of the members were born abroad.

The board members who were born abroad, however, are always the representatives of foreign partners in international joint ventures.

Internationalization Performance

Internationalization performance of the firms in the sample is evaluated by four variables. Table 2 provides information regarding the internationalization performance of the forty firms in the sample.

Table 2: Internationalization Performance of Firms in the Sample

Internationalization Performance Measures	Mean	Median
Export performance (in percentage)	35,3682 (28,30046)*	30,5
Total foreign sales	504.700.000 (878.900.000)	126.000.000
Engagement in FDI (in percentage)	28 (45,4)	0
Geographical diversity of FDI	1,49 (3,339)	0

* Values in parenthesis refer to standard deviations.

Export Performance of the Firm

The mean ratio of exports in total sales for the firms in the sample is %35 for the year 2008. Export performance varies between 3% and 100%. The firm that only sells to foreign countries is active in durable consumer goods industry. The maximum amount of exports in sales is 100% while the minimum amount of exports in sales is 3% in year 2008.

Total Foreign Sales

Total foreign sales include exports and the income generated by the foreign subsidiaries. Six of the firms in the sample make neither exports nor foreign sales. For the remaining 34 firms, the average amount of total foreign sales for the year of

2008 is \$504,700,000. The maximum amount of total foreign sales is \$3,700,000,000 and the minimum is \$4,484,496.1.

Engagement in Foreign Direct Investment

The percentage of firms that have foreign direct investment is 28%. There is, however, variety in terms of the extent and the nature of the FDI. Some companies possess only sales offices abroad whereas some are also involved in production activities in foreign countries.

Geographical Diversity of FDI

Among the 10 companies with FDI, three of them have FDI in one country while one of them has FDI in 14 different countries. The firms in the sample have foreign direct investments in 1.49 countries on average. Taking into account the firms that are engaged in FDI, the most frequent number of countries invested is one, yet the percentage of them in the whole sample is eight.

Hypothesis Testing & Study Findings

In this section, hypotheses put forward in chapter 2 are tested. Table 3 presents the bivariate correlations between the variables of the study. As can be seen in table 3, a small number of the bivariate correlations were found to be statistically significant.

Below are presented the results of non-parametric tests. For hypothesis testing, firms have been categorized on the basis of their internationalization performances. First of all, firms have been categorized into two as firms export performances of which are below the mean level of export performance and firms export performances of which are equal to or above the mean level of export performance. A second categorization has been made around the mean foreign

sales for the sample. In this case, firms have been categorized again into two groups as firms with total foreign sales smaller than the mean value of total foreign sales, and firms with total foreign sales equal to or larger than the mean value of total foreign sales. Third, firms have been categorized as firms which have and which do not have FDI. A fourth categorization has been made on the basis of the average number of countries in which the firms in the sample has subsidiaries. While the first category of firms have subsidiaries abroad in a number of countries below the mean, the second category of firms have subsidiaries in a number of countries equal to or larger than the mean . Then, boards in these two groups were compared to see if better and poorer performance firms display differences in terms of their board member characteristics.

Board Characteristics of Firm with Different Levels of Export Performance

Table 3: Board Characteristics of Firm with Different Levels of Export
Performance

Board Member Characteristics	Means	
	Low (below the mean) Export Intensity	High (above the mean) Export Intensity
Age	53,95	54,68
Educational Attainment (%)		
High school	98	98
University	96,26	94,38
Master	39,02	31,88
PhD	9,36	13,61
Foreign Country Exposure (%)		
Foreign Education	46,22	43,81
Foreign Work Experience	15,65	27,51
Being Born Abroad	7,06	12,06

A comparison of boards that belong to firms with export intensities below the mean export value and that belong to firms with export performances equal to or above the mean export value reveals no statistically significant differences ($p > 0.10$ for all the variables). There is a very incremental difference between the mean ages of the two types of boards. The average age for better performing boards is 55 and for poorer

performing boards is 54. As far as educational attainment is concerned, for all degrees other than the PhD, poorer performers have higher educational attainment. However, PhD is more common among better export performers than poorer export performers. While 13% of the board members on an average better performer have PhD degrees, 9% of the board members on an average poor performer have PhD degrees. As far as foreign country exposure is concerned, the largest difference, though statistically not significant, is observed for foreign work experience. While 28% of the board members in the better-performing group worked abroad, the same number is 15 for the poor-performing group. Although the difference is statistically insignificant, better performers have more board members with foreign work experience as was expected.

Board Characteristics of Firm with Different Levels of Total Foreign Sales

Table 4: Board Characteristics of Firm with Different Levels of Total Foreign Sales

	Means	
	Low (below the mean) Total Foreign Sales	High (above the mean) Total Foreign Sales
Board Member Characteristics		
Age	54,38	53,28
Educational Attainment (%)		
High school	99	98
University	97,55	91,25
Master	36,41	35,15
PhD	10,04	11,91
Foreign Country Exposure (%)		
Foreign Education	48,33	40
Foreign Work Experience	20,66	21,57
Being Born Abroad	9	10,62

When firms were grouped into two around the mean total foreign sales and boards of firms with better or poorer performance were compared, no statistically significant differences were observed ($p > 0.10$ for all the variables).

The boards are grouped into two as with foreign sales less than mean and with foreign sales equal to and more than mean. Mann-Whitney tests comparing the two groups in terms of board member characteristics provided insignificant results ($p > 0.10$ for all analyses). There is a minor difference in terms of age between the groups. Differences in terms of educational attainment are also minor with two of the differences in the expected direction. Finally, the two groups display incremental differences as far as foreign country exposure is concerned..

However, the correlation analysis revealed that the total foreign sales is significantly correlated to “foreign work experience” ($p < 0.05$). It may be taken as a partial support for the hypothesis 2; where a positive relationship was expected between foreign country exposure of board members and internationalization performance of the firm.

Board Characteristics of Firm with and without Foreign Direct Investment

Table 5: Board Characteristics of Firm with and without Foreign Direct Investment

Board Member Characteristics	Means	
	Firms without FDI	Firms with FDI
Age	53,3	55,45
Educational Attainment (%)		
High school	99	97
University	94,98	95,2
Master	36,43	32,85
PhD	10,62	11,57
Foreign Country Exposure (%)		
Foreign Education	41,22	51,39
Foreign Work Experience	20,31	15,56
Bein Born Abroad	10,39	5,68

A comparison of firms with and without FDI also reveals no statistically significant differences in board member characteristics of these two types of firms ($p > 0.10$ for

all the variables). Contrary to expectations, average age was higher on boards that have FDI. The average age is 55.5 for boards that belong to firms with FDI whereas average age is 53 for boards that belong to firms without FDI. The difference, however, is minor. In terms of educational attainment, university and PhD degrees are higher while high school and master degrees are lower for the boards of firms with FDI in comparison to the boards of firms without FDI. In terms of foreign country exposure, the largest difference is observed for foreign education. 51% of the board members of firms with FDI has foreign education while the same number is 41% for firms without FDI. Though, seemingly large, this difference is not statistically significant either.

Board Characteristics of Firms with different levels of Geographical Diversity

Table 6: Board Characteristics of Firms with different levels of Geographical Diversity

Board Member Characteristics	Means	
	Low (below mean) Geographical Diversity	High (above mean) Geographical Diversity
Age	53,57	56
Educational Attainment (%)		
High school	98	100
University	94,77	96,97
Master	35,58	35,39
PhD	11,39	9,71
Foreign Country Exposure (%)		
Foreign Education	40,16	63,2
Foreign Work Experience	19,18	21,26
Being Born Abroad	8,59	8,52

No statistically significant differences are observed as far as board member characteristics are concerned when firms with different levels of geographical

diversification are compared ($p > 0.10$ in all analyses). The relationships are in the expected direction for all variables except high school, university, master and foreign education. The largest difference is again observed for foreign country exposure. A larger percentage of the board members in more geographically diversified firms have PhDs; 63% versus 40%. Although seemingly large, this difference does not reach statistical significance either.

Correlation Analyses

Table 7: Correlation Between Board Member Characteristics and
Internationalization Performance

		AGE	HSCHOOL	UNIVERSITY	MASTER
number of countres where there is FDI	Pearson Correlation	0,295	0,097	0,125	-0,052
	Sig. (2- tailed)	0,143	0,616	0,518	0,79
	N	26	29	29	29
number of subsidiaries abroad	Pearson Correlation	0,259	0,099	-0,057	0,021
	Sig. (2- tailed)	0,201	0,608	0,77	0,915
	N	26	29	29	29
total foreign sales of the company in 2008 in \$s	Pearson Correlation	0,14	0,114	0,085	0,031
	Sig. (2- tailed)	0,524	0,581	0,679	0,88
	N	23	26	26	26
Xperform2008	Pearson Correlation	-0,226	0,149	0,042	-0,147
	Sig. (2- tailed)	0,258	0,433	0,824	0,438
	N	27	30	30	30
Xperform2007	Pearson Correlation	-0,177	0,132	-0,012	-0,176
	Sig. (2- tailed)	0,377	0,488	0,95	0,352
	N	27	30	30	30

		PHD	FOREDU	FORWORK	being born abroad
number of countries where there is FDI	Pearson Correlation	-0,021	,381*	0,072	0,038
	Sig. (2-tailed)	0,914	0,042	0,709	0,845
	N	29	29	29	29
number of subsidiaries abroad	Pearson Correlation	-0,007	0,33	0,036	0,014
	Sig. (2-tailed)	0,973	0,08	0,854	0,943
	N	29	29	29	29
total foreign sales of the company in 2008 in \$s	Pearson Correlation	0,041	0,316	,412*	,428*
	Sig. (2-tailed)	0,842	0,116	0,037	0,029
	N	26	26	26	26
Xperform2008	Pearson Correlation	0,161	-0,153	0,119	0,037
	Sig. (2-tailed)	0,396	0,421	0,531	0,846
	N	30	30	30	30
Xperform2007	Pearson Correlation	0,189	-0,195	0,072	-0,008
	Sig. (2-tailed)	0,318	0,303	0,707	0,968
	N	30	30	30	30

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

There is no statistically significant finding of non-parametric test that gives a p value lower than .05. Correlation results show a statistically significant relationship between board member characteristics and geographic diversity of firms. It is reported that the board member characteristic “foreign education” varies together with “number of countries where there is foreign direct investment” and “number of subsidiaries abroad”. The p. values are .042 and .080 sequently both of which are smaller than the α value .05. Parallel to the expectations, as stated in hypothesis one

and two, educational attainment and foreign exposures of board members are related to the internationalization performances of firms.

CHAPTER 6

CONCLUSION

There is an ever-growing number of studies on both boards and internationalization performance of firms. Yet, the relationship between board member characteristics and internationalization performance is a relatively untapped area for research. Thus, this study contributes to both international business and corporate business literatures by analyzing this relationship. It also adds to the studied using the resource-based view of the firm as a theoretical framework.

This study questions the effect of board member characteristics on firms' internationalization performance. The impact of three objective board member characteristics -age, educational attainment and foreign country exposure- on internationalization performance is analyzed. Two of these objective characteristics - educational attainment and foreign country exposure- are evaluated by multiple indicators. Additionally, internationalization performance is also evaluated by four variables. Export performance, total foreign sales, existence or absence of FDI and geographical diversification of FDI are used to evaluate a firm's internationalization performance. Use of multiple indicators can be considered a strength of this study. The study sets out with the expectation that younger boards with higher educational attainment and higher foreign country exposure would have better internationalization performances. However, statistical analyses revealed no significant differences between boards of firms with different levels of internationalization performances.

In most of the cases of frequency analysis for firms in the sample, it was evident that the majority of total foreign sales were exporting function whereas the same condition does not work for foreign direct investment. It can be explained through the situation in Turkey that, exporting is conventionally recognized to be the initial and the safest mode of foreign market entry whereas FDI is accepted as the final and most risky. While 100% of the firms in the sample make exports, only 28% of them made investment in foreign countries. Thus, foreign sales usually come from export sales. This can be because Turkish firms are in earlier stages of internationalization. They may also be perceiving FDI as risky.

Although statistically insignificant, the statistical analyses conducted to compare firms with different levels of internationalization performance are worth summarizing. Firms were split into two categories for all of the four internationalization performance measures of the research, and then board members in the categories were compared. There are three points to be reported.

First, the average age on board is higher in groups with values equal to or above mean, than the groups with values below mean, except for the case of total foreign sales. This was contrary to expectations regarding age. Second, parallel to expectations, PhD graduates percentage is higher in boards that have more foreign sales, better export performance and made FDI. Third, parallel to expectations, foreign work experience percentage is higher in boards that have better foreign sales and export performance and higher geographical diversity of FDI. All in all, these findings do not represent any statistical significance.

The inconsistency between the expectancies and the findings of the study may be related to certain factors. Particularly with respect to the hypothesis on relationship of age and internationalization performance of firms, sociological context in Turkey should also be considered. Since experience and accumulated knowledge is highly appreciated in conventional societies such as Turkey, younger candidates and innovative ideas may not find a chance to be represented properly.

Limitations of the Study

This study has some limitations. The first limitation is that it has been conducted in only one country. This might limit the possibility to generalize the findings for the other countries taking into account the specific circumstances in Turkey.

The second limitation is that the study's focus only covers the "objective" managerial characteristics. Due to potential inefficiencies in measurement and reporting the impact of the subjective managerial characteristics, they had been excluded in the beginning of this research. Thus possible impact on internationalization performance due to subjective managerial characteristics such as, innovativeness, decision making patterns and commitment to internationalization, risk tolerance, openness to change and flexibility may have been neglected.

Thirdly, the size of the sample remained small after serial required eliminations were done. The sizes of sub-groups conducted in order to make comparison in terms of internationalization performance remained even smaller. This condition made it impossible to use parametric tests in the stage of hypothesis testing.

Finally, the whole sample consisted of relatively larger firms in Turkey since the sample is drawn from ISE National 100 Index. This choice might have decreased the condition of being randomly selected with respect to size. Yet this limitation was somehow compulsory due to the inaccessibility of company data in Turkey except for the well established and larger firms.

Future Suggestions

Future studies in this field might enlarge the geographical focus, include the subjective characteristics as well as the objectives, and include firms of different sizes in the sample.

All in all, based on both findings of this research and other available studies in the current literature, board member characteristics, as a single variable, are not found to have a significant impact on firms' internationalization performance in emerging economies such as turkey. Therefore future studies might investigate the impact of various other factors one of which could probably be proposed as the top management team.

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