THE IMPACT OF CEO AND HUMAN CAPITAL CHARACTERISTICS ON SME EXPORT PERFORMANCE

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ABSTRACT

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The objective of this study is to investigate the determinants of the export behavior of small and medium-sized enterprises (SMEs) in Turkey. In SMEs, key decision makers play important roles; therefore, studying the impact of managerial characteristics is of paramount importance for understanding the determinants of SME export behavior. Particularly, possible relations between CEO age, tenure, level of education, international experience and foreign language skills and the export performance of SMEs will be examined. While doing this, two distinct theories, namely, upper echelons perspective and resource-based view of the firm (RBV) will be integrated. Furthermore, the study will focus on the role of the human capital as a strategic resource that may enhance the SME export performance. The relations between international experience and foreign language skills of the human capital and SME export performance will be analyzed from upper echelons perspective and RBV point of view. Overall, this study attempts to illustrate that CEOs and human resources are valuable, rare, inimitable and non-substitutable resources for SMEs, and that studying their attributes in SME internationalization context is crucial to understanding the determinants of expert activities of SMEs. As a result, this study expects to reveal important implications for those who aim at increasing the export performance of SMEs. Practitioners may benefit from the findings by addressing which managerial and human capital characteristics influence SME export behavior and in which directions, so that they can better match the characteristics of CEOs and human capital with SMEs in order to attain higher export performance.

Keywords: Upper echelons perspective, resource-based view of the firm, executive characteristics, human capital, SMEs, export performance

ÖZ

ÜST DÜZEY YÖNETİCİ VE İNSANİ SERMAYE ÖZELLİKLERİNİN KOBİ İHRACAT PERFORMANSI ÜZERİNDEKİ ETKİLERİ

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Bu çalışmanın amacı Türkiye'deki küçük ve orta ölçekli işletmelerin (KOBİ) ihracat davranışlarını belirleyen öğeleri araştırmaktır. KOBİ'lerde, kilit mevkidelerde bulunan ve karar veren kişiler firma için önemli roller üstlenmektedir, bu nedenle, yöneticilerin idari niteliklerinin etkilerinin incelenmesi KOBİ'lerin ihracat davranışlarını tayin eden öğelerin anlaşılması bakımından çok önemlidir. Üst düzey yöneticisinin yaşı, görev süresi, eğitim seviyesi, uluslararası tecrübesi, yabancı dil bilgi ve becerisi ile KOBİ'lerin ihracat performansı arasındaki muhtemel ilişkiler ayrıntılı olarak incelenecektir. Bunu yaparken, iki farklı teori, başka bir deyişle, üst kademeler perspektifi ve kaynaklara dayanan firma görüşü teorisi, entegre edilecektir. Bundan başka bu çalışma, firmanın ihracat performanısını arttırabilecek stratejik bir kaynak olarak, insani sermayeye odaklanacaktır. İnsani sermayenin uluslararası tecrübesi ve yabancı dil becerileri ile firmanın ihracat performansı arasındaki ilişkiler üst kademeler perspektifi ve kaynaklara dayanan firma görüşü bakış açılarından analiz edilecektir. Genel olarak bu çalışma, üst düzey yöneticileri ile insani kaynakların KOBİ'ler için değerli, nadir bulunan, taklit ve ikame edilemeyen kaynaklar olduklarını, ve bunların niteliklerini KOBİ'lerin uluslararalılaşması çerçevesi içinde incelemenin KOBİ'lerin ihracat davranışlarını yönlendiren öğelerin anlaşılması bakımından kritik olduğunu göstermeyi amaçlamaktadır. Sonuç olarak bu çalışma, KOBİ'lerin ihracat performansını artırmayı amaçlayanlar için önemli sonuçlar göstermeyi beklemektedir. Pratisyenler, çalışmanın sonuçlarından hangi idari ve insani sermaye niteliklerinin KOBİ ihracat performansını hangi yönde etkilediğini belirlemek için faydalanabilirler, böylece, firmaların ihracat performansını artırmak için üst düzey yöneticileri ile insani sermaye niteliklerini KOBİ'lerin nitelikleriyle daya iyi eşleştirebilirler.

Anahtar Kelimeler: üst kademeler perspektifi, kaynaklara dayanan firma görüşü, yönetici nitelikleri, insani sermaye, KOBİler, ihracat performansı

To My Mother

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CHAPTER 1

INTRODUCTION

In this introductory chapter, a brief definition of small and medium-sized enterprises (SMEs) and their advantages, along with the purpose, the scope, and the significance of the study are presented.

1.1 Definition and Advantages of SMEs

SMEs have a dynamic nature, so does the term itself. In the SME literature there is no one generally accepted definition of SMEs as to what kind of characteristics they should have in order to be categorized as an SME. However, it is common for most institutions to define SMEs with respect to their size, particularly the number of workers they employ (see Table 1.1).

According to the definition of the Small and Medium Industry Development Organization's (KOSGEB) Incentive Decree No: 2429, an SME that employs 1-9 employees is categorized as a micro, 10-49 employees as a small, and 50-250 employees as a medium- sized enterprise. This definition is in line with the European Commission's SME definition, which states that "the category of micro, small and medium-sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro" (European Commision's Annex of Recommendation Concerning the Definition of Micro, Small, and Medium-Sized Enterprises, 2003). In this study, in order to prevent inconsistencies in interpretation, the definition of the KOSGEB will be adopted.

Table 1.1 SME definitions used in Turkey and the European Union

Organization	Sectoral definition	Criterion for definition	Micro-sized enterprise	Small-sized enterprise	Medium-sized enterprise
KOSGEB	Manufacturing industry	Number of workers	1-9	10-49 workers	50-250 workers
HALK BANK	Manufacturing industry	Number of workers	--	--	1-250 workers
		Fixed investment amount (EUR)	550.000	550.000	550.000
UNDERSECRET. OF TREASURY	Manufacturing industry, tourism, agro-industry, mining, education, health, software development	Number of workers	1-9 workers	10-49 workers	50-250 workers
		Investment amount, amount of investment subject to SME incentive certificate (EUR)	550.000	550.000	550.000
UNDERSECRET. OF FOREIGN TRADE	Manufacturing industry	Number of workers	--	--	1-200 workers
		Fixed investment amount (EUR)	--	--	1.830.000
EXIMBANK	Manufacturing industry	Number of workers	--	--	1-200 workers
EU	Non-primary private	Number of workers	0-9 workers	10-49 workers	1-250 workers
		Annual turnover	<EUR 2 million	<EUR 10 million	<EUR 50 million
		Annual balance sheet	<EUR 2 million	<EUR 10 million	<EUR 43 million

Note: Assuming EUR 1 = YTL 1,70.

Source: Small and Medium-Sized Enterprises in Turkey: Issues and Policies, OECD, 2004.

As SMEs take up a large share in the total number of enterprises and in total employment, they play a very important role for the economy of any country (see Table 1.2 and Table 1.3). They have unique characteristics that differentiate them from large firms and that make them important to study. For instance, SMEs have a flexible nature due to their small scale that enables them to adapt to social and economic changes quickly. They use their resources in order to adjust to innovations and economic conditions more quickly than large organizations (Yılmaz, 2003). Moreover, their innovative nature makes them sources of entrepreneurship (Taymaz, 1997). In terms of employment, they enhance the economic growth of countries (Taymaz, 1997; Van Gils, 2005).

Table 1.2 Manufacturing Enterprises in Turkey

Size category by number of workers	**Number of enterprises**		**Workers (000)**		**Value added USD millions**[1]	
Year	1992	2001	1992	2001	1992	2001
1 to 9	186.900	199.737	523.117	500.738	2.874	1.632
10 to 49	7 .970	7.260	175.646	183.694	2.506	1.947
50 to 249	2.434	3.127	225.650	343.023	6.678	6.187
250 and over	795	912	553.626	570.083	26.952	18.988
Total	198. 159	211.036	1.478.039	1.597.538	39.010	28.754

1. In 1992 and 2001 the exchange rates of USD 1 = TRL 6.841 and TRL 1.228.268 respectively.

Source: State Institute of Statistics.

Another advantage of SMEs is that they are usually specialized at some market niches. Through their focus on certain market niches, they are able to get into closer relations with their customers and suppliers (Akgemci, 2001), thus they are able to define their needs and preferences better due to close ties. Moreover, SMEs have the advantage of being established into different regions within a country since they require fewer resources in terms of capital, raw materials and human capital when compared to large organizations. As they are established in regions where their owners live, they can play a significant role in eliminating development imbalances among different geographical regions by opening up opportunities for innovation and employment (Akgemci, 2001; Yılmaz, 2003). This advantage is quite beneficial for the geographical regions in Turkey where regions differ greatly in terms of industrialization and economic growth. Staley and Morse (cited in Özcan, 1995) suggest that small businesses are important local assets for sustaining the balance of economic growth in different regions. These characteristics of SMEs make them sources of employment, innovation, entrepreneurial skills, and engines for social and political mobility.

Table 1.3 The Share of SMEs in Different Countries' Economies

Countries	Share in the total number of enterprises (%)	Share in the total employment (%)	Share in the total investment (%)	Share in the total value added (%)	Share in the total exports
Turkey	99,2	56,3	26,5	38	8
USA	97,2	58	38	43	32
Germany	99	64	44	49	31
Japan	99,4	81,4	40	52	38
England	96	36	29,5	25	22
France	99	67	45	54	26
Italy	98	83	52	47	N/A
India	98,6	63	27,8	50	40

Source: Ban, Ü. (2000). İmalat Sanayinde Küçük ve Orta Ölçekli İşletmelerin Sorunları ve Çözüm Önerileri, in Demirel, M. M. & Sezgin, S., *KOBİ'lerin Dış Pazarlara Açılma Sorunları*, İTÜ Dergisi, 5:2, 116-124.

1.2 The Purpose and the Scope of the Study

The international business world has been evolving faster than ever as the globalization phenomenon had enormous impact on the dynamics of economic, political, technological, and social life. The economy worldwide has witnessed great changes due to the effects of globalization. The density and the interdependence of networks, and the reduction of some barriers to trade (Morrissey & Filatotchev, 2000) brought about an environment in which firms- one of the main actors in the business world- have sought opportunities in order to go global and increase the speed and volume of their activities abroad.

Exporting, which is one of the many dimensions to globalization, has been an important channel (Alexander & Warwick, 2007) through which firms have been able to enhance their organizational performance. As much as the international trade relations between firms intensified due to changes favoring exporting, the international arena has become surrounded by more ambiguity, change, and competition that lead to greater and unpredictable risks. Hence, firms willing to export have faced with the challenge to manage the risks and uncertainty associated with the firm internationalization. In this sense, the role of the management in reducing risks and maximizing export opportunities has become of paramount importance to firms. Since it can be claimed that it is the responsibility of the top management to formulate strategies related to exporting, and entering into the international arena is top executives' strategic choice, top executives play a crucial role in determining the direction of organizations.

Realizing the significance of top executives, many studies have been conducted to understand their impact on organizations (e.g. Child, 1972; Hambrick & Mason, 1984; Thomas, 1988). Among these studies, the work of Hambrick and Mason (1984) has received considerable attention as they have developed a theoretical framework called "upper echelons perspective". Upper echelons perspective introduced a systematic behavioral approach in studying top executives and their impact on organizational outcomes. Hambrick and Mason (1984) argue that strategic choices of top executives are products of their past experiences, values, personalities, and perceptions that shape the decision-making processes which in turn influence organizational outcomes. They propose that in order to understand choices made at the strategic level, top executives' cognitive processes should be examined. Upper echelons perspective further contends that top executives' experiences and values can be inferred from observable demographic characteristics (Hambrick & Mason, 1984). Although psychological variables are deemed to be more direct underlying characteristics that link top executives' attributes to firm outcomes, the proponents of upper echelons perspective argue that studying observable characteristics overcomes problems of gaining access to executives to measure psychological variables.

The proponents of upper echelons perspective studied demographic characteristics such as top executives' age, education level, functional background, international experience, and organizational tenure as indicators of top executives' mental structures (Finkelstein & Hambrick, 1996; Hambrick & Mason, 1984). As a result of these studies researchers showed that top executives indeed matter to organizations. However, most of these studies focused on large corporations (e.g. Carpenter, Sanders, & Gregersen, 2001; Thomas, 1988) by putting an emphasis on the domestic context of North American firms (Hermann & Datta, 2005; Sambharya, 1996). These studies called for using the top management team (TMT) as the unit of analysis rather than solely concentrating on chief executive officers (CEOs) (e.g. Carpenter & Fredrickson, 2001; Hambrick & Mason, 1984; Norburn & Birley, 1988; Smith *et al*., 1994).

On the other hand, there emerged a more economic-oriented view, resource-based view of the firm (RBV), which basically considers a firm's resources and capabilities as determinants of its direction (Barney, 1991). According to RBV, resources and capabilities are crucial to firms since they enable firms to gain a competitive advantage over their rivals (Collis & Montgomery, 1998). However, in order to provide a competitive advantage these resources should possess certain characteristics, such as being rare, valuable, inimitable, and non-substitutable (Barney, 1991). Through advances in technology and changes occurring in other areas in business life, firms started to focus on resources and capabilities that are rarer, more valuable and non-substitutable. As a result, RBV emphasizes top executives as crucial resources to firms. RBV argues that top executives are influential in determining the firm's performance since they can serve as important resources for firms in attaining a sustained competitive advantage (Collis & Montgomery, 1998; Peteraf, 1993).

This study aims to examine the impact of CEOs on organizational performance, particularly the export performance in SMEs. It seeks to analyze the relationship between CEOs' age, tenure, education level and international experience and the export performance of SMEs. It excludes the functional background of CEOs due to difficulties in obtaining reliable data about that background characteristic. However, it incorporates the foreign language skills of CEOs as an additional background characteristic since foreign language skills play an important role in determining a firm's export success (CILT Report, 2006). While doing this, it mainly draws upon upper echelons perspective and seeks to integrate upper echelons perspective with RBV by generating both parallel and contradictory arguments to each other with respect to both theories.

The effects of the foreign language skills and international experience of the human capital that carry out export activities are taken into account while investigating the impact of the human capital's attributes on the export performance of the firm. The human capital is expected to enhance the firm's export performance through its foreign language skills and international experience as these characteristics enable firms to acquire more knowledge about foreign market practices and customer needs (Swift, 1991). To better understand the validity of these expectations and a firm's export performance, the possible effects of the foreign language skills and international experience of the human capital are analyzed in this study.

1.3 Significance of the Study

Today, globalization is a major driver that impacts nearly every business. Globalization has internationalized the markets for sales and purchasing which in return, at least indirectly, influences every business. The removal of trade barriers and increased free flow of capital, backed up by technological advances in communications and logistics, have created opportunities for small businesses to go global (Hibbert, 2000). Among the international business activities, small firms consider exporting as a crucial strategic option to achieve continued business growth (Recklies, 2001). Exporting does not only enable small firms to grow, but it also enables them to expand their customer base and establish network of contacts (Recklies, 2001). Realizing this fact, many researchers conducted studies to understand the export behavior of SMEs (e.g. Cavusgil, 1984; Reuber & Fischer, 1997).

As seen from Table 1.3., SMEs in Turkey constitute 99,2 % of the total enterprises. Despite their large number, they take up only 8% in the total export. This fact makes it necessary to better understand the determinants of Turkish SMEs' export behavior in a theoretical framework. Hence, this study aims to contribute to the existing literature by identifying the determinants of SMEs' export behavior in Turkey both from upper echelons perspective's and RBV's point of view. In this respect, it resembles the previous studies that investigate the export behavior of SMEs from upper echelons perspective's approach. Unlike the previous studies that investigated the determinants of export behavior of SMEs, this study investigates the SME export behavior from two different perspectives which seem partly contradictory, yet open to integration. That is to say, this study not only examines the determinants of SME export behavior by contrasting upper echelons perspective and RBV, but it also seeks to integrate both perspectives in terms of CEOs' influence on SMEs' export performance.

In general, SME internationalization has been approached from three distinct perspectives: internationalization process, export development, and international entrepreneurship (Manolova *et al.*, 2002). One point common to these three interrelated research areas is their focus on the importance of personal factors (Aaby & Slater, 1989). It is suggested that in the research for exporting, especially when the focus is the small firm, attention should be paid to individual characteristics and how these influence exporting behavior (Reid, 1981). In the SME literature, it is long accepted that individual decision makers play an essential role in shaping firms (Gimenez *et al.*, 2000). These individuals start the enterprise and they possess the leadership positions within the firm. Hence, these individuals emerge as the principal actors in SMEs (Editorial, 2003). Miller and Toulouse (1986) argue that the relationships between CEO personality and organizational characteristics (e.g. organizational strategy and structure) is the strongest in small firms. Large organizations allow for less discretion and slack (Finkelstein & Hambrick, 1990), thus it can be expected that managerial characteristics show more association with firm outcomes in SMEs. Therefore, studying top executive characteristics has become of paramount importance to understanding the determinants of SME export behavior.

So far, a number of studies that studied top executives' demographic characteristics in SME internationalization context have focused on top executives' age, education level, functional background, tenure, and international experience as determinants of a firm's export behavior (Barkema & Chvyrkov, 2002; Carpenter, Sanders, & Gregersen, 2001; Reuber & Fischer, 1997; Sambharya, 1996) but none of them have investigated the foreign language skills of CEOs as an important determinant of a firm's export success. Foreign language skills are essential for conducting business abroad and critical to successful communication and negotiation. By including the foreign language capabilities of CEOs, this study may facilitate better understanding of top executive demographics and export performance linkage.

Besides, this study introduces a new actor in the strategic management field. So far, proponents of upper echelons perspective (e.g. Bantel & Jackson, 1989; Hambrcik & Mason, 1984; Hermann & Datta, 2005) have argued that top management teams should be taken into consideration as the main unit of analysis when investigating the linkage between top executive characteristics and organizational outcomes. In RBV field, the significance of the top executives has been acknowledged as well since there has been a shift of interest towards the strategic importance intangible firm resources. For instance, the top management team's international assignment experience has been examined as a moderator (Carpenter, Sanders, & Gregersen, 2001) from the RBV point of view. However, as far as the firm's export performance is considered, the role of the human resources, other than the CEOs and top management teams, in enhancing the export performance of the firm has not been explicitly examined in the literature (Gomez-Mejia, 1988). Thus, this study attempts to fill in this gap in both literatures by taking the foreign language skills and international experience of the human capital that carries out export activities as potential characteristics that may enhance the firm's export performance. In other words, this study aims to compare upper echelons perspective and RBV by putting forward parallel arguments as to the effects of the human capital's characteristics on SME export performance.

This study has practical implications as well. Practitioners may benefit from the findings of this study by understanding which CEO background characteristics are related to SME export performance. For example, understanding whether high education level is related to SME export performance may provide practitioners with valuable insights as to which level of CEO qualifications make them rare and non-substitutable resources so that firms have higher export performance. These findings may influence the CEO succession policies in SMEs as well. For instance, SMEs which consider exporting as a growth strategy may design their succession policies to better match the CEO characteristics with the firm's export strategy. Moreover, understanding the potential of the human capital through its foreign language skills and international experience may help SMEs develop human resource policies to attract and retain the human capital that assists firms in attaining a sustained competitive advantage in terms of exporting. From macro-economic point of view, exporting is viewed as a tool for national economic growth (Cavusgil & Nevin, 1981). Therefore, the governmental institutions may benefit from the findings if they wish to enhance the export activities of SMEs by effectively addressing their needs for successful exporting. For instance, the government may benefit from the findings with respect to the effects of the human capital. Understanding that human capital with foreign language skills and international experience may contribute to better export performance may urge both SMEs and the government to develop language training programs and/or seminars abroad to increase the skills of the human capital that will eventually contribute to SMEs' and Turkey's export potential.

The study is divided into six sections. In the next section a brief review of the literature on theories dealing with top executives' importance to organizations, top executive demographics, and the linkage between demographic characteristics and organizational outcomes are provided. In the Hypotheses section, the hypotheses of the study are stated in a testable form with relevant support from the literature. In the Method section, a brief summary of the research context is provided. In the Analysis section, the descriptive statistics, quantitative analyses, and statistical results are outlined and discussed. In the Conclusion section, the limitations and implications for future research are presented and conclusions are reached.

In sum, the major purpose of this study is to investigate the linkage between the CEO and human capital's demographic characteristics and SME export performance. More specifically, the CEO age, education level, tenure, international experience, and foreign language skills are expected to be associated with SME export performance. Furthermore, the international experience and foreign language skills of the human capital carrying out export activities are expected to enhance the SME export performance. In the following section, the literature related to theories, top executive and human capital's demographics and their effects on organizational outcomes are explained briefly.

CHAPTER 2

LITERATURE REVIEW

This section attempts to discuss the literature related to the significance of top executives in organizational context and their impact on organizational outcomes through their demographic characteristics. First, general arguments asserting that top executives have a significant impact on organizations are presented. Second, the Classic theories of organizations that attribute top executives secondary roles in terms of their impact on organizational outcomes are discussed. Third, upper echelons perspective, which puts top executives back in the strategic management picture, is discussed in detail. Afterwards, the demographic characteristics of top executives proposed by upper echelons perspective and their relationships with organizational outcomes are discussed. RBV propositions with respect to each attribute are further addressed in the Hypothesis section, where each attribute is compared or contrasted with upper echelons perspective's propositions. Fourth, RBV, which puts forward arguments both parallel and contrary to upper echelons perspective, is presented. The importance of human capital to the firm is discussed under the RBV heading. Last, since this research attempts to analyze the SME export performance, the determinants of SME export behavior, and their associations with top executive demographic characteristics are examined.

2.1 The Impact of Top Executives on Organizational Outcomes

Strategies which consist of a set of critical and important decisions determine the direction of an organization through goals and policies that are set to achieve these decisions. In other words, strategies are related to any decision that has a long-lasting impact for the organization and its environment. Therefore, strategies have far more important consequences for the organization than any other managerial decisions. Setting strategies- both at the corporate and business level- has been regarded as the primary role and responsibility of top executives in the strategic management literature (Collis & Montgomery, 1998). As a consequence, it can be asserted that top managers that perform strategy formulation are central and critical to organizations.

In strategic management literature, it has been long argued that top executives play a significant role in determining the success of the firm by influencing the organizational outcomes such as performance (Haleblian & Finkelstein, 1993), innovation (Bantel & Jackson, 1989), strategic orientation (Chaganti & Sambharya, 1987), and strategic change (Wiersema & Bantel, 1992). Smith and White (1987) argue that in case of market changes, organizations need to identify the appropriate strategies to successfully adapt to the environment, and the choices made by the CEO to implement the appropriate strategy affects the organizational adaptation and survival. Although managers face some constraints while making decisions, yet they retain control over the strategic decisions to a certain extent (Child, 1972). The argument can be extended to contend that in face of the same constraints some managers make poor strategic choices that have negative impact on organizations whereas some managers make better choices that result in good organizational performance (Bourgeois, 1984). Therefore, it can be argued that such variation in organizational outcomes exists due to managerial choices, not the constraints that managers face (Dean & Sharfman, 1996). In this respect, it can be asserted that "managers have the power to influence the success of strategic decisions, and thus the fortunes of their organizations, through the processes they use to make key decisions…Decision processes influence the strategic choices managers make, which in turn influence the outcomes affecting a firm" (Dean & Sharfman, 1996, p.389).

Top executives and their importance to the firm has been one of the most central topics in strategic leadership literature and it has been argued by several prominent scholars that top managers indeed do matter to organizations (Child, 1972; Finkelstein & Hambrick, 1996; Hambrick & Mason, 1984). On the other hand, in organizational theory domain, some theories emerged arguing that there are other dynamics and factors other than top executives that are more influential in affecting a firm's direction. These theories are population ecology theory, transaction cost theory, and institutional theory. The proponents of these theories have assigned top executives a secondary role in influencing a firm’s outcomes. These theories are briefly discussed below.

2.2 Population Ecology, Institutional, and Transaction Cost Theories

“Why do organizations differ?” has been a central question in the field of organization theory. Several different perspectives emerged as scholars attempted to answer this fundamental question. Some of the prominent perspectives in this area include population ecology theory, transaction cost theory, and institutional theory. In an attempt to explain why and how organizations differ, these perspectives ignored or deemed top executives as insignificant to organizations. Although the sources of difference differ for each theory, they hold one assumption in common which contends that managers have little ability or secondary role in making decisions that would affect the organizational outcomes (Ireland & Hitt, 2005).

Organizational ecology theory, which argues that organizations are heterogeneous across different environments, states that organizations are inertial and bound by internal structural adjustments and environmental constraints, therefore, top executives are limited in their ability to influence the direction of organizations (Hannan & Freeman, 1977). Population ecologists assert that the environmental conditions set the stage for some organizational forms to be adopted (Carroll, 1993), they attribute the management a secondary role in shaping the organization. Top executives cannot manipulate the environment in a way that will allow minimum disturbances to take place within the organization. In this respect, managers are deemed to be passive in their strategic choices. Managers react to the environment and it is the environment that determines the organization’s performance. Put differently, the environment selects which organizations will survive; the management cannot determine organization’s survival actively (Hodge, Anthony, & Gales, 2003). According to Hannan and Freeman (1977), no two organizations are alike because no two organizations are affected in the same way from the environment. Thus, the source of diversity among organizations can be attributed to the environment because it is the environment, not the top management, which determines if the organization will survive and have a good performance.

The transaction cost theory approached to the question of why organizations differ from a different perspective by arguing that organizations seek efficiency in terms of their transactions, and in order to attain efficiency, organizations need to develop governance structures that meet the specific needs of each transaction (Roberts & Greenwood, 1997). Proponents of this theory view organizations as bundles of transactions (Hodge, Anthony, & Gales, 2003). Transaction cost theory grounds its assumptions on an economic basis, rather than a behavioral one by ignoring the role of top executives in transaction determination. In other words, top executives are left hapless in the sense that what affects organizations are transactions, not the top executives who determine these transactions. In this respect, this theory would assume that firms would view export opportunities as a set of potential export transactions that enable firms to absorb transaction-related costs (Reid, 1983). Thus, it can be argued that managers would be limited in their choices when seeking export opportunities due to transaction costs associated with export opportunities.

Institutional theory of organizations assumes the opposite approach to organizational heterogeneity by arguing that organizations operate in an institutional environment along with the competitive environment, and that they rather become similar to each other through institutional isomorphism (Roberts & Greenwood, 1997). DiMaggio and Powell (1983) suggest three processes through which organizations become homogeneous by disregarding the role of the top executives in influencing the organizational outcomes. These processes are: coercive, mimetic, and normative isomorphism. Institutional theorists argue that top managers do not play an important role for their organizations because they are limited in their actions due to political influences and legitimacy problems, they imitate successful organizations in order to attain efficiency, and last, managers in different organizations become alike due to professionalization processes (DiMaggio& Powell, 1983; Roberts & Greenwood, 1997). In other words, managers do not matter to organizations because they act upon past practices (Hodge, Anthony, & Gales, 2003), they are bound by the pressures to function as a legitimate organization, or they become extremely homogeneous as they come from the same human capital pool that makes them subject to a common socialization process (Finkelstein & Hambrick, 1996).

To sum up, in examining the sources of heterogeneity among organizations, population ecology theory, transaction cost theory, and institutional theory put forward different arguments. Population ecology theory argues that organizations differ across environments, in that the environment determines the performance of organizations. The transaction cost theory seeks the source of difference in transactions and costs associated with transactions. Last, the institutional theory views organizations as homogeneous while arguing that past practices, legitimacy constraints and professionalization processes make organizations similar to each other. Although all these theories base their arguments on different grounds, they hold one point in common: none of them attributes the source of difference to top executives. On the other hand, upper echelons perspective emerged as a contrary perspective since it attributes the source of difference among organizations to top executives, in particular to different strategic choices made by top executives.

2.3 Upper Echelons Perspective

"Strategic choice" concept, which was introduced to the field of organizational studies by John Child in 1972, challenged the view that environmental factors determine the managerial behavior and put contextual constraints on managers in shaping organizational outcomes such as strategic choices and performance. One of the most prominent arguments against top managers' influence has been made by Lieberson and O'Connor (1972), in which they held that the role of the leadership accounted for less variance in organizational performance in large corporations compared with what the industry and company accounted for. On the other hand, according to Child (1972), strategic choices made by the dominant coalition in the firm would affect the firm's outcomes, thus, those involved in strategic choice making process would matter to the organization by affecting its direction. This argument reveals that top managers have the discretion to make strategic choices related to firm performance (Ireland & Hitt, 2005), and through their strategic choices, these individuals are able to manipulate the environment.

Upper echelons perspective (Hambrick & Mason, 1984) introduced a more systematic way for bringing top executives back in the strategic management picture. This perspective was developed as a response to population ecology theorists and economics-based view of strategists (Canella, 2001). With the introduction of upper echelons perspective to the strategic management field, the argument for including the managers as actors playing significant roles in shaping organizations has come to the fore again. Through this perspective, researchers were able to study the actors in the strategic choice making process along with strategic decision models and biases in decision making (Schwenk, 1995). Upper echelons perspective helped researchers to base their studies of top executives on more scientific grounds.

Central to upper echelons perspective is that organizations behave in certain ways and in order to understand their behavior, the behavior of top managers who drive organizations should be analyzed (Hambrick & Mason, 1984). While building upper echelons perspective, Hambrick and Mason (1984) drew upon the Carnegie School. Cyert & March (1963, cited in Hambrick & Mason, 1984) argue that complex decisions are driven by behavioral components rather than being based on optimizing the information and alternatives available for making the decision. Furthermore, Hambrick and Mason (1984) assert that top executives bring their givens and repertoires to work, particularly to administrative situations. In this respect, it can be expected that these behavioral components that drive complex decisions will reflect executives' set of givens (e.g. cognitive bases and values) to a certain extent when making strategic decisions (Chattopadhyay et al., 1999; Hambrick & Mason, 1984).

As far as the nature of strategic choices and the conditions under which top executives have the discretion and responsibility to make such choices are considered (Finkelstein & Hambrick, 1990), it can be argued that strategic choices involve behavioral components to a large extent. Strategic decision-making processes involve the interaction of complex dynamics such as abundant and complex information processing, bounded rationality, dealing with ambiguity, and incompatible organizational and personal goals (Hambrick & Mason, 1984). Finkelstein and Hambrick (1996) argue that strategic situations cannot be known, they can rather be interpreted. If this is the case, then managers who make strategic decisions are limited in their ability to make decisions solely on a deterministic basis that optimizes the alternatives available. The information that top executives notice and pay attention to are influenced by the cognitive understandings that they have developed previously (Hambrick & Fukutomi, 1991; Hitt & Tyler, 1991; Kiesler &

Sproull, 1982; Tyler & Steensma, 1998). Therefore, these mental structures serve as filters when the decision makers try to perceive and interpret a given stimuli (Finkelstein & Hambrick, 1996; Gunz & Jalland, 1996; Hambrick & Mason, 1984; Walsh, 1988). As a result, the same stimuli can be perceived and interpreted differently by different top executives, and therefore, organizational outcomes such as performance levels differ widely from organization to organization even in the same industry.

In an attempt to sum up upper echelons perspective, it can be contended that this theory attributes firm heterogeneity to top executives. It holds that top executives differ in their cognitive bases, values, and experiences. These mental structures lead them to perceive and interpret the same stimuli differently. No two top executives will identify the same alternatives for strategy formulation, and even if they do identify the same alternatives, the way that they implement these strategies will differ (Hambrick, 1989), thus, no two firms will be alike in terms of performance and strategic outcomes. Top executives make a difference for organizations by contributing to organizational effectiveness, and thus influencing organizational performance (Smith, Carson, & Alexander, 1984). Hambrick and Mason (1984) emphasize the importance of top executives by arguing that organizations throughout time become reflections of their top executives, therefore, if one is to understand the organizational behavior and the motives lying behind organizational behavior, then one must study the top executives' characteristics and their behavior. Put differently, top executives are able to affect organizations by building a bridge between the environment and the organization, however upper echelons perspective accepts that organizations are partially constrained by internal and external factors (Bantel & Jackson, 1989; Pitcher & Smith, 2001; Thomas, 1988).

2.3.1 Top Executive Demographic Characteristics

Upper echelons perspective advocates the use of demographic variables, rather than psychological constructs, as indicators of executives' cognitive understandings. In support of using background characteristics, Hambrick and Mason (1984) have identified some other research areas (e.g. selection of media in marketing research, job involvement, values of graduate business students) where demographic variables have been used to present that background characteristics are widely referred to as predictors of psychological constructs.

One of the reasons for using the demographic characteristics as proxies for psychological constructs is the argument that cognitive bases and values are not subject to direct measurement (Hambrick & Mason, 1984; Wiersema & Bantel, 1992). Another reason as stated by Hambrick and Mason (1984) is that some demographic characteristics (e.g. tenure) do not have proxies in terms of psychological dimensions; so restricting them to standard psychological dimensions (e.g. locus of control, tolerance for ambiguity) would limit the analogy. Finally, in order to assess the impact of upper echelons perspective, some observable data on executives is needed, and demographic variables provide organizational researchers with such observable data. Then, it can be argued that demographic characteristics serve as proxies for idiosyncratic managerial cognitions and values (Carpenter, 2002). Pfeffer (1983, cited in Smith *et al.*, 1994) contends that top executives' background characteristics are causal variables that shape some intervening variables, and through these process variables they have an influence on some organizational outcomes. Accordingly, Wiersema and Bird (1993, p.998) suggest "the ability of demography to capture underlying group processes provides a key to understanding organizational outcomes". Furthermore, demographic variables are deemed to provide objective and verifiable measurements about executives, and they facilitate studies with large samples that have predictive power and testability (Carpenter, Geletkanycz, & Sanders, 2004; Pitcher & Smith, 2001; Sambharya, 1996). In other words, they provide relatively accurate data which is open to validation and replication (Lawrence, 1997) which are prerequisites for sound analyses in management field.

In light of the arguments presented above, it would be wise to call in favor of using demographic characteristics since they are used as proxies for difficult-to-get psychological constructs that affect the strategic choices made by top executives (Hambrick & Mason, 1984). In this respect, cognitive bases and values have the power to explain the organizational outcomes, and demographic variables that are used as proxies are expected to provide associations, which they already do. Studies that have centered around demographic variables have shown statistical results that indicate that there are significant direct and indirect relationships between demographic variables and organizational outcomes (Smith *et al.*, 1994).

To sum up, upper echelons perspective has contributed to strategic leadership literature by enabling researchers to use data that can be collected, measured, and replicated; thus it enhanced the generalizations made in this field. In addition to this, researchers, by drawing on the upper echelons' demographic variables, have demonstrated that executives are able to influence organizations, be they are small or large corporations, or be they are domestic or international ones (Carpenter, Geletkanycz, & Sanders, 2004).

The demographic variables that upper echelons perspective has focused on are: executive age, tenure (in the organization, position, and/or the industry), functional background, formal education, international experience, and socioeconomic background. Due to the difficulties and resource limitations in attaining data on executives, this study will mainly draw upon top executives' age, tenure, educational background, and international experience. Furthermore, it will incorporate top executive foreign language skills as a new demographic variable with regard to upper echelons perspective.

2.3.1.1 Top Executive Age

Age of top executives has been one of the main upper echelons characteristics studied in order to understand organizational characteristics. In the upper echelons literature, mainly three reasons have been suggested for explaining how top executive age affects firm outcomes. First, the age of top executives has been viewed as an indicator of managers' risk taking propensity (Herrmann & Datta, 2005). That is, as the age of top managers increases, they become more risk averse and less willing to implement risky strategies. One motive for such reluctance is that older executives seek more secure expectations related to their retirement, in that, they are reluctant to risk their financial and career security (Child, 1974). Second, as executives get older, they become more committed to the organizational status quo, so that they do not want to disturb the delicate balance prevailing in the organization by entering into risky ventures (Hambrick & Mason, 1984). Last, age has been negatively correlated with top executives' information gathering and evaluating mechanisms (Hambrick & Mason, 1984). As executives get older, they gain more experience about specific mechanisms and strategies, hence, they develop fewer information-processing abilities. Consequently, integrating newer information into decision-making becomes more difficult for executives (Hermann & Datta, 2005).

Tyler and Steensma (1998) through their study of high technology firms showed that age is directly related to top executives' assessment of technological alliances. They found that the older an executive is, the less attractive potential technological alliances are to the executive. As far as the risks associated with interfirm alliances are taken into account, older top executives' avoidance to enter into technological alliances supports the view that older top executives are more risk averse and they hesitate to enter into risky ventures. On the other hand, younger managers are more risk oriented and they are more likely to make decisions that would change firm's direction. Child (1974) found that younger managers are more prone to implement risky strategies that result in corporate growth. A survey was conducted on Romanian SMEs in order to investigate whether financial factors, human capital, technical assistance, and business environment facilitate growth in Romanian SMEs in transition (Brown, Earle, & Lup, 2005). The survey yielded a negative relationship between small firm growth and CEO age, suggesting that younger CEOs are better at expanding their businesses (Brown, Earle, & Lup, 2005).

A three-year-analysis on different SMEs from Germany, Japan, South Korea, Finland, and South Africa revealed that younger managers are more foreign market oriented, and they are more likely to select more risky strategies in different stages of SME internationalization, and to participate more in export activities than their older counterparts (Ditchl, Koeglmayr, & Mueller, 1990). This negative link between managers' age and low foreign market orientation can be attributed to older managers being more risk averse, rigid, and unwilling to change.

2.3.1.2 Top Executive Education Level

Formal education level, which is one of the most commonly studied background characteristics (e.g. Carpenter & Fredrickson, 2001; Datta, Rajagopalan & Zhang, 2003; Hambrick & Mason, 1984; Herrmann & Datta, 2005), has been associated with managers' cognitive processes and knowledge base (Carpenter &

Fredrickson, 2001; Hermann & Datta; 2005). It is argued that CEOs with higher levels of education are expected to generate a wider range of innovative solutions when they face with complex problems (Karami, Analoui, & Kakabadse, 2006).

Executives with higher level of education are deemed to have greater tolerance for ambiguity, openness to change (Datta, Rajagopalan, & Zhang, 2003), and the knowledge base required to process and evaluate multiple options (Datta & Rajagopalan, 1998). In this respect, higher education levels can be associated with less strategic persistence, in that, top executives can be expected to be less bound by the organizational status quo. Highly educated top executives would be willing to challenge the status quo by seeking more alternatives while introducing novel strategies. In addition to that, Hitt and Tyler (1991) link top executive educational background to what information executives focus on and use while they evaluate strategic alternatives.

Wiersema and Bantel (1992) showed that top management teams who were composed of younger members with higher levels of education and shorter organizational tenures were more likely to implement changes (e.g. changes related to diversification level) in their corporate strategies. Kimberly and Clark (1981) found a positive link between the formal education of top executives and the amount of innovation in their organizations. The higher the top executives were educated, the more technological and administrative innovations were adopted in the hospitals they managed. Bantel and Jackson (1989), through observing commercial banks, illustrated that top management teams with higher education levels were more inclined to adopt innovations in their organizations.

Further empirical studies suggested positive relationships between top executives' education levels and organizational growth and financial performance (Norburn & Birley, 1988). A study by Maes, Sels, and Roodhooft (2005) on small Belgian construction companies investigated the direct and indirect effects of owner-managers education level on the firm's financial performance. The results showed that the education level of owner-managers had no direct significant impact on financial performance. However, the results also showed that background characteristics (e.g. education level) are likely to affect the practices of owner-managers which in turn affect the company performance.

2.3.1.3 Top Executive Tenure

Top executive tenure is another most commonly studied executive demographic (e.g. Carpenter & Fredrickson, 2001; Datta, Rajagopalan & Zhang, 2003; Herrmann & Datta, 2005). In the upper echelons literature, tenure has been defined as tenure in the position, tenure in the organization and tenure in the industry (Finkelstein & Hambrick, 1996).

In the pursuit of developing a more comprehensive basis for understanding CEO behavior influenced by tenure, Hambrick and Fukutomi (1991) identified five main seasons of a CEO's tenure. According to their arguments, CEOs with short tenures are viewed as more open-minded and less committed to trivial means in dealing with problems and alternatives. As their tenure increases, instead of searching for and evaluating alternative solutions, they refer to their past practices or approaches that have already been tried and proved to be useful. In other words, as tenure increases, CEOs become bound by inertia, and they refer to conventional ways to gather and process information, so that the commitment to their own strategy and status quo increases accordingly.

Empirical studies by Hambrick, Geletkanycz, and Fredrickson (1993) illustrate that longer-tenured executives are more committed to the status quo when compared to their shorter tenured counterparts. Michael and Hambrick (1992) link long tenures to risk aversion and commitment to status quo, and they argue that their combined effects influence the organizational performance negatively. Finkelstein and Hambrick (1996) suggest that executives tend to receive narrower and more filtered information as their tenures advance. In fact, it can be argued that higher executive tenure has similar effects on top executive actions as higher executive age and lower executive education level.

Finkelstein and Hambrick (1990) analyzed the computer, chemical and natural-gas distribution industries in the U.S., and found that TMT tenure had negative effects on organizational outcomes. In their analysis, longer-tenured top executives resist change by formulating more persistent strategies that conform to industry's central tendencies, resulting in organizational performances that are close to industry averages. Boeker (1997) conducted a longitudinal study in the semiconductor industry to study the relationship between strategic change and CEO characteristics, and he showed that organizations with longer-tenured CEOs exhibited less strategic change than those managed by shorter-tenured CEOs. Miller (1991) studied SMEs in Quebec to examine the relationship between CEOs' tenure and the match between the environment-strategy and the environment-structure. He illustrated that long-tenured CEOs are less likely to provide the fit between their organizations (e.g. to design the appropriate structure and strategy) and the environment. He further found that this mismatch between the environment and the organizational strategy in turn inversely affected the organization's financial performance such as average sales growth and return on investment.

2.3.1.4 Top Executive International Experience

Increasing globalization which paved the way for firms to increase their foreign sales has raised the focus on the international experience of top managers. In recent years, the international experience of the top executives has attracted attention as one of the most important executive demographics (e.g. Carpenter, Sanders, & Gregersen, 2001; Sambharya, 1996).

Gunz and Jalland (1996) contend that international experience shapes top executives' perceptions and characteristics in a way that enables them to develop a more international perspective in their choices. Sambharya (1996) asserts that the international experience of top executives provides them with a tool to reduce and deal with uncertainty when diversifying internationally and it equips them with more cultural acquaintance. Along with providing international orientation, the international experience characteristic provides top executives with an insight about international markets (Hermann & Datta, 2005). Managers with greater international business experience could be expected to have developed better international networks (Roth, 1995), product-market knowledge, and skills to effectively enter foreign markets (Gray, 1997). Kobrin (1994) holds that international expertise gained through life and/or work experiences of top management teams (TMT) abroad is of paramount importance in operating globally and achieving a broad geographic scope.

Hermann and Datta (2005) showed that internationally diversified firms are led by top managers who have shorter organizational tenure, younger ages, and higher education levels. What is more, they have illustrated that there is a strong positive relationship between top executives' international experience and the international diversification of the firm. The international business arena favors top executives who are receptive to change, tolerant for ambiguity, and flexible. In this respect, the international experience along with higher education level is deemed to increase such abilities of top executives. Reuber and Fisher (1997) analyzed the effects of internationally experienced top executives on the degree of internationalization of Canadian software SMEs, and they found that firms who are managed by executives with an international experience seek more foreign strategic partners and they start selling abroad sooner after start-up which in turn increase the degree of internationalization in SMEs.

Sambharya (1996) studied the link between top management team's international experience and U.S. MNCs' international diversification strategy, and showed that the proportion of managers with international experience in the top management team is positively related to a stronger presence (e.g. higher international sales) of a MNC. Similarly, Carpenter and Fredrickson (2001) found a significant positive relationship between top management's international experience and firm's global strategic posture. As the percentage of team members' total years of international experience increased, the degree to which the firm was global increased.

Calof and Beamish (1994) studied medium sized Canadian MNCs and they found that firms that have better international performance in terms of export intensity are managed by executives who have geocentric attitudes. They conclude that international assignments that are part of manager's international experience are significant for enabling managers to develop geocentric attitudes. Another empirical study by Schlegelmilch and Ross (1987) illustrated that longer international experience by top managers is positively associated` with higher export intensity, larger export growth, and better export profitability. In trying to understand the effects of firm resources on levels of multinational expansion of SMEs, Tseng (2002) examined U.S. manufacturing SMEs in Washington State, and found a positive relationship between SMEs' size of, dependence on, and tendency toward multinational expansion and the international experience of the key decision-makers.

2.3.1.5 Top Executive Foreign Language Skills

In the upper echelons literature, the foreign language skills of top executives has not been identified as one of the background characteristics to be studied in order to understand organizational behavior.

Since this study focuses on the determinants of SME export behavior, the top executive foreign language skills are likely to stand as an essential demographic characteristic to be studied in order to understand the export performance of SMEs more thoroughly. In order to conduct successful exporting, Cavusgil (1984) contends that the foreign market orientation of top managers is of paramount importance to the firm. Since the foreign market orientation is not prone to direct measurement, Schlegelmilch and Ross (1987) suggest using objective managerial characteristics that are believed to have positive effects on the firm's export success. The linguistic skills of top managers are suggested as one of the objective managerial characteristics to study the foreign market orientation of the firm (Schlegelmilch & Ross, 1987). Since the foreign language skills of top executives are observable characteristics, and they are deemed to have a positive effect on the firms' export performance (Schlegelmilch & Ross, 1987), then these skills should be included as a factor that reflects managers' cognitive structures such as foreign market orientation.

Because the top executives set the strategy for exporting and determine the countries to export, their language abilities can play an important role for the firm's export success when it comes to assessing customers' needs and problems more accurately (Turnbull & Welham, 1985). The foreign language skills of top executives may also serve as an indicator of the commitment to and respect for the customer's country and company, they may be useful for developing long-term relationships based on trust, and useful for understanding the business practices in the market (Turnbull & Welham, 1985) since top executives with fluent foreign language skills may be more willing to communicate in the local language. Put differently, foreign language skills helps firms to attain a good understanding of international affairs, cultural sensitivity, and increases the firm's ability to adapt to the foreign environment.

Ditchl, Koeglmayr, and Mueller (1990) studied top managers' foreign market orientation to examine whether there is an association between managers' international orientation and export success in SMEs from Germany, Finland, South Korea, Japan, and South Africa. Their purpose for including SMEs and managers from different countries was to check whether the measurement concept would be valid for different countries. The results were similar for the countries included showing that managers who are less proficient in foreign languages are less foreign market oriented, which in turn negatively affects SMEs' export success. A study by Langston and Teas (1976, cited in Bilkey, 1978) illustrated that for U.S. firms, the international attitudes of top management correlate positively with whether they studied foreign languages during their school years.

To sum, upper echelons perspective holds that top executives make strategic choices through which they are able to influence an organization's direction. These choices, to a large extent, involve behavioral components that shape managerial cognitions. Strategic choices reflect executives' cognitive structures and values, however they are not subject to direct measurement, therefore, the proponents of upper echelons perspective call for studying and analyzing background characteristics in order to understand managerial psychological constructs. Recently, economic models that study organizations have come up with resource-based view of the firm (RBV) theory. RBV attributes the sources of difference between organizations to differences in their strategic resources. What makes RBV different from the population ecology, transaction cost theory, and institutional theories is that RBV started to view top executives and their unique characteristics as important firm resources in providing firms with a corporate strategy that results in a sustained competitive advantage for firms.

2.4 Resource-Based View of the Firm (RBV) Theory

RBV is based on the premise that resources, which are comprised of the assets, skills, and the capabilities of a firm, are central to the strategy of a firm since they not only determine what a firm wants to accomplish, but also what a firm can accomplish (Collis & Montgomery, 1998). Resources act like the building blocks of a firm's corporate strategy, as they are critical for setting the borders of a firm's goals and policies that outline its corporate strategy. RBV argues that a firm's success is determined by its resources to a large extent (Barney, 1991; Wernerfelt, 1984). Thus, resources are believed to be crucial for the value creation capability of a firm. In other words, RBV views resources as significant as the products/services of the firm in determining the firm's success, and it contends that resources and products are two indispensable parts of the firm (Wernerfelt, 1984).

RBV argues that no two firms are alike since firms have different resources with particular attributes- valuable, rare, inimitable, and non-substitutable- that distinguish them from each other (Barney, 1991; Collis & Montgomery, 1995; Peteraf, 1993; Strandskov, 2006). Resources are valuable when they enable a firm to implement strategies that enhance its efficiency and effectiveness; rare when resources are not possessed by large number of firms; inimitable when it is virtually impossible to copy the resources; and non-substitutable when there are no strategically equivalent resources to replace them (Ainuddin *et al.*, 2007; Barney, 1991; Collis & Montgomery, 1998).

Barney (1991) holds that even if firms possess the same resources, the unique historical conditions through which these resources are acquired will differ from firm to firm. Thus, if a firm acquires valuable resources through its path in the history, it will be able to exploit them in order to implement value-creating strategies whereas firms which have not been through that particular path cannot accumulate the same resources. It is further argued that the causal ambiguity condition should be present so that firms cannot duplicate strategic resources (Barney, 1991; Mueller, 1996). Causal ambiguity refers to the condition in which the link between the critical firm resources and how they lead to sustained competitive advantage cannot be determined neither by competitors nor the firm itself (Powell, Lovallo, & Caringal, 2006). As a consequence, no two firms with the same resources will be alike because the way these resources are accumulated and bundled will be path dependent and will involve causal ambiguity to a great extent.

Resources can be distinguished basically into three groups: tangible assets, intangible assets, and firm-specific capabilities. Tangible assets, such as raw materials and production facilities, usually have the least potential to be important for a firm's corporate strategy as it is relatively easier to accumulate and replicate them (Collis & Montgomery, 1998). Intangible assets, such as brand name, know-how, and human capital, play a crucial role for value creation as they are not consumed in usage (Collis & Montgomery, 1998). Different from tangible and intangible assets, organizational capabilities are derived from the complex interaction of assets, people, and processes in the organization. The organizational capabilities equip the firm with abilities to operate with more efficiency and effectiveness (Collis & Montgomery, 1998).

In order to create unique value for customers, firms seek to create situations in which it is difficult for their rivals to catch up with their resource positions. As the developments in technology and other areas such as economics have intensified, there has been faster information diffusion across organizations (Mueller, 1996). These advances in turn have made it quite easier for firms to find out about and imitate the tangible resources of successful firms. Therefore, firms have come to understand the strategic importance of intangible assets and organizational capabilities (Castanias & Helfat, 1991; Galbreath, 2005; Haanes & Fjeldstad, 2000; Richard, 2000; Strandskov, 2006). Barney (2001, p. 648) also emphasizes the importance of intangible assets by stating, "…firms that build their strategies on path dependent, casually ambiguous, socially complex, and intangible assets outperform firms that build their strategies only on tangible assets".

Although RBV has a different starting point and rationale for arguing that firms are unique, it is basically in line with upper echelons perspective in attributing top managers a strategic role in shaping organizations. Unlike ecologists, institutionalists, and transaction cost theory proponents, RBV views managers as important actors. It puts forward that top managers, through their limited ability to manipulate firm resources, contribute to the inimitability of firm resources (Barney, 1991), and thus have an impact on the performance of the firm. RBV furthermore contends that as much as managers are important for understanding the performance potential of the firm's endowments, they themselves are viewed as significant sources for firms so long as they contribute to the sustained profitability of firms (Mahoney & Pandian, 1992).

RBV views the firm as the collection of capabilities such as skills, knowledge, and experience (Barney, 1991; Collis, 1994) contributing to the sustained competitive advantage of the firm. In implementing strategies that lead to a sustained competitive advantage, top executives seek a fit between the firm's resources and capabilities, and the dynamics in the external environment. The strategy top executives choose to employ the resources, and managerial skills for implementing that strategy play a significant role for firms (Peteraf, 1993). In an attempt to show the link between managerial decisions at the corporate level and heterogeneity in business performance, Adner and Helfat (2003) introduced the term ‘dynamic managerial capabilities’. The dynamic managerial capabilities refer to the capabilities with which top managers determine, build, and integrate resources and organizational capabilities. The activities that involve building and integrating an organization into the external environment require that managers make corporate-level decisions. As the dynamic managerial capabilities differ from manager to manager, they are likely to make different decisions and have an effect on the variance of business performance (Adner & Helfat, 2003). As firms continuously seek resources that contribute more efficiently to their sustained competitive advantage, they have come to regard the human capital -particularly the top executives- as a central resource for the firm (Castanias & Helfat, 1991). In other words, top executives along with their valuable, rare, imperfectly imitable, and non-substitutable characteristics, can play a significant role as an intangible resource in sustaining the competitive advantage of the firm.

As discussed above, resources and capabilities, along with their distinctive attributes, are viewed as sources of attaining a core competence to create long-lasting value for customers. Consequently, top executives have begun to identify their firms in terms of portfolios of competencies (Collis & Montgomery, 1998). This shift of focus on firms from simply viewing them as portfolios of businesses to portfolios of competencies raised the importance of the top executives because their role became to identify these competencies, to deploy the right resources to sustain these competencies, and to use these competencies in the right businesses (Collis & Montgomery, 1998). In this context, RBV acknowledges the vital role the top executives play in organizations.

As far as small firms are considered, CEOs have achieved the “pinnacle” in the organization (Norburn, 1989, p.3); they remain as the ultimate decision makers (Van Gils, 2005), thus their impact is more apparent in small- and medium-sized ventures (Chandler & Hanks, 1994; Miller & Droege, 1986). Drozdow and Carroll (1997, cited in Davis & Harveston, 1999) assert that in SMEs, CEOs retain the power and discretion to make the decisions that eventually affect firms. Moreover, since in SMEs organizational structures and management systems are usually informal, the key people, such as CEOs, play the most relevant roles and they represent the main repository of organizational knowledge that tends to be the core component of a firm's intellectual capital (Camuffo & Comacchio, 2005). Therefore, CEOs, who lead and provide the basis of the managerial capital of the firm, act as the primary resource for SMEs (Miesenböck, 1988).

From RBV perspective, the CEO is deemed as a valuable resource for the firm as the CEO influences the direction and rapidity of the process of accumulating resources (Roth, 1995). Since resource accumulation process is a path dependent, ambiguous and complex process, and since strategic choices are shaped and constrained by resources available to the firm, these choices and CEOs that make them become inimitable (Roth, 1995). Similarly, Daily, Certo and Dalto (2000) view CEOs as unique organizational resources.

2.4.1 The Importance of the Human Capital to the Firm

RBV defines the firm resources as input factors that have significant influences on firms' strategies and business objectives (Barney, 1991; Wernerfelt, 1984). As some sources of competitive advantage, such as technological and physical resources, have become easier for firms to acquire or to imitate, the crucial differentiating factor between firms has shifted to how much value human resources add to an organization (Richard, 2000). Human capital, which is part of the intangible firm assets, is viewed as a source of competitive advantage directly and indirectly contributing to firm's resource base (Florin, Lubatkin, & Schulze, 2003). Thus, the human capital that is comprised of the skills, experience, knowledge, and relationships of the employees within the firm (Barney, 1991) can be regarded as a strategic weapon providing economic value to firms. Lin and Wang (2005) view the skills of the human capital as firm assets just like its tangible assets. It is argued that not all the employees within a firm are valuable, but rather, only employees who possess rare and unique skills, abilities, and knowledge add strategic value to the firm (Lin & Wang, 2005; Lopez-Cabrales, Valle, & Herrero, 2006).

One reason for the growing importance of the human capital as a strategic resource is that knowledge has become a critical ingredient for gaining a competitive advantage because knowledge adds value to input factors of production (Hitt *et al.*, 2001). As far as export activity is considered, the lack of knowledge has been identified as one of the most important impediments to exporting (Carrier, 1999) since exporting is viewed as a knowledge-driven process (Gray, 1997). In other words, knowledge of foreign markets is a prerequisite for successful exporting (Johanson and Vahlne, 1977, 1990; Majocchi & Zucchella, 2003; Reid, 1981). This holds true especially for SMEs due to their limited resources for foreign market information generation (Andersen, 2006).

As argued before, the behaviors associated with selling to multiple countries each with its distinct social, geographical, and commercial characteristics are more complex and demanding. Given the fact that the external environment (e.g. foreign markets) is relatively disadvantageous to operations of SMEs, the human resources of SMEs may provide better understanding of SME international expansion (Tseng, 2002). The human capital's knowledge of foreign markets enables firms to bear the risks associated with exporting and help top executives to deploy the necessary resources to export activities (Etemad & Wright, 1999). Thereby, the human capital in the export department emerges as a crucial resource to the exporting firm since employing the human capital equipped with specialized knowledge about foreign markets is a must to effectively deal with the demands and uncertainties posed by foreign markets (Gomez-Mejia, 1988).

A study of Spanish firms from the construction, finance, and manufacturing sectors showed that firms employing the most valuable and unique employees attained the highest level of organizational capabilities and organizational efficiency (Lopez-Cabrales, Valle, & Herrero, 2006). It can be asserted that firms that possess employees equipped with valuable and rare knowledge and abilities are more likely to outperform their competitors since such valuable human capital can directly contribute to the competitiveness of the firm. Rauch, Frese, and Utsch (2005) conducted a longitudinal study of small-scale firms in Germany, and found that human resources (both the human capital of employees and owner-manages) were important factors that predict the growth of small-scale businesses.

In a longitudinal analysis of Dutch accounting companies, Pennings, Lee and Witteloostuijn (1998) studied the linkage between the firm's human capital and firm dissolution from RBV perspective, and showed that a firm's human capital has important implications for performance, such as diminishing the dissolutions of professional service firms. They argue that as much as the human capital is idiosyncratic and difficult to transfer to other firms, the probability of dissolution decreases accordingly. Diamantopoulos and Inglis (1988) conducted a comparative study of Scottish firms in order to discover the differences between firms with different degrees of involvement in exporting. They found that high-involvement exporters benefited more from the export staff in conducting export activities. In a further analysis, they illustrated that the export staff is the best discriminator between high- and low-involvement exporters. Thus, they emphasize the importance of having well trained and sufficient export staff for high-involvement exporting.

Although RBV focused on the significance of the human capital in privately owned companies, a study of public sector organizations was carried out in Israel (Carmeli & Tishler, 2004) to investigate the effect of intangible resources (e.g. human capital) on organizational performance. The study yielded positive significant association between the human capital and the organizational performance of Israeli local authorities. In general, this study shows that human capital of the firm is critical for an organization to attain its goals and accomplish above-normal performance.

To sum up, the firm's human capital helps it to develop organizational capabilities which are firm specific and to generate tacit organizational knowledge (Hitt *et al*., 2001). These capabilities enable firms to attain a competitive advantage that can be sustained over the long term. In terms of exporting, Hollenstein's (2005) econometric analysis on SMEs revealed that the human capital of the firm is one of the most important firm assets that drive the internationalization of the firm.

2.5 SME Internationalization

The globalization phenomenon has had a huge impact on economics and affected not only large organizations, but also SMEs. Technological innovations and government policies supporting across-border activities enabled the globalization process to intensify, which in turn benefited those who aimed at initiating export activities (Dean, Menguc, & Myers, 2000). Macro economically, exporting has been associated with economic growth of a country (Zou, Taylor, & Osland, 1998). Thereby, exporting, being an important tool both for nations and firms aiming to grow, has attracted attention in the academia.

The increased globalization of industries has created new opportunities for SMEs by stimulating them to export. The main reasons for motivating SMEs to export are that they want to grow faster, enhance their profitability, eliminate some of the business risk in the local market, improve their local image, and sell products that do not match tastes of local customers (Kazem, 2005). Exporting has been identified as the most common mode of internationalization because it is a cost-effective way of entering foreign markets faster and it requires minimum amount of financial, human, and other resources (Sousa, 2004). Through exporting SMEs could benefit from the opportunities in international markets along with large firms that previously exploited those opportunities alone (Etemad & Wright, 2003). As local markets have been integrated into global markets due to intensified globalization, SMEs have been able to actively participate in global trade by accessing to customers and suppliers more easily (Etemad & Wright, 1999). Despite the advantages embedded in exporting, the process of exporting brings along some uncertainties, risks, and increased competition that negatively affect a firm's export success. Therefore, it is important to understand the factors that influence the export behavior of the firm.

When trying to explain the determinants of SME export performance, earlier research has focused on two dimensions, which are attributes specific to the firm and factors related to managers (Holzmüller & Stöttünger, 1996). The arguments were based on the grounds that when SMEs engage in export activities, the management should strive to improve firm-specific factors (e.g. marketing strategies), and at the same time, efforts should be made on the side of the management to improve manager qualities such as ambiguity tolerance and openness to change (Holzmmüller & Stöttünger, 1996). This argument brings about a proposition that managerial characteristics play an important role on a firm's decision to export (Gray, 1997; Leonidou, Katsikeas, & Piercy, 1998; Williams & Chaston, 2004). Miesenböck (1988) points to top executives as the principal force behind the initiation, development and success of a firm's export endeavors because they are directly responsible for and involved in export decisions. Similarly, Gray (1997) argues that senior management plays a critical role in determining the firm's export performance since the management is responsible for market selection and mode of entry decisions which in turn influence the firm's level of internationalization and performance. Cavusgil (1984) asserts that variations in export activity could be, to some extent, explained by managerial characteristics. Etemad and Wright (1999) emphasize the role of the top management in dealing with limited resources and availability of information problems associated with exporting.

Francis and Collins-Dodd (2000) showed that top managers influenced the firm's export performance positively by designing proactive export strategies. Brady and Bearden (1979) analyzed the differences of CEOs' attitudes between direct, indirect and non-exporters. They found that differences in CEO attitudes about the factors associated with exporting methods exist among these three groups. Etemad and Wright (2003) found that in early stages of small firm internationalization, the characteristics of top executives were more influential in explaining the determinants of small firms' export behavior. Although for large firms the decision to go global is likely to be structurally determined, as far as the SMEs are considered, such decisions are solely made by the key individual decision maker, who is the CEO of the company (Reid, 1981).

Despite the abundance of theories, which seek to explain the internationalization behavior of the firm, the foreign direct investment (FDI) theory has attracted attention in SME export literature. According to FDI theory, firms should have firm specific advantages (FSAs) in order to compete in the international arena. If the firm combines its various FSAs internally, it will be able to compete successfully against firms internationally (Etemad & Wright, 1999). Strandskov (2006) defines the firm specific advantages (FSAs) as those specific resources and capabilities which have been developed and accumulated internally in the firm. FSAs largely take the form of the possession of distinctive skills and intangible assets (Stransdkov, 2006). It is argued that FSAs are, at least for a period of time, exclusive or specific to the firm possessing them, thus, firms possessing such unique skills and resources that are scarce, intangible and non-substitutable will outperform their rivals (Stransdkov, 2006). As far as the strategic importance of FSAs are taken into account, FDI theory is in line with RBV, which argues that firms should acquire and possess resources that are rare, valuable, inimitable, non-substitutable in order to have a sustained competitive advantage.

SMEs face obstacles in the way of internationalizing due to their resource limitations (Manolova *et al.*, 2002). The personal factors of CEOs may become a source for competitive advantage for SMEs because when faced with limited resources, personal factors might overcome the imbalance in these resources (Manolova *et al.*, 2002). In this context, SMEs that are managed by CEOs with unique characteristics are likely to outperform SMEs that do not have these firm-specific advantages. Furthermore, as RBV acknowledges the importance of intangible human resources, it is likely that SMEs employing human capital with specific skills may attain a sustained competitive advantage in terms of exporting.

Dhanaraj and Beamish (2003) conducted a comparative study of Canadian and U.S. small exporters and they found that managerial perceptions are good predictors of export strategy, which in turn influences the firm's performance positively. They emphasize the role of firm-specific advantages by arguing that managers' perceptions (e.g. willingness and commitment to gather information about foreign markets) play a key role in determining a firm's export intensity. Through another comparative study of U.S. small firms in different technology sectors, Manolova *et al.* (2002) studied the role of personal factors as discriminators between exporting and non-exporting firms. They found that managerial skills and managers' perceptions of the environment are the most important discriminators of top managers' human capital. Specifically, they found that top managers who have international work experience are likely to possess the skills to conduct international business arrangements. They conclude, "[The] results clearly indicate that 'personal factors matter' with respect to small firm internationalization, but, more importantly, 'some personal factors matter more than others do'" (Manolova *et al.*, 2002, p. 22).

Through a study of U.S. export market ventures Cavusgil and Zou (1994) sought to identify the factors that determine a firm's export marketing performance, and they found that management commitment has a direct effect on export performance. They argue that success in export market ventures is, to some extent, determined by top managers as they have strategy options to influence export performance. This contention is in line with the arguments put forward by upper echelons perspective, which argues that top managers are able to influence the performance of firms through strategic choices they make. Moini (1995) conducted an analysis on Wisconsin SMEs to assess the factors that affect the export success of firms. He basically identified three groups of factors, which are firm characteristics, managerial expectations, and managerial characteristics. Although he found that only firm characteristics have a significant influential role on the export success of firms, he argues that top managers have control over the internal factors that lead to successful exporting, hence, top managers have an indirect influence on export success. Bilkey and Tesar (1977) examined the export behavior of SMEs in Wisconsin through analyzing whether management had explored the feasibility of exporting, and they found that managerial characteristics such as perceptions play a more important role in determining the export development behavior of SMEs. They argue that firm characteristics, such firm size, are far less important when the quality and dynamism of the management is taken into consideration.

Globalization has led to changes that result in increasingly integrated world markets which tempt firms to extend their activities beyond national borders. Therefore, studying the factors that lead to internationalization has attracted attention in SME literature. In terms of internationalization, exporting, which is critical to both organizational and national prosperity, is regarded as one of the most common areas studied in order to understand the firm's internationalization behavior (Leonidou, Katsikeas, & Piercy, 1998). In studying the export behavior of SMEs, the SME export performance is one of the dimensions deemed to reveal the export behavior of firms (Aaby & Slater, 1989). So far, it has been argued that top executives shape organizational outcomes such as performance. As the nature of export related decisions is complex, requiring gathering and evaluating extensive information and alternatives, it can be argued that export decisions involve behavioral components. If this is the case, it can be expected that top managers bring their psychological givens to export decision-making context. As a result, top executives are expected to influence export performance of firms.

In this study, management characteristics are examined in relation to export performance which is expressed in financial, behavioral, and geographical terms. In financial terms, export performance is measured through the ratio of export sales to total sales. This ratio is used to measure the export intensity of a firm and is believed to have a major influence on all aspects of export behavior (Moini, 1995). From a behavioral perspective, the delay in obtaining foreign sales after start up is used in order to reflect management's aspiration for expanding their activities into foreign markets. In general terms, the number of countries exported is used to measure the scope of export activities of SMEs.

So far, theories dealing with the significance of top executives and the human capital to organizations, and the determinants of the export behavior of SMEs were discussed. The demographic characteristics and their associations with organizational performance were presented from upper echelons perspective point of view. In the next chapter, the relationships between demographic characteristics and SME export performance are discussed by comparing upper echelons perspective and RBV.

CHAPTER 3

THEORETICAL FRAMEWORK and HYPOTHESES

This research attempts to explain the relationships between top executives' and human capital's attributes and SME export performance. The hypotheses are developed under different headings in order to specify the expected relations between the CEO age, formal education level, tenure, international experience, foreign language skills, and the human capital's foreign language skills and international experience and the export performance of the firm.

The hypotheses will be drawn from upper echelons perspective and RBV theory. RBV and upper echelons perspective hold similar views as far as the international experience, and the foreign language skills of the CEOs and the human capital are considered. Although RBV does not make explicit arguments with respect to CEO age and formal education level, it can be argued that RBV implicitly views these characteristics as significant resources. On the other hand, for some demographic characteristics, upper echelons perspective and RBV hold inconsistent propositions. When it comes to the CEO tenure, upper echelons perspective and RBV make contrary arguments. The competing hypotheses, for which RBV and upper echelons perspective hold opposite views are listed first. Next, the parallel hypotheses for which RBV and upper echelons hold similar propositions are presented.

3.1 Hypotheses Regarding CEO Tenure and SME Export Performance

As far as CEO tenure and its long-term effects on organizational outcomes are considered, upper echelons perspective and RBV put forward opposite arguments. Thus, competing hypotheses are developed to see whether the arguments of upper echelons perspective or RBV are more prevalent to understanding SME export behavior. First, the arguments put forward by the proponents of upper echelons perspective are discussed, and then the arguments drawn from RBV are presented.

Boeker (1997) argues that the length of the time an executive spends in the organization is associated with his or her cognitive structures. That is, the longer the tenure, the more rigid these structures become. As top executives spend more time in the organization, they become more committed to the values and past practices that they have developed over time. Since top executives develop more rigid cognitive structures due to longer tenure in the organization, they can be expected to be more committed to prevailing strategies and rules in the organization. Finkelstein and Hambrick (1996) assert that increased tenure restricts top executives' sources of reference in searching for and evaluating new alternatives and opportunities. Longer-tenured executives will be less inclined toward exporting since export related choices necessitate extensive information gathering and evaluating skills that are expected to diminish as tenure increases.

Datta, Rajagopalan, and Zhang (2003) associate higher firm tenure and age, and lower level of education with lower openness to change. Openness to change in terms of seeking new opportunities and dealing with uncertainties can be regarded as an important asset that top executives should possess as far as decisions related to entering into foreign markets are taken into consideration. The ambiguities and risks associated with exporting require CEOs be more receptive to change and more flexible (Hermann & Datta, 2005). Consequently, CEOs with higher tenures can be expected to be less dynamic and less willing to formulate and implement strategies that involve dealing with ambiguity and various risks to a great extent. Thus,

Hypothesis 1a: Low-tenured CEOs are expected to be associated with SMEs which have higher export performance.

Hypothesis 1b: Low-tenured CEOs are expected be associated with SMEs which delay less in selling to markets abroad after start-up.

On the contrary, RBV regards CEO tenure as an important asset for the firm since it accompanies CEOs with valuable knowledge about the firm, such as the company culture, executive capabilities, relationships with shareholders (Bergh, 2001), and company's strengths and weaknesses. In other words, high tenure provides CEOs with firm-specific knowledge and wisdom (Krug, 2003). As tenure increases, the CEO's experience and leadership role in the firm increases. Hitt et al., (2001) argue that as the experience increases, top managers build valuable industry- and firm-specific knowledge, which is often tacit and least imitable form of knowledge. Top executives make strategic decisions based on this accumulated tacit knowledge, thus they can more accurately formulate export strategies and deploy the resources accordingly in implementing those strategies.

Along with high tenure in the organization, high tenure in the industry can be essential for success in doing business because it provides industry-specific knowledge to top executives. Vyakarnam and Handelberg (2005) argue that as top executives spend more time in a specific industry, they gain more experience and they accumulate more valuable knowledge about that industry which in turn become important especially when competition is fierce among firms. Put differently, tenure can be associated with firm- and industry- specific knowledge and experience which can contribute to organizational learning as top executive tenure increases.

In analyzing the relationship between executive retention and acquisition outcomes, Bergh (2001) argues that retaining the longer-tenured executives of the acquired firm would smoothen the acquisition process since these executives would bring their nontransferable knowledge about the firm to the new organizational setting. He concludes that longer-tenured executives are more valuable to retain. Additionally, Waldman et al. (2001) conducted a four-year analysis in various industries, and showed that there is a positive relationship between CEO tenure and firm financial performance, reflected in the net profit margin of the firm. Studies conducted by Simsek et al. (2005) support the RBV approach to executive tenure by concluding that CEO tenure has a positive effect on top management team processes rather than the inertial effects that the UE proponents have put forward.

As the firm internationalization brings about uncertainty, risks, and stress, Krug (2003) argues that higher-tenured CEOs better allocate firm resources to deal with such uncertainties, and they provide clearer directions that help reduce negative outcomes. Moreover, longer-tenured CEOs are expected to possess more valuable firm and industry-specific knowledge that provides them with knowledge and experience to better assess export opportunities and alternatives. Thus, *Hypotheses 1c: High-tenured CEOs are expected be associated with SMEs which have higher export performance.*

Hypothesis 1d: High-tenured CEOs are expected to be associated with SMEs which delay less in selling to markets abroad after start-up.

3.2 Hypotheses Regarding CEO Age and Firm Export Performance

To the best of my knowledge, RBV has not made explicit arguments about the value of the CEO age in organizational context. On the other hand, the empirical studies discussed in the previous chapter in the upper echelons literature show that CEO age has similar effects on organizational outcomes as CEO tenure. In this respect, it can be argued that RBV and upper echelons perspective would be likely to put forward contrary views related to the association between CEO age and firm export performance. Whereas upper echelons perspective contends that the CEO age has negative effects on organizational outcomes, RBV may implicitly view the CEO age as a valuable resource contributing to the firm's export success. First, hypotheses based on upper echelons perspectives are developed, and then the contrary arguments from RBV are discussed.

In the upper echelons literature, age of CEOs has been positively associated with risk aversion, commitment to the organizational status quo, and negatively associated with information gathering and scanning mechanisms (Hambrick & Mason, 1984). Empirical studies by Karami, Analoui, and Kakabadse (2006) in the UK electronics industry illustrated a significant negative correlation between CEOs' age and their risk-taking propensity, thus supporting the argument that younger managers are more likely to pursue riskier and more innovative strategies.

As far as the internationalization process of SMEs is considered, younger top executives will explore, scan and utilize the opportunities related to exporting more accurately when compared to their older counterparts. Older top executives are expected to possess less mental stamina (Child, 1974) and to be less willing to take risks associated with political and economic factors abroad. It can be expected that older CEOs will be reluctant to formulate and implement risky strategies related to exporting which require greater risk taking propensity and involve extensive information assessment. It is asserted that "… unless management … is willing to take risks and is capable of engaging positively in export activities, a firm is not likely to become a successful exporter" (Aaby & Slater, 1989, p.21). Thus,

Hypothesis 2a: Younger CEOs are expected to be associated with SMEs which have higher export performance.

Hypothesis 2b: Younger CEOs are expected to be associated with SMEs which delay less in selling to markets abroad after start-up.

On the other hand, RBV of the firm puts the aforementioned arguments in the opposite direction. As RBV has not made any explicit propositions regarding CEO age as a critical resource, the forthcoming arguments are based on inferences made from RBV. According to RBV, older CEOs possess rare, valuable, and non-substitutable knowledge due to their ages. As their age increases, it can be expected that CEOs accumulate more general knowledge and experience. CEOs may resort to such knowledge and experience when they scan the environment for export opportunities and when they formulate export strategies. Thus,

Hypothesis 2c: Older CEOs are expected to be associated with SMEs which have higher export performance.

Hypothesis 2d: Older CEOs are expected to be associated with SMEs which delay less in selling to markets abroad after start-up.

3.3 Hypotheses Regarding CEO Level of Education and Firm Export Performance

RBV has not made arguments explicitly related to the value of the level of top executive education whereas upper echelons perspective long acknowledges the significance of formal education with respect to organizational outcomes. As RBV argues that resources are crucial for firm's competitive advantage, education level can thus be seen as a valuable resource. Based on the arguments in the upper echelons literature, it can be contended that RBV implicitly attaches importance to top executive level of education as it is likely to increase the complexity of their cognitive structures and enhances their skills required for conducting successful exporting. As a result, RBV and upper echelons perspective are likely to generate parallel hypotheses as far as top executive education level is considered.

In the upper echelons literature, CEO formal education level has been associated with the cognitive orientation that provides CEOs with greater openness to change, tolerance for uncertainty, and less strategic persistence (Datta & Rajagopalan, 1998). As CEOs attain higher education levels, their knowledge base increases accordingly (Hermann & Datta, 2005), so that, CEOs with higher education levels are expected to posses the skills that they would refer to when gathering and scanning new information related to export opportunities and alternatives. Managing internationally diversified firms is a more complex task than managing domestic firms (Barkema & Chvyrkov, 2002) leading top executives to develop more complex cognitive structures. An empirical support came from Finkelstein and Hambrick (1996) who found a positive link between cognitive complexity and formal education.

CEOs with higher education levels would be more inclined to challenge the status quo while formulating strategies related to exporting and be more tolerable to changes when implementing such strategies. A study was conducted on exporting and non-exporting SMEs in Tennessee in order to profile the decision-makers in the exporting and non-exporting firms in terms of their perceptions of the risks associated with exporting (Simpson & Kujawa, 1974). The study illustrated that decision-makers in the exporting firms have higher formal educational background than the decision-makers in the non-exporting firms. These decision-makers in turn perceived fewer risks associated with exporting than the decision-makers in non-exporting firms although firms in the both groups perceived greater risks associated with exporting than risks associated with operating domestically.

When the internationalization process of SMEs is taken into account, risks and uncertainties associated with the internationalization require that top executives be more receptive to change and ambiguity, more knowledgeable about foreign markets, and have increased information gathering and processing abilities. It is believed that higher education provides these characteristics to top executives (Herrmann & Datta, 2005). Empirical studies (e.g. Schlegelmilch and Ross, 1987) support the statement that higher level of formal education is crucial for success in exporting as it enhances top executives' knowledge. Last, it is argued that the level of education is positively related to innovation (Wiersema & Bantel, 1992), which can be regarded as another prerequisite for entering foreign markets. Thus,

Hypothesis 3a: CEOs with high level of education are expected to be associated with SMEs which have higher export performance.

Hypothesis 3b: CEOs with high level of education are expected to be associated with SMEs which delay less in selling to markets abroad after start-up.

3.4. Hypotheses Regarding CEO International Experience and Firm Export Performance

The international experience of top executives has attracted greater attention both as a proxy of their cognitive structures and values, and as valuable, rare, inimitable, and non-substitutable firm resource that contributes to the sustained competitive advantage of the firm. In this respect, it can be argued that both upper echelons perspective and RBV are likely to make parallel arguments, in which top executive international experience is deemed to be positively associated with organizational outcomes. First, the arguments based on upper echelons perspective are presented, and next, RBV's arguments are discussed.

In terms of cognitive bases that shape top executive strategic choices, international experience is of paramount importance to firms as it equips top executives with a mindset that help them gain a broader international orientation (Hermann & Datta, 2005). As Cavusgil (1984) identifies the top executives' foreign market orientation as one of the most crucial determinants of a firm's export success, it can be argued that the international experience of top executives enables them to develop international market orientation which in turn helps firms to attain higher export performance.

It is argued that top managers who have international experience in terms of education, work assignment or living, will have a more international oriented perspective due to their cross-cultural adjustment experiences (Van Vianen *et al.*, 2004). As the CEO interacts with different environments surrounded by different cultures, languages, and political and economic forces, he is able to develop transnational skills (e.g. tolerance for ambiguity, openness to change, respect for various backgrounds) that could develop his knowledge and networks related to international markets.

Top executives are likely to reduce uncertainties in foreign markets through their international experience (Sambharya, 1996). International experience of top executives influences their risk perception in a negative way. As the international experience of top executives increases, they develop more confidence in themselves which in turn leads them to more effectively estimate risks and returns associated with foreign operations (Hermann & Datta, 2005). In cases where executives lack international experience, they can be expected to lack confidence, thus, they are more likely to overestimate risks and underestimate returns with respect to internationalization. Hence, it can be expected that top executives who have international experience will have international orientation.

In today's environment where effectively managing international business is a critical issue for firms, it may be that international business experience may provide top executives with a competitive advantage over those with no experience (Daily, Certo, & Dalton, 2000). It can, thereby, be posited that international experience of CEOs can provide a rare (Carpenter, Sanders, & Gregersen, 2001), valuable, inimitable and non-substitutable (Daily, Certo,& Dalton, 2000) resource when small ventures diversify internationally. This demographic characteristic is a function of unique historical conditions and it involves causal ambiguity that enables it to resist the barrier of duplication. It provides managers with skills that are not easily developed through other means (Sambharya, 1996; Sullivan, 1994). International experience is not subject to depreciation as tangible resources are. On the contrary, it accumulates as much as the CEO refers to it, and it contributes to the organizational experience and learning. Therefore, even if firms have CEOs with international experiences in the same countries, they will eventually have different organizational performances with regards to export activities as each CEO possesses unique, causally ambiguous, non-substitutable and inimitable international experience. International experience can be viewed as an asset that affects top executives' attitudes in doing international business. Reuber and Fischer (1997) view internationally experienced top executives as critical sources that affect SMEs in engaging in behaviors that affect SME degree of internationalization positively. Reid (1983, p. 47) states "firms with decision makers who have international exposure and experience have a natural competitive advantage in exporting". Thus,

Hypothesis 4a: CEOs with international experience are expected to be associated with SMEs which have higher export performance.

Hypothesis 4b: CEOs with international experience are expected to be associated with SMEs which delay less in selling to markets abroad after start-up.

3.5 Hypotheses Regarding CEO Foreign Language Skills and Firm Export Performance

So far, neither upper echelons nor RBV have put forward arguments with respect to the importance of foreign language skills of top executives. However, as far as the nature of this attribute is considered, it can be contended that both perspectives are likely to generate parallel arguments. In light of this argument, parallel hypotheses will be developed for the effect of CEO foreign language capability on SME export performance.

Castanias and Helfat (2001) argue that some managerial capabilities and experiences can play an important role for firm performance, particularly in rent generation. From this point of view, foreign language skills of top executives can be regarded as a key resource in obtaining a competitive advantage for the firm in terms of exporting. Reports on the impact of foreign language skills reveal that foreign language skills are essential for top executives to sell abroad with greater ease (Swift, 1991). Following the fact that culture is an important factor to understanding foreign markets, it can be argued that foreign language skills increase top executives' capacity to interpret the culture of customers more effectively (Swift, 1991). In other words, lack of foreign language skills may act as a barrier to verbal communication and may negatively affect top executives' ability to understand the tastes and patterns of consumption in a specific market. Swift (1991) further asserts that foreign language skills increase top managers' psychological perception of feeling close to one's market.

Communicating and negotiating in the local language of customers reduce the barriers to psycho-social interaction (Turnbull & Welham, 1985). Customers are likely to perceive a barrier to socialization when they have to negotiate through the foreign language of the seller which in turn may impede the likelihood of having long-term relations with customers abroad. Similarly Swift (1991) contend that using the customer's native language can reduce the feeling of isolation on the customer's side and enable customers to develop more positive attitudes toward that seller.

Obben and Magagula (2003) conducted a study on SMEs in Swaziland and they found that foreign language skills of top managers are highly significant in explaining high export propensity of those firms. Last, it is argued that firms managed by decision makers who speak foreign languages are expected to have better export performances than firms that have monolingual managers (Moini, 1995).

From RBV point of view, top executives with foreign language skills can be viewed as valuable resources for SMEs. Their value comes from the fact that foreign language skills enable top executives to communicate more effectively with customers, develop long-term relationships based on trust (Turnbull & Welham, 1985), having greater number of foreign contacts (Andersen, 2006) which in turn enhance the export performance of SMEs. These skills are rare across top executives. Although the rarity of foreign language skills across top executives had not been empirically studied, Carrier (1999) argues that SME top managers identify the lack of foreign language skills as one of the major obstacles to successful exporting. This reveals that not all top managers possess foreign languages skills. Learning foreign languages necessitates investing money and time, the learning process is a causally ambiguous one. Thereby, imitating foreign language skills of top managers is not possible. To conclude, RBV views top managers with foreign language skills as valuable, rare, and inimitable resources that may yield higher export performance. Both upper echelons and RBV point to the following hypotheses:

Hypothesis 5a: CEOs with foreign language skills are expected to be associated with SMEs which have higher export performance.

Hypothesis 5b: CEOs with foreign language skills are expected to be associated with SMEs which delay less in selling to markets abroad after start-up.

3.6 Hypotheses Regarding the Role of Human Capital Foreign Language Skills and Firm Export Performance

Both in upper echelons perspective and RBV literatures, the researchers favored including other actors that would back up CEOs when making strategic decisions. In the upper echelons literature, these actors were the top management team (e.g. Hambrick & Mason, 1984) and board of directors (e.g. Van Gils, 2005). RBV did not specify any actors but called for bundling CEO skills with other skills prevalent in the firm in order to attain capabilities that would lead to sustained competitive advantage. None of the theories pointed to the importance of the human capital, the staff that carries out export activities, as potential actors in the firm. Thus, this and the following sections of the hypotheses aim at filling the gap in both literatures in terms of the importance of human capital to organizations. Since the strategic importance of human capital was discussed before, it can be argued that both upper echelons perspective and RBV would put forward parallel arguments as far as the role of the human capital is taken into account.

Foreign language skills not only make it easy to conduct business abroad, but they also bring about nontransferable knowledge about foreign countries, their cultures, and markets (Swift, 1991). Such valuable knowledge can be very useful for assessing the preferences and needs of various markets when engaging in international business relations. The foreign language skills of the human capital may enhance the SME export performance as it is of paramount importance to be able to communicate and negotiate effectively when dealing with foreign customers and institutions. Moreover, it is contended that the ability to communicate in the local language reduces the possibilities for misunderstandings that serve as impediments for successful export (Andersen, 2006).

Foreign language skills of the human capital may furthermore provide better understanding of foreign markets that may increase the firm's ability to deal with the uncertainties, risks, and opportunities associated with exporting. It is argued that the export staff's abilities to understand and communicate with the foreign customers will have a positive impact on the firm's performance in foreign markets as fluency in the customer's language leads to enhanced understanding of the needs of the customer (Turnbull & Welham, 1985). Andersen (2006) asserts that foreign language proficiency of export managers is a prerequisite for establishing more contacts abroad which in turn enhances SMEs to acquire foreign market information more effectively. Such contacts are regarded vital for SME owner-managers to gather information in order to reduce risk and to promote the business of their companies (Gilmore *et al.*, 2000).

An analysis based on data from the UK machine tool industry studied the relationship between linguistic capabilities of employees working in exporting and the firms' export performance, and illustrated that the level of proficiency in foreign languages is positively associated with higher export growth rates and better export profitability (Schlegelmilch & Ross, 1987). Empirical studies by Ditchl, Koeglmayr, and Mueller (1990) on German, Finnish, Japanese, South Korean, and South African SMEs showed that the lack of proficiency in foreign languages is one of the major export barriers that stand in the way of getting involved in increased export activities. In this respect, the human capital's foreign language skills can be regarded as a must for SMEs to engage more effectively in export activities.

Hypothesis 6a: The human capital with multiple foreign language skills is expected to be associated with SMEs which have higher export performance.

Hypothesis 6b: The human capital with multiple foreign language skills is expected to be associated with SMEs which delay less in selling to markets abroad after start-up.

3.7 Hypotheses Regarding the Role of Human Capital International Experience and Firm Export Performance

In terms of RBV, it has been argued that CEOs with international experience can create value for their firms because international experience has been viewed as a rare, valuable and inimitable resource (Carpenter, Sanders, & Gregersen, 2001) that could provide advantages in terms of viewing broader opportunities, language skills, and knowledge of and acquaintedness to different cultures and markets.

RBV acknowledges that the resources and capabilities are critical for firms to achieve sustainable competitive advantage; thus, the human capital's international experience can be regarded as a resource that enhances the firm's export performance. For instance, Carpenter, Sanders, and Gregersen (2001) argue that in order to sustain the competitive advantage of the firm, organizations need to bundle the unique international experience of CEOs with the human capital's, particularly that of the TMT, international experience that could result in higher organizational performance. The argument could be carried further to include the human capital within the export department in SMEs. It can be contended that SMEs will have greater export performance when the international experience of the human capital is taken into consideration as a potential resource enhancing the export performance of the firm.

The human capital through its international experience can bring more valuable knowledge about foreign markets and enable the CEO to better leverage the firm's export performance. Turnbull and Welham (1985) argue that the international experience should be regarded as a valuable input for developing the competence of the exporting staff since it exposes the personnel to foreign customers and host country cultures. They contend that such exposure to different cultures and business practices improves the personnel's customer orientation. In addition to that, Reid (1983) asserts that the personnel with foreign experience is equipped with foreign market knowledge, and views such personnel as a potential resource to be exploited when conducting exporting activities. Consequently, firms that employ human capital with international experience would be more likely to attain wider knowledge about different cultures, the needs and preferences of foreign customers, risks associated with exporting to a specific market, and have more networks to resort when conducting export activities. Thus,

> *Hypothesis 7a: The human capital with international experience is expected to be associated with SMEs which have higher export performance.*

> *Hypothesis 7b: The human capital with international experience is expected to be associated with SMEs which delay less in selling to markets abroad after start-up.*

CHAPTER 4

METHOD

This study investigated the linkage between CEOs' and human capital's demographic characteristics and export performance of SMEs. In this chapter, sample characteristics, the measure, the procedures used, and the analyses conducted are presented.

4.1 Sample

The sample consisted of 147 SMEs from Bursa and Ankara, which previously participated in a study funded by the European Commission. The study was initiated as an attempt to implement the European Commission's Lisbon Strategy (2000) to stimulate economic growth and make Europe's economy the most competitive in the world. Thirty countries (all EU member states, Iceland, Norway, and Turkey) participated in the study. In each country local universities were identified to carry out the survey. Middle East Technical University was identified as the research university to conduct the survey in Turkey.

Exporting SMEs from Bursa and Ankara were identified in order to carry out the survey. The companies were selected on the basis that the sample would be representative of Turkey's export profile (the pattern of sectors engaged in export) and offer a cross-section of company sizes (micro-sized companies up to medium-sized companies). The first reason for choosing Bursa and Ankara to conduct the survey was that these cities were among the biggest exporter cities in Turkey's export figures in 2005, they were ranked the 2nd and 6th, respectively, among the biggest exporters in top ten cities (Dis Ticaret Mustesarligi, 2006). Second, it was more convenient to carry out the survey in Bursa and Ankara as the researchers have been residing in these cities; therefore, gathering information from the SMEs located in these cities would be easier.

A total of 280 companies from Bursa and Ankara were contacted in order to carry out the survey. A researcher conducted the survey in Bursa whereas the data from Ankara were collected by an independent research agency. In Bursa, of 110 companies contacted, only 51 companies responded, with a 46% response rate. In Ankara, of 170 companies contacted, only 96 companies responded with a 56% response rate. On the overall, 147 companies participated in the study with a response rate of 52%. The companies were selected on a random basis; however, attention was paid to select companies that would be representative of Turkey's export profile in terms of sectors. Thus, 84% of the sample consisted of exporting SMEs from manufacturing products sector (e.g. textiles, automotive), 10% of food products sector, and 6% other goods (e.g. ores and metals, mining, construction).

All of the companies surveyed were family businesses, managed by the firm owner(s). The average age of companies was 21.9 years, with a mode of 30 years. The companies' average years of exporting were 10 years, with a standard deviation of 8.5 years. The average number of countries exported was 9.9 countries, with a standard deviation of 9.6 countries. The average age of CEOs was 50.1 years, with a mode of 52 years. The CEOs had primary school (9.7%), secondary school (10.4%), high school (23.9%), bachelor of science (49.3%), and master's (6.7%) degrees. The average organizational tenure of top executives was 18,9 years, with a standard deviation of 10.7 years. The average total tenure (organizational, industrial, and position tenure) of top executives was 20.3 years, with a standard deviation of 9.9 years. The average years of CEOs' international experience was 1 year, with a standard deviation of 3.1 years. Of 134 firms, 105 were managed by CEOs with no international experience. The median number of foreign languages spoken by CEOs was 1 language, with a mode of 1 language. The average years of human capital's international experience was 1.77 years, with a standard deviation of 4.8 years. The median number of foreign languages spoken by the human capital was 2 languages, with a mode of 1 language. The characteristics of the sample are presented in Table 4.1, Figure 4.1, Figure 4.2, and Figure 4.3.

Table 4.1 Demographic Characteristics of the Sample by Organization

	Bursa			Ankara			
	Micro-sized Firms	**Small-sized Firms**	**Medium-sized Firms**	**Micro-sized Firms**	**Small-sized Firms**	**Medium-sized Firms**	**All Sample**
Number of Firms	-	18	33	12	41	30	134
Firm Age							
Mean	-	11.4	22.5	18.1	22.5	27.8	21.9
Std. Dev.	-	7.6	13.3	11.4	13	13.5	13.2
Years of Exporting							
Mean	-	3.7	12.8	9.2	8.1	12.8	10
Std. Dev.	-	2.6	8.7	7.8	5.8	11.1	8.5
Number of Countries Exported							
Mean	-	6.9	16.3	4.0	8.6	9.7	9.9
Std. Dev.	-	6.4	12.3	2.4	9.0	7.7	9.6
CEO Age							
Mean	-	43.1	51.0	50.3	51.1	50.7	50.1
Std. Dev.	-	9.4	11.2	13.7	12.1	8.6	11.1
CEO Education level (frequency)							
Primary School	-	2	2	2	6	1	13
Secondary School	-	1	3	2	4	4	14
High School	-	10	6	1	8	7	32
Bachelor of Science	-	5	17	6	19	19	66
Master	-	-	2	1	4	2	9
CEO Organizational Tenure							
Mean	-	10.0	19.3	16.9	19.6	22.8	18.9
Std. Dev.	-	7.0	8.9	12.0	12.0	9.0	10.7
CEO Total Tenure							
Mean	-	12.2	20.6	19.3	21.2	22.8	20.3
Std. Dev.	-	6.4	8.5	11.6	11.3	8.3	9.9

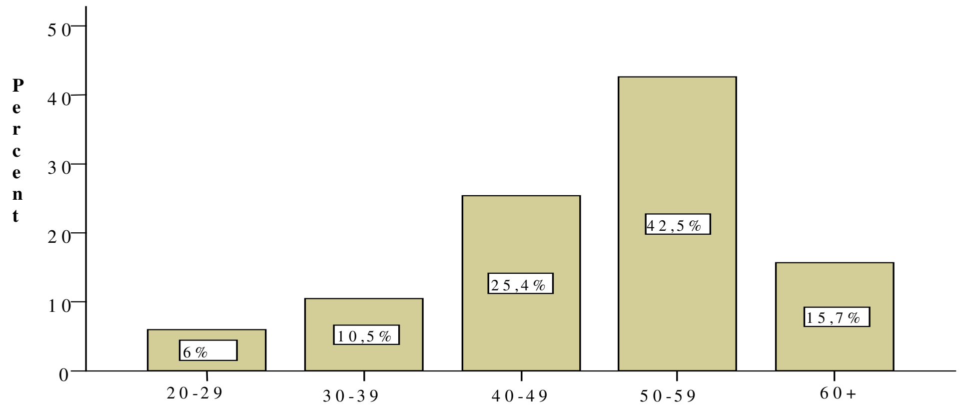

Figure 4.1. The CEO Age

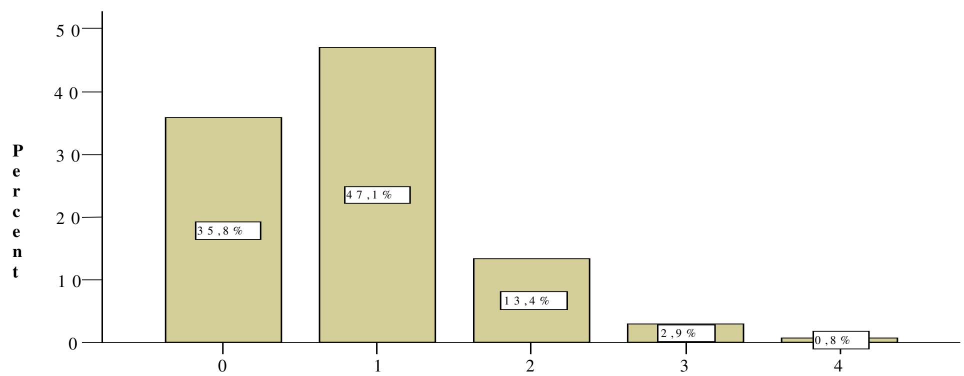

Figure 4.2. The Number of Foreign Languages Spoken by CEOs

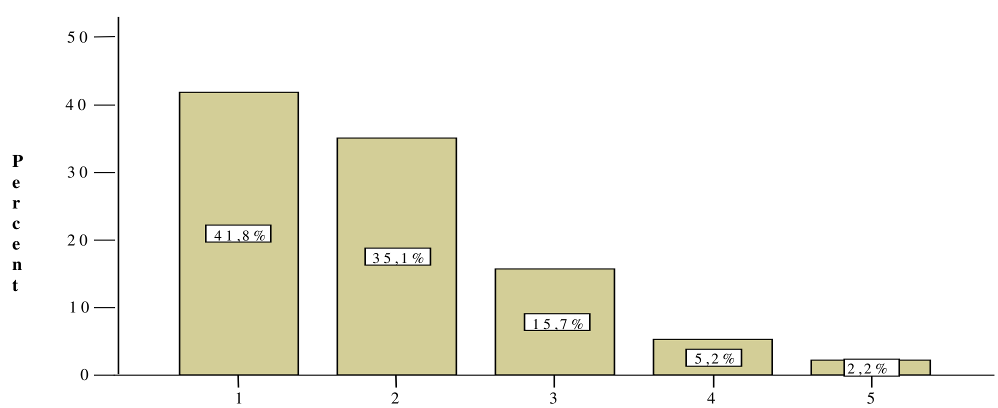

Figure 4.3. The Number of Foreign Languages Spoken by the Human Capital

4.2 Measure

The survey consisted of applying a questionnaire prepared by CILT (the UK National Center for Languages). The questionnaire was mainly comprised of seven sections. Only the details of the sections that were used in this study will be explained in the following parts. The entire questionnaire can be found in Appendix B.

The First Section: Firm Profile

The first section included questions about demographic measures, such as the age and size of the firm, whether it is a subsidiary of another firm, how many sectors it is operating in, its main line of business, how long it has been exporting, and how many countries it has been exporting to. The data obtained from this section were expected to provide information about the organizational characteristics of firms. There were specific questions from this section that were used in the analysis. These questions were: "How old is your firm?" (Q.1.5), "How many workers are employed in your firm?" (Q.1.6), "How long has your firm been exporting?" (Q.1.8), and "How many countries does your firm export to?" (Q.1.9).

The Second Section: The Use of Foreign Languages in the Firm

The second section included questions about the foreign language strategy of firms, their main markets and which languages they use in these markets, whether they hired employees with specific language skills for specific markets, whether they hired a foreign employee in order to compensate for a deficiency in a specific language, whether they used translators for business purposes, and whether they adapt their websites to foreign languages. The question "What is the percentage of your employees who speak 1, 2, 3 or more foreign languages?" (Q.2.5) was used in the analysis.

The Sixth Section: Top Managers

This section included questions that identified the CEO and human capital demographic characteristics, such as CEO age, tenure, level of education, and foreign language skills. These questions included “How old are the top executives in your firm?” (Q.6.2), “What is the education level of the your firm’s top executives?” (Q.6.3), “How long have the top executives been working in your firm?” (Q.6.4), “Specify your firm’s top executives’ number of industrial tenure by sectors” (Q.6.5), “How long have your firm’s top executives been in the position they hold now?” (Q.6.6), “How many languages do your firm’s top executives know?” (Q.6.7), and “Specify your firm’s top executives’ international experience by country and length of stay” (Q.6.8).

The Seventh Section: Financial Information

The last section included questions about the financial situation of firms in 2005. The questions were aimed to provide information about the total sales, foreign sales, total assets, total liabilities, and net profit or loss in 2005. Since most of the companies were reluctant to share information about these questions, the questions “What is the total revenue of your firm last year?” (Q.7.1), “What is the amount of the revenue that your firm made from foreign sales?” (Q.7.2) were the most frequently answered questions in this section. Since some companies regarded disclosing such information as a violation of their privacy policies, they did not provide any information related to the other questions. In cases where companies did not answer any of the questions about their financial situation, an additional question was asked to assess their foreign sales to total sales ratios. The question was “What is the proportion of your firm’s foreign sales to the total sales last year?” (Q.7.6). Although this question did not require revealing any financial data, four firms in the sample did not provide any answer to any of the questions related to the financial performance of the firm.

4.3 Procedure

The companies were first identified with the assistance of Bursa Chamber of Commerce and Industry, and Ankara Chamber of Commerce. Then the companies were classified according to the industries they operate in, so that the stratified sample would be representative of Turkey's export profile. Firm owners, general managers, export managers, or someone responsible from the export department was first contacted via telephone to explain the purpose and scope of the study, the importance of participating, and they were asked whether they would participate in the study. After taking their consent, a date was set to carry out the questionnaire. Some of the companies requested the questionnaire beforehand to make sure that they were willing to provide answers to all the questions.

Data were collected over a four-month period from July to October 2006. In the data collection process, the participants were ensured about the confidentiality of their responses (See Appendix A for the questionnaire information form).

After the data were collected, all companies from Ankara have been contacted by the project coordinator by phone to ask for the answers of the questions that were not filled by the research agency in the data collection process or to verify the information provided in the questionnaire.

4.4 Analyses

This study aimed at examining the association between CEO and human capital demographic characteristics and SME export performance. In examining these associations, the sample was divided into two groups in order to compare the differences in the export performance between firms. Therefore, hypotheses were tested with a series of t-tests in order to see whether the two groups significantly differed from each other.

In order to perform t-tests, the independent variables should be binary variables with two groups whereas the dependent variables should be interval or ratio variables. Both the dependent and independent variables in the sample satisfied this prerequisite. Along with the fact that t-tests are easy and straightforward, the rationale behind conducting t-tests to test the hypotheses was that t-tests are used to compare the differences between two means when the samples are randomly and independently selected from populations that are normally distributed and that population variances are equal (Berenson, Levine, & Krehbiel, 2006). Thus, the data were analyzed to check if all the aforementioned assumptions were satisfied in order to attain reliable results.

The procedure and ways followed in order to check how the data satisfied the assumptions for reliable t-tests will be explained in the next section, which presents the analysis variables, the results of the t-tests, and the discussion of the results.

4.4.1 Dependent Variables

The dependent variables in this study consisted of three single item measures: the foreign sales ratio, the number of countries exported, and the delay in exporting after start-up.

The *foreign sales ratio* was used in the analysis since it is one of the most commonly used dimension to measure a firm's export performance (Aaby & Slater, 1989). The foreign sales ratio shows the export intensity of a firm. It also addresses a firm's dependence on foreign markets (Carpenter, Sanders & Gregersen, 2001; Sambharya, 1996). Many researchers (e.g. Carpenter & Fredrickson, 2001; Reuber & Fischer, 1997) consider this ratio as a standard single item measure that indicates a firm's internationalization behavior. This measure was calculated by diving a firm's foreign sales to its total sales in the fiscal year 2005.

The *number of countries exported* was used as the second measure of a firm's export performance since this measure shows a firm's international dispersion. This measure was collected as the number of different countries to which a firm has been exporting until the end of fiscal year 2005.

The last measure of a firm's export performance was the *delay in exporting after start-up*. Delay in obtaining foreign sales after start-up was used as a behavioral export performance measure since it is believed that firms which aim at obtaining higher export performance would wait less for starting to export after they are established. This measure was calculated as the number of years the firm operated domestically before having any foreign sales (by subtracting the years that a firm has been exporting from the firm age).

Sullivan (1994) argues that multiple item measures should be used rather than using single items such as foreign sales as a percentage of total sales because he believes that a multiple-item measure would better capture a firm's internationalization behavior. On the other hand, Ramaswamy, Kroeck and Renforth (1996) criticize Sullivan on the grounds that aggregating components can mask the effects of individual components, and they argue that the index does not explain performance any better than existing single measures.

In light of the arguments presented above, in this study, the dependent variables were used as single items not only because it is believed that an index measure might neutralize the effect of individual measures, but also because these items did not have the same range and scale to be converted into a ratio measure.

4.4.2 Independent Variables

The independent variables used in this study consist of seven variables: the CEO age, CEO education level, CEO tenure, CEO foreign language skills, CEO international experience, human capital international experience, and human capital foreign language skills.

The *CEO age* was defined as the age of firm owners in 2005 provided by the respondents as there were no data available to check the date of birth of CEOs. The CEO age variable was divided into two groups by using the average CEO age as the cutoff point (*M*=50,08). Thus, CEOs who were younger than 50,08 years were classified in the first group whereas CEOs who were older than 50,09 years were in the second group.

The *CEO level of education* was measured on a five-point scale based on the highest degree earned (1= primary school, 2= secondary school, 3= high school, 4= undergraduate degree, 5= graduate degree). The education level was operationalized by coding it as a binary variable with CEOs having low education level (primary, secondary and high school degrees) in the first group and CEOs having high education level (undergraduate and graduate school degrees) in the second group.

The *CEO tenure* was gauged as the average tenure of CEOs' tenure in the organization, in the industry, and in the position. The organizational tenure was defined as the number of years a CEO had been with the organization. The tenure in the industry was defined as the number of years a CEO had work experience in the industry that constituted the firm's main line of business. The tenure in the position was defined as the number of years a CEO had the title of CEO. Since the entire sample consisted of family owned businesses and in almost all the firms the founders hold the CEO title, the tenure in the organization, industry, and position were highly correlated with each other ($r = .72$, $r = .74$, and $r = .91$, $p < .01$). Thus, the three tenures were summed and averaged to create an aggregate measure of CEO tenure. Then, the aggregate tenure measure was binary coded by taking the average tenure (M=20,31) as the cutoff point. Thus, CEOs having tenure less than 20,31 years were classified in the first group whereas CEOs having tenure more than 20,32 years were classified in the second group.

The *CEO foreign language skills* were measured as the number of foreign languages spoken by the CEOs. 48 of the CEOs in the sample spoke no foreign language whereas the rest spoke at least one foreign language. The number of foreign languages spoken by the CEOs varied between 1 and 4 languages. In order to code the number of foreign languages, two groups were created with CEOs speaking no foreign language in the first group whereas CEOs speaking at least one foreign language were classified in the second group.

The *CEO international experience* was gauged as the number of calendar years a CEO spent abroad on working, having education (formal school education and/or language training courses), and/or life experience other than work and education experience. The data were collected as life, work, and education experience abroad and then these years were summed to create an aggregate measure of international experience. Then this variable was operationalized by coding it as a binary variable with CEOs having no international experience in the first group, and CEOs with some international experience in the second group.

The *human capital international experience* was measured in the same way as the CEO international experience was measured. The data were collected as the life, work, and/or education experience of the human capital in the firm. The summed years of experience were coded as a binary variable. The human capital with no international experience was grouped in the first group whereas the human capital with some international experience was grouped in the second group.

Last, the *human capital foreign language skills* were gauged as the number of foreign languages spoken by the human capital in the export department. In the sample, the human capital spoke at least one foreign language in order to conduct export activities. The maximum number of foreign languages spoken by the human capital was five languages. Hence, this variable was coded as binary variable by taking 1 foreign language as the cutoff point. Firms employing human capital with one foreign language belonged to the first group whereas firms employing human capital with more than one foreign language belonged to the second group.

CHAPTER 5

ANALYSIS and RESULTS

5.1 Analytical Approach and Variables

Hypotheses were tested by running a series of t-tests in order to check whether there were differences in SME export performance with respect to differences in CEO age, tenure, level of education, international experience, foreign language skills, and human capital international experience and foreign language skills.

5.2 Results

From 147 firms participating to the study, 13 firms were excluded from the analysis as they did not meet the criteria specified by Cavusgil (1984) in order to generate a more homogenous sample and to leave out any factors which may confound the relationships investigated. Thus, although specified as a precondition to be a participant in the study, 5 firms employing more than 250 workers were excluded from the analysis since they violated the assumption to be considered as an SME. The rest of the 8 firms were excluded on the grounds that they were subsidiaries or divisions of larger concerns and they did not produce a final product of their own (Cavusgil, 1984). As a result, 134 firms were left in the data set.

Prior to analysis, the number of countries exported, foreign sales ratio, delay in exporting after start-up, CEO age, CEO tenure, CEO education level, CEO foreign language skills, CEO international experience, human capital foreign language skills, and human capital international experience were examined through SPSS for accuracy of data entry, missing values, outliers and assumptions of t-tests. Of the 10 variables in the data set, only the foreign sales ratio had 3% missing values. As the percentage of the missing values was below 5%, mean substitution technique was applied to replace the missing values.

Normality of the distributions was checked using histograms, descriptive statistics and normal Q-Q plots. Although the graphs did not indicate perfect normality, this assumption was assumed to be satisfactory as the Central Limit Theorem argues that distributions are approximately normal when N is large. Practice groups that consist of more than 30 cases are believed to satisfy the normality assumption (Berenson, Levine & Krehbiel, 2006). This assumption held true for all the groups in the sample, except for the CEO group with international experience that had 28 cases. The number of cases per group for each variable is presented in Table 5.1.

Table 5.1 The Number of Cases per Group

Groups	Number of cases	Total N
CEO age = low age group	60	129
CEO age = high age group	69	
CEO education level = low group	57	129
CEO education level = high group	72	
CEO tenure = low tenure group	71	129
CEO tenure = high tenure group	58	
CEO foreign language = 0 language group	46	129
CEO foreign language = 1+ languages group	83	
CEO international experience = no experience group	101	129
CEO international experience = some experience group	28	
Human capital foreign language = 1 foreign language group	54	129
Human capital foreign language = multiple foreign languages group	75	
Human capital international experience = 0 experience group	95	129
Human capital international experience = some experience group	34	

Equality of variance was tested through Levene's test for equality of variances. In 5 of the 21 t-tests conducted to test the hypotheses, the equal variance assumption was violated. In these cases, the adjusted t statistics with Satterthwaite approximations of degrees of freedom were reported. The results of the Levene's tests are presented in Appendix C. Fortunately, 3 of the 5 t-tests under the equal and unequal variance led to the same significant conclusion at the .05 level.

Five cases in the variable set were identified as univariate outliers because of their high *z* scores on the delay in exporting after start-up, number of countries exported, and foreign sales ratio. As the sample was quite big and z scores varied between 3,30 and 5,29, all of the univariate outliers were deleted from the variable set. By using Mahalonobis distance with $p < .001$, three cases were identified as multivariate outliers. Since all of the multivariate outliers were univariate outliers at the same time, they were already deleted from the variable set. With five outliers deleted, 129 cases remained for the analysis. After the outliers were deleted, normality improved in the data set. Additional explanations with regard to univariate and multivariate outliers in the variable set are presented in Appendix D.

5.2.2 Results of the Hypotheses

Prior to analysis, the participants were grouped on the basis of their scores on age (high and low age), education level (high and low education level), tenure (high and low tenure), international experience (no and some international experience), and number of foreign languages they speak (zero and some foreign languages). The means, standard deviations, and bivariate correlations for all variables are presented in Table 5.2 The data were analyzed with a series of t-tests for the CEO age, education level, tenure, international experience and foreign language skills, and the human capital international experience and foreign language skills as the grouping variables. The dependent variables were the foreign sales ratio, number of countries exported, and delay in exporting after start-up. The results of the t-tests are presented in Table 5.3.

Table 5.2 Descriptive Statistics and Bivariate Correlations[a]

Variable	Mean	S. D.	1	2	3	4	5	6	7	8	9
1. CEO age	50,14	11,27									
2. CEO education level	3,32	1,10	-,11								
3. CEO tenure	20,38	10,03	,74**	-,08							
4. CEO foreign language skills	0,87	0,83	-,17	,52**	-,09						
5. CEO international experience	1,00	3,16	,18*	,13	-,02	,09					
6. Human capital foreign language skills	1,91	1,00	-,10	-,02	-,04	,22*	,01				
7. Human capital international experience	1,80	4,91	-,15	-,05	-,06	-,12	-,02	,20*			
8. Foreign sales ratio	0,30	0,25	-,09	-,09	-,17	,14	,11	,16	-,04		
9. Number of countries exported	9,12	7,77	-,01	-,01	,07	,03	,03	,34**	,04	,24**	
10. Delay in exporting after start-up	11,74	10,27	,15	,07	,48**	,04	-,05	,05	,08	-,22*	,04

[a] $N = 129$.
*$p< .05$; **$p< .01$.

Table 5.3 The Results of t-tests

Hypothesis	Grouping variable	Test variable	t	df	Sig. (2-tailed)
Hypothesis 1a	CEO tenure	FS ratio	2,482	120,886	,014
		Number of countries	-0,051	127	,959
Hypothesis 1b		Delay in exporting	-6,153	98,986	,000
Hypothesis 1c	CEO tenure	FS ratio	Contrary to Hypothesis 1a		
		Number of countries			
Hypothesis 1d		Delay in exporting	Contrary to Hypothesis 1b		
Hypothesis 2a	CEO age	FS ratio	1,736	127	,085
		Number of countries	0,822	106,086	,413
Hypothesis 2b		Delay in exporting	-1,393	125,697	,166
Hypothesis 2c	CEO age	FS ratio	Contrary to Hypothesis 2a		
		Number of countries			
Hypothesis 2d		Delay in exporting	Contrary to Hypothesis 2b		
Hypothesis 3a	CEO education level	FS ratio	0,419	127	,676
		Number of countries	-0,401	127	,689
Hypothesis 3b		Delay in exporting	-0,322	127	,748
Hypothesis 4a	CEO international experience	FS ratio	-0,791	127	,430
		Number of countries	-0,267	127	,790
Hypothesis 4b		Delay in exporting	-0,047	127	,963
Hypothesis 5a	CEO foreign language skills	FS ratio	-1,544	127	,125
		Number of countries	-0,954	127	,342
Hypothesis 5b		Delay in exporting	0,061	127	,951
Hypothesis 6a	Human capital foreign language skills	FS ratio	-1,484	127	,140
		Number of countries	-3,487	126,249	,001
Hypothesis 6b		Delay in exporting	0,816	127	,416
Hypothesis 7a	Human capital international experience	FS ratio	-0,102	127	,919
		Number of countries	-1,056	127	,293
Hypothesis 7b		Delay in exporting	-1,018	127	,310

Hypothesis 1a expected that low-tenured CEOs would be associated with SMEs which have higher export performance. This hypothesis was partially supported. The t-test yielded a significant effect for the CEO tenure on the foreign sales ratio, t (120,886)= 2,482, p< .05. SMEs managed by low-tenured CEOs reported higher foreign sales ratio (*M*= 0, 35, *SD*= 0,29) than SMEs managed by high-tenured CEOs (*M*= 0,25, *SD*= 0,19) (see Appendix E for the mean results of t-tests). On the other hand, there was no significant effect for the CEO tenure on the number of countries exported, t (127) = -0,051. As a result, SMEs managed by low-tenured CEOs did not significantly differ from SMEs managed by high-tenured CEOs in terms of the number of countries exported.

Hypothesis 1b expected that low-tenured CEOs would be associated with SMEs which delay less in exporting after start-up. This hypothesis was supported. The result of the t-test yielded a significant effect for CEO tenure on the delay in exporting after start-up, t (98,986) = -6,153, p< .05. SMEs which were managed by low-tenured CEOs delayed less (M= 7,19, SD= 7,42) in selling to markets abroad after start-up than SMEs which were managed by high-tenured CEOs (M= 17,31, SD= 10,58).

Hypothesis 1c and Hypothesis 1d put forward the aforementioned hypotheses in the opposite direction as they were based on RBV arguments. Hypothesis 1c expected that high-tenured CEOs would be associated with SMEs which have higher export performance. The result of the t-test yielded a significant effect for the CEO tenure on the foreign sales ratio, t (120,886)= 2,482, p< .05. On the contrary, however, low-tenured CEOs were associated with SMEs which reported higher foreign sales ratio (M= 0,35, SD= 0,29) than SMEs managed by high-tenured CEOs (M= 0,25, SD= 0,19). There was no significant effect for the CEO tenure on the number of countries exported, t (127) = -0,051. As a result, the hypothesis of upper echelons perspective was partially supported. Hypothesis 1d expected that high-tenured CEOs would be associated with SMEs which delay less in selling to markets abroad after start-up. Once again, the t-test yielded no significant effect for the CEO tenure on the delay in exporting after start-up.

Hypothesis 2a expected that younger CEOs would be associated with SMEs which have higher export performance. This hypothesis found no support as the t-tests yielded no significant effects for the CEO age on the foreign sales ratio,
t (127) = 1,736, and the number of countries exported, t (106,086) = 0,822. SMEs managed by younger CEOs did not significantly differ from SMEs managed by older CEOs in terms of attaining higher foreign sales ratio. Moreover, SMEs managed by younger CEOs did not significantly differ from SMEs managed by older CEOs in terms of exporting to more countries.

Hypothesis 2b expected that younger CEOs would be associated with SMEs which delay less in selling to markets abroad after start-up. This hypothesis was not supported by the result of the t-test. The t-test yielded no significant effect for the CEO age on the delay in exporting after start-up, t (125,697) = -1,393. The result indicated that SMEs managed by younger CEOs did not significantly delay less in exporting after start-up than SMEs managed by older CEOs.

Hypothesis 2c and Hypothesis 2d held contrary arguments to the Hypotheses 2a and 2b. The results of the t-tests yielded no significant effects for CEO age on the foreign sales ratio, the number of countries exported, and the delay in exporting after start-up. On the overall, the results of Hypotheses 2a-2d did not yield any support for the arguments put forward neither by upper echelons perspective nor RBV.

Hypothesis 3a expected that CEOs with high education level would be associated with SMEs which have higher export performance. This hypothesis found no support as the t-tests yielded no significant effects for the CEO formal education level on the foreign sales ratio, t (127) = 0,419, and on the number of countries exported, t (127) = -0,401. These results indicated that SMEs managed by CEOs with high education level did not significantly differ from SMEs managed by CEOs with low education level in terms of attaining higher foreign sales ratio and exporting to more countries.

Hypothesis 3b expected that CEOs with high education level would be associated with SMEs which delay less in selling to markets abroad after start-up. This hypothesis was not supported as the t-test yielded no significant effect for the CEO education level on the delay in exporting after start-up, t (127) = -0,322. This illustrated that SMEs managed by CEOs with high education level did not delay less in obtaining foreign sales after start-up than SMEs managed by CEOs with low education level. As a result, the hypotheses put forward neither by upper echelons perspective nor RBV did not find any support for the CEO education level on the SME export performance.

Hypothesis 4a expected that CEOs with international experience would be associated with SMEs which have higher export performance. This hypothesis found no support as the t-tests yielded no significant effects for the CEO international experience on the foreign sales ratio, t (127) = -0,791, and the number of countries exported, t (127) = -0,267. The results showed that SMEs managed by CEOs with international experience did not significantly differ from SMEs managed by CEOs with no international experience in terms of attaining higher foreign sales ratio and exporting to more countries.

Hypothesis 4b expected that CEOs with international experience would be associated with SMEs which delay less in selling to markets abroad after start-up. This hypothesis was rejected since the t-test yielded no significant effect for the CEO international experience on the delay in exporting after start-up, t (127) = -0,047. In other words, SMEs managed by CEOs with international experience did not significantly differ from SMEs managed by CEOs with no international experience in terms of delaying less in obtaining foreign sales after start-up.

Hypothesis 5a expected that CEOs with foreign language skills would be associated with SMEs which have higher export performance. This hypothesis was not supported as the results of the t-tests did not yield any significant effects for the CEO foreign language skills on foreign sales ratio, t (127) = -1,544, and the number of countries exported, t (127) = -0,954. The results showed that SMEs managed by CEOs with foreign language skills did not significantly differ from SMEs managed by CEOs with no foreign language skills in terms of attaining higher foreign sales ratio and selling to more countries.

Hypothesis 5b expected that CEOs with foreign language skills would be associated with SMEs which delay less in exporting after start-up. This hypothesis found no support as the result of the t-test showed that there was no significant effect for the CEO foreign language skills on the delay in selling abroad after start-up, t (127) = 0,061. In other words, SMEs managed by CEOs with foreign language skills did not significantly delay less in exporting after start-up than SMEs managed by CEOs with no foreign language skills.

Hypothesis 6a expected that human capital with multiple foreign language skills would be associated with SMEs which have higher export performance. This hypothesis was partially supported as the result of t-test yielded a significant effect for the human capital foreign language skills on the number of countries exported, t (126,249) = -3,487, $p < .05$. This result indicated that SMEs employing human capital with multiple foreign language skills exported to more countries (M= 10,95, SD=8,56) than SMEs employing human capital speaking only one foreign language (M=6,57, SD=5,68). On the other hand, there was no significant effect for the human capital foreign language skills on the foreign sales ratio, t (127) = -1,484. Put differently, SMEs employing human capital with multiple foreign language skills did not significantly differ from SMEs employing human capital with only one foreign language in attaining higher foreign sales ratio.

Hypothesis 6b expected that human capital with multiple foreign language skills would be associated with SMEs which delay less in selling to markets abroad after start-up. The hypothesis was not supported as the t-test did not yield a significant effect for the human capital foreign language skills on the delay in exporting after start-up, t (127) = 0,816. Thus, it can be concluded that SMEs employing human capital with multiple foreign language skills did not significantly delay less in selling to markets abroad after start-up than SMEs employing human capital with only one foreign language.

Hypothesis 7a expected that human capital with international experience would be associated with SMEs which have higher export performance. The hypothesis was rejected as the results of the t-tests did not yield any significant effects for the human capital international experience on the foreign sales ratio, t (127) = -0,102, and the number of countries exported, t (127) = -1,056. Hence, it can be concluded that SMEs employing human capital with international experience did not significantly differ from SMEs employing human capital with no international experience in terms of attaining higher foreign sales ratio and exporting to more countries.

Last, Hypothesis 7b expected that human capital with international experience would be associated with SMEs which delay less in selling to markets abroad after start-up compared to SMEs employing human capital with no international experience. This hypothesis was rejected as the t-test yielded no significant effect for the human capital international experience on the delay in exporting after start-up, t (127) = -1,018. As a result, it can be argued that SMEs employing human capital with international experience did not significantly delay less in obtaining foreign sales after start-up than SMEs employing human capital with no international experience.

5.3 Overview of the Findings

The major purpose of this study was to investigate the association between CEO age, tenure, education level, foreign language skills, and international experience and SME export performance. The second aim was to investigate the associations between human capital foreign language skills and international experience and SME export performance.

The CEO tenure was negatively associated with foreign sales ratio. However, there was no association between the CEO tenure and the number of countries exported. As for the delay in exporting after start-up, the CEO tenure was positively associated with it. Unexpectedly, however, there was no association between the CEO age and the foreign sales ratio, number of countries exported, and delay in exporting after start-up. Similar to the CEO age, the CEO level of education showed no association with the foreign sales ratio, number of countries exported, and delay in exporting after start-up. As far as the effect of the CEO international experience is considered, there was no association between the international experience of top executives and the foreign sales ratio, number of countries exported, and delay in exporting after start-up. The effects of the CEO foreign language skills did not turn out to be as expected. There was no association between the CEO foreign language skills and the foreign sales ratio, number of countries exported, and delay in exporting after start-up either.

The human capital foreign language skills were positively associated with the number of countries exported whereas there was no association between the human capital foreign language skills and the foreign sales ratio. Again, there was no association between the human capital foreign language skills and delay in exporting after start-up. As for the effect of human capital international experience, there was no association between the human capital international experience and foreign sales ratio, number of countries exported, and delay in exporting after start-up.

5.4 Discussion

Hypothesis 1a was about the CEO tenure and SME export performance expressed in the foreign sales ratio and number of markets exported. This hypothesis was partially supported in the direction posited by upper echelons perspective. That is, SMEs that were managed by low-tenured CEOs attained higher export performance reflected in foreign sales ratio. Hence, it can be argued that CEOs with low tenure are more open-minded (Hambrick & Fukutomi, 1991) and they are less risk averse and less committed to the status quo (Michael & Hambrick, 1992). CEOs with low tenure are less bound by conventional ways of gathering and screening information, that is, their mental structures are less rigid when compared to their long-tenured counterparts (Boeker, 1997). These qualities make them more receptive to change which in turn increase their dynamism and flexibility in terms of taking risks and dealing with ambiguities associated with exporting. Hence, it can be expected that SMEs which have better export performance would be managed by CEOs with low tenure as they would seek more export opportunities and they would be more inclined to implement risky strategies that would yield higher export performance.

Hypothesis 1b was about the CEO tenure and delay in exporting after start-up. This hypothesis was supported in the direction posited by upper echelons perspective. That is, SMEs which delay less in obtaining foreign sales after start-up are associated with CEOs that have low tenure. Since low tenured CEOs are less risk averse, they would be more willing to search for alternatives and formulate export strategies. Moreover, they would resort to different ways of gathering information with respect to export opportunities. Thus, low-tenured CEOs would initiate export activity sooner than their counterparts with high tenures.

Hypothesis 1c and 1d were derived from the arguments based on RBV of the firm. Since the aforementioned hypotheses were supported, RBV found no support with respect to the effects of CEO tenure on the SME export performance. It can be argued that in the context of Turkish exporting SMEs, CEO tenure is negatively linked to the export performance of the firm. That is, high tenure implies risk aversion, commitment to the status quo, rigid cognitive structures, resorting to past practices and casual means of gathering and evaluating information, rather than having more valuable industry- and firm-specific knowledge, and experience.

Hypothesis 2a was based on the arguments put forward by upper echelons perspective. It was about the association between the CEO age and SME export performance reflected in foreign sales (negatively) and number of markets exported (negatively). This hypothesis was not supported. Although the correlations between CEO age and foreign sales ratio and number of countries exported were negative, they were not statistically significant. In other words, SMEs which have higher export performance are run by both young and old CEOs. Hypothesis 2b was about the association between the CEO age and delay in exporting. Again, this hypothesis was not supported. Although the correlation between the CEO age and delay in exporting was negative as posited by upper echelons perspective, it was not statistically significant. One explanation for such an insignificant linkage between the CEO age and SME export performance could be that some demographic variables have more effect on the firm's export performance such that others cannot influence the performance (Manolova *et al.*, 2002). Similarly, Karami, Analoui, and Kakabadse (2006) found no significant relationship between CEO age and firm performance, however they found a significant correlation between CEO age and CEOs' pursuit of riskier and more innovative strategies. Therefore, age plays an important role for determining the scope of the strategy chosen by CEOs. This relationship holds true for SMEs that are exporting. The ages of managers are expected to be negatively correlated with the degree of creativity and choosing riskier strategies. Younger CEOs would be more willing to formulate risky export strategies that would result in higher export performance. It can be concluded that CEO age has an indirect effect on the export performance of the firm.

Hypotheses 2c and 2d were generated contrary to hypotheses 2a and 2b since RBV and upper echelons perspective hold opposite views with respect to the effect of CEO age on the export performance of the firm. These hypotheses were not supported. In fact, the results of the statistical tests did not reveal any statistical support neither for RBV nor for upper echelons perspective.

As far as the effect of CEO education level on the export performance of SMEs is considered, it was expected that both RBV and upper echelons perspective would hold parallel views. Hypothesis 3a expected a positive association between CEO education level and SME export performance. This hypothesis was not supported. It seems that SMEs having higher export performance were managed both by CEOs with low and high education level. This result is consistent with the findings of Karami, Analoui, and Kakabadse (2006) and Maes, Sels & Roodhooft (2005) that there is no significant relationship between the education level of top executives and the firm performance. Hypothesis 3b was about CEO education level and delay in exporting after start-up. This hypothesis was not supported. One explanation for the insignificant association between CEO education level and the export performance could be that the education level on its own cannot influence export performance since managerial practices that affect organizational outcomes are cross products of several managerial characteristics (Karami, Analoui, & Kakabadse, 2006). Therefore, for instance, the combined effects of CEO tenure and education level could yield better results.

Since RBV has generated parallel arguments to the value of international experience in contributing to a firm's competitive advantage, parallel hypotheses were derived from RBV and upper echelons perspective. Hypothesis 4a was about the positive linkage between CEO international experience and SME export performance. This hypothesis was not supported, contrary to Sambharya's (1996) and Schlegelmilch and Ross's (1987) findings. Hypothesis 4b was about the negative effect of CEO international experience on the delay in obtaining foreign sales after start-up. This hypothesis was not supported, contrary to the findings of Reuber and Fischer (1997).

One explanation for the insignificant relationship between CEO international experience and export performance could be that international experience does not necessarily imply international orientation which is regarded as a prerequisite to initiate and succeed export activities. Another explanation for the insignificant relationship between CEO international experience and export performance could be due to the measurement of international experience. In the upper echelons literature, there is some evidence (e.g. Calof & Beamisg, 1994) that international experience, in terms of international work assignments, is likely to play a crucial role in influencing export performance. Measuring international experience by aggregating work, life, and education experience may not be the best way of testing the effect of international experience. International work assignments might have had a significant association with export performance. Last, when the sample sizes for the CEO groups with no international experience (N = 101) and some international experience (N = 28) are considered, it can be argued that the results of the t-test may not be as robust as it was expected because 78% of CEOs in the sample do not have any international experience. Consequently, the CEO international experience may have ended up having an insignificant association with export performance.

Hypotheses 5a and 5b were generated from parallel arguments put forward by RBV and upper echelons perspective. Hypothesis 5a expected a positive association between CEO foreign language skills and SME export performance. Contrary to

Leonidou, Katsikeas and Piercy's (1998) findings that foreign language skills have clearer effects than any of the more general management background characteristics of age, education, or prior work experience, this hypothesis was not supported. Hypothesis 5b was about the negative linkage between the CEO foreign language skills and the delay in exporting after start-up. Again, this hypothesis was not supported. That is, SMEs, which delay less in exporting, are run both by CEOs with no or some foreign language skills. One explanation could be that CEO foreign language skills do not have a significant effect on the SME export performance as CEOs directly do not conduct the export activities. It is the human capital that carries out the export activities, therefore, their language skills are more likely to influence the firm's export success since human capital foreign language skills enable firms to identify customer needs better, to negotiate more effectively with customers, and to develop long-term relationships with customers (Turnbull & Welham, 1985). However, a positive correlation ($r= .22$, $p< .05$) was found between CEO foreign languages skills and human capital foreign language skills. This indicates that CEO foreign language skills indirectly influence SME export performance as CEOs with multiple language skills (one or more foreign languages) are more likely to employ human capital with two or more foreign languages which in turn positively affects the export performance of the firm. Another explanation could be that, rather than the number of foreign languages spoken by the CEO, the proficiency level of the languages spoken can play a more important role.

Hypothesis 6a and 6b introduced a new actor in the strategic management field that was expected to enhance the firm's export performance. Thus, parallel hypotheses were generated with respect to the effects of the export staff on the SME export performance. Hypothesis 6a predicted a positive relation between the human capital foreign language skills and the SME export performance. This hypothesis was partially supported. That is, SMEs which export to more markets employ human capital that has multiple foreign language skills. However, SMEs that have higher foreign sales ratio employ human capital with one or multiple foreign language skills. The relationship between human capital foreign language skills and the number of markets exported illustrates how the skills of the human capital can contribute to a better export performance. Human capital with multiple foreign language skills are likely to help the firm attain foreign sales in more markets as the foreign language skills of the human capital provide firms with better understanding of customer needs and market practices, facilitate communicating and negotiating, and help firms to build trust-based relationships. As a result, SMEs attain foreign sales in more various countries.

On the other hand, hypothesis 6b predicted a negative relationship between the human capital foreign language skills and the delay in exporting after start-up. This hypothesis was not supported. In other words, SMEs which delay less in obtaining foreign sales after start-up employ human capital both with one or more multiple foreign language skills. One reason for this statistically insignificant relationship could be that human capital foreign language skills do not play a critical role when top executives formulate strategies to initiate export activity. Top executives probably take other resources, such as capital availability or product stocks, into consideration when they decide to start exporting. Thus, the foreign language skills of the human capital may help firms to expand the number of foreign markets, but they might not influence the decision to start exporting.

Last, hypotheses 7a and 7b emphasized the role of human capital international experience in enhancing the export performance of the firm. Hypothesis 7a expected a positive association between the human capital international experience and the SME export performance. This hypothesis was not supported. That is, SMEs, which have higher export performance, employ human capital with both no or some international experience. Hypothesis 7b was about the negative relationship between human capital international experience and delay in exporting after start-up. Again, this hypothesis was not supported. In general, one explanation for the statistically insignificant relationship between human capital international experience and export performance could be that when top executives formulate export strategies they do not refer to the international experience of the human capital. Put differently, the international experience of the human capital is not likely to play an important role for setting up the stage for exporting. Moreover, when the sample sizes for the human capital groups with no international experience (N = 95) and some international experience (N = 34) are considered, it can be argued that the results of the t-test may not be as robust as it was expected because 74% of human capital in the sample does not have international experience at all. As a result, the international experience of the human capital may have ended up with no influence on the export performance of the firm.

On the overall, some criticisms directed to upper echelons perspectives emerged in the strategic management field. Recent studies have called for including much richer variables that will provide more difficult but more rewarding proxies such as psychogrpahic variances and processes (Pettigrew, 1992; Priem, Lyon, & Dess, 1999). It is further argued that demographic characteristics cannot explain how, and when they proxy cognitions and values (Lawrence, 1997). Demographic indicators lack explanatory power, they are only used for prediction, thus there is great need for studies that explore how upper echelons' demographics interact with each other, with the intervening processes, and how their effects have cumulative impact on organizational outcomes (Carpenter, Geletkanycz, & Sanders, 2004; Lawrence, 1997). Hambrick and Mason (1984) accept that demographic variables are noisy indicators of the cognitive understandings, values, and perceptions. However, they contend that in spite of being noisy/blurry indicators, if they still produce significant results, it means that they have passed stringent tests. This argument indicates that demographic characteristics can still be used as proxies of cognitive structures, values, personalities and perceptions.

CHAPTER 6

CONCLUSION

6.1 Limitations of the Study

The limitations of this study should be acknowledged while interpreting the findings and setting the direction for future research. The results of this study should be interpreted cautiously as the results of t-tests are not very robust. The t-tests are very simplistic and there are a large number of hypotheses tested which may in turn affect the robustness and significance of the tests. The limitations are related to the design of the study and data collection procedure, which may affect the generalizability and applicability of the results.

The first limitation of this research comes from the absence of a causality test. Causality cannot be assessed because the data were obtained at a specific moment, so only positive or negative associations between the variables can be studied. A longitudinal study instead of cross-sectional one would test the cause-effect relations and could have produced stronger results between the proposed variables.

The second limitation of this study comes from the sample itself. The sample consisted of two cities, Bursa and Ankara, which are the second and sixth major exporting cities, respectively, according to the 2005 export statistics provided by the Undersecretariat of Foreign Trade. This approach limits the generalizability of the results for Turkey. In order to improve the representativeness of the sample, SMEs from Istanbul (the biggest exporter), Izmir (the third major exporter), Izmit (the fourth major exporter), and Sakarya (the fifth major exporter) could be included. Due to resource and time limitations, this was not possible at the time when this study was conducted.

The third limitation was about the way that the data were obtained. The data of this study relied on the self reports of SME top executives through surveying them. This method was chosen because there was no other source (e.g. archival data) to provide detailed information about the financial situation of SMEs with respect to 2005, and demographic data about the top managers. Self report answers may have caused common method bias in the study. Furthermore, the absence of archival data led to question the reliability of the answers about the financial (e.g. foreign sales, total sales, profit/loss), organizational (e.g. how long it has been exporting, how many countries it exports to) and employee (e.g. how many languages are spoken by the export staff) related factors. It is common for privately owned firms (e.g. SMEs) not to disclose performance data and firm owner-managers are very sensitive about releasing important information (Dess & Robinson, 1984). Dhanaraj and Beamish (2003) point to the same problem by arguing that while small firms are willing to disclose the number of employees, they generally are unwilling to disclose exact sales figures. Moreover, it is argued that even if performance-related information is obtained from privately-held firms, there is greater risk of error attributable to varying accounting procedures in these firms (Dess & Robinson, 1984). The problem with obtaining objective data from SMEs may have limited the association between the demographic characteristics and export performance measures.

The last limitation of this study is the problem of controlling for the industry and city. Research by Lieberson and O'Connor (1972) provides evidence that the profitability of an industry within which a firm operates is a significant predictor of firm profitability. Therefore if comparisons are made across firms without controlling for industry profitability, then the effects of interindustry and intraindustry may be biased (Beard & Dess, 1981). This fact is likely to hold true for the case of export performance. Firms in different industries may exhibit different forms of export behavior in different parts of the country. It may be necessary to examine the export behavior on an industry-by-industry basis to see if there is an industry bias. Such an analysis could provide better and more objective results for the association between the proposed variables.

6.2 Implications for Future Research

Along with its limitations, this study brings about some directions for future research. Since this study is based on a limited sample drawn from two cities, it would be useful to repeat this study in other cities to see whether these conclusions hold in other populations. Through a repeated analysis interindustry and intraindustry differences that may affect the export behavior of SMEs could be assessed more objectively across different cities.

There are some alternative analyses that can be conducted to test the association between demographic characteristics and export performance measures. First, the independent variables can be 3-partied split by assigning each group 33% of the sample cases. Then, the associations between demographic indicators and export performance measures can be tested within those three groups. Second, some composite variables can be created from the independent variables in order to assess the combined effects of the composite variables on the export performance measures.

Future research that is concerned with establishing the relationship between managerial characteristics and export performance should incorporate a wider range of performance measures and then test for the validity of the measures used. In this study, performance measures were the foreign sales ratio, the number of countries exported, and the delay in exporting after start-up. More objective measures such as export profitability, return on investment (ROI), and return on assets (ROA) could be used to test the association between managerial characteristics and export performance of the firm. Apart from objective measures, Dess and Robinson (1984) suggest using subjective measures in order to capture a more holistic view of company performance and to substitute for cases where objective measures cannot be obtained. For instance, Cavusgil and Zou (1994) have expanded the traditional export performance research by including both objective and subjective measures which helps to capture a broader range of export performance dimensions. A similar approach to that of Cavusgil and Zou can be adopted in a future research in order to assess the relationship between managerial characteristics and a broader range of export performance measures.

Future studies that aim to assess the relationship between managerial characteristics may shift the focus of the unit of analysis from the firm to top managers. Such a study may use the export performance as the independent variable and investigate whether managerial characteristics differ between different performance levels (e.g. low and high exporters). The study could be carried forward by assessing the differences in managerial characteristics between exporting and non-exporting SMEs to see if there are any discriminating characteristics between top managers.

Finally, since the demographic characteristics are criticized for being noisy indicators of top executives' cognitive structures and values, a future research that is concerned with analyzing the relationship between managerial characteristics and export performance could focus on different dimensions of managerial characteristics. For instance, analyzing the combined effects of managerial demographics and international orientation on SME export performance, or the combined effects of managerial demographics and international business skills on SME export performance may facilitate the understanding of the impact of managerial characteristics and export performance.

6.3 Concluding Remarks

Along with their specific characteristics that distinguish them from large firms, SMEs are sources of employment, innovation, and GDP (see Table 1.3). Due to the effects of globalization, foreign firms have entered into local markets which in turn intensified both domestic and international competition. Globalization has created both opportunities and threats for SMEs to expand their activities into foreign markets. One of the most frequent ways for SMEs to enter the international arena is through exporting (Bodur & Cavusgil, 2001; Hollenstein, 2005). Therefore, understanding the export behavior of SMEs has become an important topic for researchers and practitioners.

To this end, this study investigated the determinants of the export behavior of Turkish SMEs. As it is long accepted that managerial characteristics play a dominant role in influencing the export behavior of SMEs (e.g. Aaby & Slater, 1989), the relationships between managerial demographic characteristics and SME export performance were examined. While doing this, two distinct perspectives, upper echelons perspective and RBV, were sought to be integrateed with respect to the impact of demographic characteristics on organizational outcomes. Particularly, the relationships between CEO age, tenure, education level, international experience, and foreign language skills and SME export performance were analyzed. Moreover, the strategic importance of the human capital demographic characteristics has been identified both in RBV and upper echelons perspective context. The foreign language skills and international experience of the human capital have been examined as the potential determinants of SME export behavior.

As a result of statistical tests, it was found that CEO tenure has a negative relationship with the export performance of the firm, a finding that supports the propositions put forward by upper echelons perspective. Moreover, it was found that the foreign language skills of the human capital have a positive association with the export performance of the firm, a finding that is supported both by RBV and upper echelons perspective. No significant results were found for the relationships between CEO age, education level, international experience, foreign language skills, and human capital international experience and the export performance of the firm.

This study has important implications for top managers in SMEs and for decision makers in governmental institutions. SMEs, which plan to grow and increase their export performance, could strive to better match their strategies with top managers' characteristics. This study also illustrated the significance of human resources as contributors to organizational performance. Thus, SME executives and governmental institutions should design training programs that address the needs of the human capital for specific foreign languages and aim to decrease their deficiencies in foreign languages. Foreign language training programs may enable SMEs to acquire a competitive advantage in foreign languages which in turn may increase the number of markets exported. Moreover, the quality of the personnel carrying out export activities may increase as a result of these training programs.

This study showed that top executives are important to organizations, as they are able to influence organizational outcomes to a certain extent. Boswell (1973, cited in Child, 1974) argues that there are various factors at work that influence performance, then, no single factor is likely to have much effect on its own. Given the macro-economic, social, and political factors that shape the business life, the individual CEO in SMEs can to a very limited extent influence the environment, and in most situations, CEOs must consider the macro-parameters as given constraints (Aaby & Slater, 1989). Thomas (1988) contends that leaders do matter in the boundaries set by organizational size and other environmental factors. On the overall, the argument whether leaders make a difference through their strategies choices should move beyond to assess to what extent leaders make a difference. "…a focus on top executives stands to strengthen immensely our abilities to understand many corporate phenomena. We can improve our models of strategy formulation and selection, our understanding of the critical ingredients for strategy implementation, the factors that distinguish between energetic and lethargic organizations, and ultimately, the determinants of organizational performance" (Hambrick, 1989, p. 13).

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APPENDICES

APPENDIX A

ELAN QUESTIONNAIRE COVER LETTER

ELAN – European Languages in Enterprise

Avrupa Birliği'ne üye ve üye olmaya aday olan ülke firmaları üzerine yapılan araştırmalar, bu firmaların yabancı dil bilgisi eksikliğinden dolayı özellikle yeni ve gelişmekte olan pazarlarda iş kaybına uğradıklarını göstermektedir. Avrupa Birliği Komisyonu üye ve üye olmaya aday ülkelerin firmalarına yabancı dil bilgi ve becerilerini geliştirmek için destek olmaya karar vermiştir. Bu süreçte ilk aşama fırmaların yabancı dil ihtiyaçlarının tespitidir.

ELAN projesi Avrupa Birliği Komisyonu tarafından düzenlenmiş ve yabancı dil bilgisinin ticaret üzerine etkilerini saptamayı amaçlayan bir çalışmadır. Az sayıda firma bu çalışmaya katılmaya davet edilmektedir. Bu çalışma 30 ülkede Ticaret Odaları'nın işbirliğiyle yürütülmektedir ve çalışmanın sonuçları Avrupa Birliği Komisyonu'na teslim edilecektir. Çalışmanın Türkiye ayağı Orta Doğu Teknik Üniversitesi, İşletme Bölümü öğretim üyesi Dr. Pınar Acar tarafından yürütülmektedir.

Avrupa Birliği Komisyonu bu çalışmanın sonuçlarını göz önüne alarak üye ve üye olmaya aday olan ülkelerin firmalarına destek olmaya yönelik programlar geliştirecektir. Ayrıca, bu çalışmanın sonuçları önümüzdeki 10 yıl boyunca dil eğtimi ile ilgili progrmaların gelişimine yarar sağlayacaktır.

Bu anket ELAN projesinin önemli bir parçasıdır. Görüşleriniz Avrupa Birliği'nde dil politikalarını belirlemekte çok önemlidir. Bu sebepten ötürü her soruya yanıt vermeniz ve soruları içtenlikle ve dürüstçe cevaplamanız çok önemlidir. Anketi tamalamak sadece 15 dakikanızı alacaktır. Anket aşağıdaki konuları kapsamaktadır:

- Firmanızın yabancı dil bilgisine erişebilirliği
- Firmanızdaki yabancı dil bilgisinin ihracat pazarlarına uygunluğu
- Firma elemanlarının hangi düzeyde dil eğitimi aldıkları veya almalarının planlandığı
- Avrupa içinde ve dışında hangi pazarlara ihracat yapılması planladığı

Bu çalışmada toplanan veriler sadece bilimsel amaçla kullanılacaktır ve yanıtlar sadece ilgli araştırmacı tarafından görülecektir. Kurum ve irtibat isimleri tamamen gizli tutulacaktır.

Anket katılımcıları eğer isterlerse çalışma tamamlandıktan sonra, araştırma sonuçlarının bir özetini temin edebilirler. Katılımcı anket sonuçlarının özetini istiyor mu?

☐ Evet ☐ Hayır

Bu ankete yönelik sorularınızı ve görüşlerinizi telefon ile (312) 210 2052 veya elektronik posta ile pacar@metu.edu.tr adresinden Dr. Pınar Acar'a Orta Doğu Teknik Üniversitesi, İşletme Bölümü ulaştırabilirsiniz.

Anketimize katıldığınız için çok teşekkür ederiz.

APPENDIX B

ELAN: EFFECTS ON THE EUROPEAN ECONOMY OF SHORTAGES OF FOREIGN LANGUAGE SKILLS IN ENTERPRISE QUESTIONNAIRE

ELAN
Avrupa Firmalarında Yabancı Dil Bilgisi

Cevaplıyan Kişinin Adı	
Firmanın Adı	
Firmanın Adresi	

Tel no	
Faks no	
E-Posta	
Websitesi	

1.0 ÜNVAN, FIRMA & TİCARET PROFİLİ

1.1 İş ünvanınız nedir?	Murahhas Aza/Firma Sahibi	İhracat Müdürü	Genel Müdür	Sekreter	Diğer:

1.2 Kaç yıldır bu firmada çalışıyorsunuz?	5 yıldan az	5 – 10	10 – 15	16 – 20	20 yıldan çok

1.3 Firmanız başka bir firmanın şubesi mi? Evet ise, genel müdürlüğünüz hangi ülkede bulunmaktadır:				EVET	HAYIR
Avustralya	Avusturya	Belçika	Brezilya		
Bulgaristan	Kanada	Çin	Çek Cumhuriyeti		
Danimarka	Mısır	Estonya	Finlandiya		
Fransa	Almanya	Yunanistan	Macaristan		
Hindistan	İrlanda	İtalya	Japonya		
Latin Amerika	Letonya	Litvanya	Lüksemburg		
Malta	Orta Doğu	Hollanda	Norweç		
Polonya	Portekiz	Romanya	Rusya		
Slovakya	Slovenya	Güney Afrika	Güney Doğu Asya		
İspanya	İsveç	Türkiye	İngiltere		
A.B.D.	Diğer (belirtiniz):				

1.4 Şirketiniz esas olarak hangi sektörde faaliyet göstermektedir?____

1.5 Firmanız kaç yaşında?	
1.6 Firmanızda kaç kişi çalışmaktadır (sadece sizin şirketiniz)?	
1.7 Firmanız toplam kaç farklı sektörde faaliyet göstermektedir?	
Firmanızın faaliyet gösterdiği her sektördeki satışlarınızın toplam cironuza oranını aşağıdaki tabloda belirtiniz.	
Sektör1	Sektör5
Sektör2	Sektör6
Sektör3	Sektör7
Sektör4	Sektör8

1.8 Firmanız kaç yıldır ihracat yapmaktadır?	

1.9 Firmanız kaç ülkeye ihracat yapıyor?	

1.10 Başlıca dış pazarlarınız hangi ülkelerdir?			
Avustralya	Avusturya	Belçika	Brezilya
Bulgaristan	Kanada	Çin	Çek Cumhuriyeti
Danimarka	Mısır	Estonya	Finlandiya
Fransa	Almanya	Yunanistan	Macaristan
Hindistan	İrlanda	İtalya	Japonya
Latin Amerika	Letonya	Litvanya	Lüksemburg
Malta	Orta Doğu	Hollanda	Norweç
Polonya	Portekiz	Romanya	Rusya
Slovakya	Slovenya	Güney Afrika	Güney Doğu Asya
İspanya	İsveç	Türkiye	İngiltere
A.B.D.	Diğer (belirtiniz):		

2.0 FİRMANIZDA MEVCUT YABANCI DİL KULLANIMI

2.1 Yurt dışındaki müşterilerinizle ilgilenebilmek için firmanızın resmi bir yabancı dil stratejisi var mı (ör. Firmanız müzakereleri ve görüşmeleri ihracat yaptığınız ülkelerin dilinde yapmaya çalışır mı,Firmanız personelin en az bir yabancı dil bilmesini talep eder mi)?	EVET	HAYIR

2.2 Firmanızın başlıca dış pazarlarını önem sırasına diziniz ve her biri için firmanızın kullandığı yabancı dili belirtiniz .

Pazar 01		Kullanılan dil	
Pazar 02		Kullanılan dil	
Pazar 03		Kullanılan dil	
Pazar 04		Kullanılan dil	
Pazar 05		Kullanılan dil	
Pazar 06		Kullanılan dil	

2.3 Firma elemanlarınızın yabancı dil yeterliliğinin firmanızın ihracat pazarı seçimini hiç etkilediği oldu mu? EVET ise, hangi pazarlar/diller?	EVET	HAYIR

Pazar 01		Kullanılan dil	
Pazar 02		Kullanılan dil	
Pazar 03		Kullanılan dil	
Pazar 04		Kullanılan dil	
Pazar 05		Kullanılan dil	
Pazar 06		Kullanılan dil	

2.4 İhracat ihtiyaçlarınızdan ötürü belirli yabancı dilleri bilen eleman aldığınız veya çalışanlarınıza yabancı dil eğitimi verdiğiniz oldu mu? Cevabınız EVET ise, hangi pazarlar/diller?	EVET	HAYIR

Pazar 01		Kullanılan dil	
Pazar 02		Kullanılan dil	
Pazar 03		Kullanılan dil	
Pazar 04		Kullanılan dil	
Pazar 05		Kullanılan dil	
Pazar 06		Kullanılan dil	

Yabancı dil bilen elemanlarınıza yabancı dil tazminatı veriyor musunuz?	EVET HAYIR

Cevabınız evet ise, yabancı dil tazminatı maaşın yaklaşık olarak yüzde kaçına karşılık gelmektedir? %____________________

2.5 Aşagıdaki tabloda çalışanlarınızın yüzde kaçının yabancı dil bildiğini belirtiniz:	

Yaklaşık olarak elemanlarınız yüzde kaçı 1 yabancı dil bilmektedir?		%	
Yaklaşık olarak elemanlarınız yüzde kaçı 2 yabancı dil bilmektedir?		%	
Yaklaşık olarak elemanlarınız yüzde kaçı 3 veya daha fazla yabancı dil bilmektedir?		%	

2.6 Aşagıdaki tabloda çalışanlarınızın (kendiniz de dahil olmak üzere) hangi dillerde belirtilien faaliyetleri ve durumları etkin bir şekilde yerine getirebileceğini belirtiniz:

Durum	**Dil 1**	**Dil 2**	**Dil 3**	**Dil 4**	**Dil 5**
DIL					
Toplantılar					
Seyahat					
Müzakereler					
Sunuşlar					
Fuarlar					
Haberleşme					
Telefon görüşmeleri					
Sosyal Münasebet					
Diğer					

2.7 Dış ticaretinizi desteklemek amacıyla hiç yabancı eleman işe aldığınız oldu mu? Cevabınız 'EVET' ise, hangi diller için:	EVET	HAYIR

Belçika dili	Bulgarca	Çince	Çekçe
Danimarka dili	Arapca	İngilizce	Estonya dili
Fince	Fransızca	Almanca	Yunanca
Macarca	İrlanda dili	İtalyanca	Japonca
Letonya dili	Litvanya dili	Malta dili	Lehçe
Portekizce	Rusça	Slovakya dili	Slovenya dili
İspanyolca	İsveççe	Türkçe	Diğer (belirtiniz):

2.7 no'lu soruya cevabınız 'EVET' ise, firmanızda dış ticaretinizi desteklemek amacıyla kaç yabancı eleman çalışmaktadır?

____________________________.

Yabancı elemanlarınız maaşı benzer pozisyondaki diğer elemanlarınızın maaşından yaklaşık ne kadar fazladır?

%_____________

2.8 Dış pazarlarınızda hiç Türkçe bildiği için tercih ettiğiniz tedarikçi, mümessil, dağıtıcı oldu mu? Cevabınız'EVET' ise, hangi diller için:	EVET	HAYIR

Belçika dili	Bulgarca	Çince	Çekçe
Danimarka dili	Arapca	İngilizce	Estonya dili
Fince	Fransızca	Almanca	Yunanca
Macarca	İrlanda dili	İtalyanca	Japonca
Letonya dili	Litvanya dili	Malta dili	Lehçe
Portekizce	Rusça	Slovakya dili	Slovenya dili
İspanyolca	İsveççe	Türkçe	Diğer (belirtiniz):

2.9 Eleman alırken yabancı dil bilgisini bir ölçüt olarak kullanıyor musunuz? Cevabınız 'EVET' ise, hangi diller için:	EVET	HAYIR

Belçika dili	Bulgarca	Çince	Çekçe
Danimarka dili	Arapca	İngilizce	Estonya dili
Fince	Fransızca	Almanca	Yunanca
Macarca	İrlanda dili	İtalyanca	Japonca
Letonya dili	Litvanya dili	Malta dili	Lehçe
Portekizce	Rusça	Slovakya dili	Slovenya dili
İspanyolca	İsveççe	Türkçe	Diğer (belirtiniz):

2.10 Hiç dış ticaret amacıyla çevirmen/tercüman kullandınız mı? Cevabınız'EVET' ise, hangi diller için:	EVET	HAYIR

Belçika dili	Bulgarca	Çince	Çekçe
Danimarka dili	Arapca	İngilizce	Estonya dili
Fince	Fransızca	Almanca	Yunanca
Macarca	İrlanda dili	İtalyanca	Japonca
Letonya dili	Litvanya dili	Malta dili	Lehçe
Portekizce	Rusça	Slovakya dili	Slovenya dili
İspanyolca	İsveççe	Türkçe	Diğer (belirtiniz):

2.11 Web sitenizi dış pazarlar için uyarladığınız oluyor mu? Cevabınız'EVET' ise, hangi diller için:	EVET	HAYIR

Belçika dili	Bulgarca	Çince	Çekçe
Danimarka dili	Arapca	İngilizce	Estonya dili
Fince	Fransızca	Almanca	Yunanca
Macarca	İrlanda dili	İtalyanca	Japonca
Letonya dili	Litvanya dili	Malta dili	Lehçe
Portekizce	Rusça	Slovakya dili	Slovenya dili
İspanyolca	İsveççe	Türkçe	Diğer (belirtiniz):

3.0 YABANCI DİL İHTİYAÇLARI

3.1 Firmanızın yabancı dil bilgisi eksikliğinden dolayı ihracat fırsatı kaçırdığı olmuş mudur? Cevabınız EVET ise, hangi diller için ve hangi durumlarda?	EVET	HAYIR

Dil 01		hangi durum	
Dil 02		hangi durum	
Dil 03		hangi durum	
Dil 04		hangi durum	
Dil 05		hangi durum	
Dil 06		hangi durum	

3.2 Firmanız yabancı dil bligisi eksikliğinden ötürü hiç gerçek veya olası iş kaybettiği olmuş mudur?				
EVET (gerçek) yaklaşık değer	€100 000’dan az	€100 000 - €0.5mil.	€0.5 mil. - €1 mil.	€1 mil.’dan fazla
EVET (potensiyel) yaklaşık değer:	€100 000’dan az	€100 000 - €0.5mil.	€0.5 mil - €1 mil.	€1 mil.’dan fazla
				HAYIR

EVET ise, aşağıdaki sebeplerden uygun olanların yanına X işareti koyunuz:			
Yabancı dil bilen personel eksikliği			
Telefon/santral problemleri		İtimat eksikliği	
Bilgi taleplerini veya fıyat istemlerini takip etmemek		Fuarlar	
Tecüme hataları		Dağıtıcı/bayii problemleri	
Fırsatları değerlendirememe		Kültürel farklılıklar	
Diğer (belirtiniz):			

3.3 Firmanız yeni dış pazarlara girmeyi planlıyor mu? Cevabınız ‘EVET’ ise, hangi ülkelere/bölgelere:	EVET	HAYIR

Avustralya	Avusturya	Belçika	Brezilya
Bulgaristan	Kanada	Çin	Çek Cumhuriyeti
Danimarka	Mısır	Estonya	Finlandiya
Fransa	Almanya	Yunanistan	Macaristan
Hindistan	İrlanda	İtalya	Japonya
Latin Amerika	Letonya	Litvanya	Lüksemburg
Malta	Orta Doğu	Hollanda	Norweç
Polonya	Portekiz	Romanya	Rusya
Slovakya	Slovenya	Güney Afrika	Güney Doğu Asya
İspanya	İsveç	Türkiye	İngiltere
A.B.D.	Diğer (belirtiniz):		

Yeni pazarlara girme kararınız ilgili dil ve kültürü bilmenizden mi kaynaklanıyor? Cevabınız 'EVET' ise, bunların hangi pazarlar ve diller olduğunu belirtiniz:	EVET	HAYIR

Pazar 01		kullanılacak dil	
Pazar 02		kullanılacak dil	
Pazar 03		kullanılacak dil	
Pazar 04		kullanılacak dil	
Pazar 05		kullanılacak dil	
Pazar 06		kullanılacak dil	

4.0 KÜLTÜREL ENGELLER

4.1 Firmanızın yabancı müşteriler ile kültürel farklılıklardan dolayı hiç zorluk yaşadığı oldu mu? Cevabınız EVET ise, örnek veriniz: ör. Reklam, Haberleşme, Randevu belirleme, Görgü kuralları, Fuarlar, Toplantılar, Kafa yapısı, Müzakereler, Sunuşlar, Sosyal münasebet, Telefon görüşmeleri, Seyahat, vs.	EVET	HAYIR

Ülke 01		hangi durum	
Ülke 02		hangi durum	
Ülke 03		hangi durum	
Ülke 04		hangi durum	

4.2 Firmanızın kültürel bilgi eksikliğiden dolayı bir ülkeye ihracat yapma fırsatını kaçırdığı oldu mu? Cevabınız EVET ise, lütfen örnek veriniz (örnekler için bkz. 4.1):	EVET	HAYIR

Ülke 01		hangi durum	
Ülke 02		hangi durum	
Ülke 03		hangi durum	
Ülke 04		hangi durum	

5.0 YABANCI DİL BİLGİSİ ve EĞİTİMİ

5.1 Yabancı dil bilen elemanlarınızın kaydını tutuyor musunuz?	EVET	HAYIR
5.2 Elemanlarınıza hiç yabancı dil eğitimi verdiniz mi?	EVET	HAYIR
5.3 Son 3 yıl içinde firmanız hiç dil eğitimi aldı mı? Cevabınız EVETise, çalışanlarınızın hangi dillerde eğitim aldığını belirtiniz:	EVET	HAYIR

Belçika dili	Bulgarca	Çince	Çekçe
Danimarka dili	Arapca	İngilizce	Estonya dili
Fince	Fransızca	Almanca	Yunanca
Macarca	İrlanda dili	İtalyanca	Japonca
Letonya dili	Litvanya dili	Malta dili	Lehçe
Portekizce	Rusça	Slovakya dili	Slovenya dili
İspanyolca	İsveççe	Türkçe	Diğer (belirtiniz):

5.4 Önümüzdeki 3 yıl içinde, firmanızın yabancı diller ve ülkelerle ilgili daha fazla bilgi ve beceriye sahip olması gerektiğini düsünüyor musunuz?

Diller	EVET	HAYIR

Dil / Durum	Reklam	Haberleşme	Görgü Kuralları	Fuar	Toplantı	Müzakereler	Diğer (belirtiniz)
Belçika dili							
Bulgarca							
Çince							
Çekçe							
Danimarka dili							
Arapca							
İngilizce							
Estonyaca							
Fince							
Fransızca							
Almanca							
Yunanca							
Macarca							
İrlanda dili							
İtalyanca							
Japanese							
Letonya dili							
Litvanya dili							
Malta dili							
Lehce							
Portekizce							
Rusça							
Slovakya dili							
Slovenya dili							
İspanyolca							
İsveççe							
Türkçe							
Diğer (belirtiniz):							

6.0 FİRMA YÖNETİCİLERİ

6.1 Firmanızda ihracat ile ilgili kararları kim/kimler verir? İlgili olanları işaretleyiniz.	Murahhas Aza/Firma Sahibi	İhracat Müdürü	Genel Müdür	Diğer (Belirtiniz):

6.2 Firmanızın yöneticilerinin yaşı aşağıdaki grublardan hangisine girer?					
	20li	30lu	40lı	50li	60lı
Murahhas Aza/Firma Sahibi					
Genel Müdür					
İhracat Müdürü					
Diğer (Belirtiniz):					

6.3 Firmanızın yöneticilerinin eğitim durumu aşağıdaki hangi grublardan hangisine girer?					
	Ilkokul mezunu	Ortaokul mezunu	Lise mezunu	Üniversite mezunu	Lisansüstü
Murahhas Aza/Firma Sahibi					
Genel Müdür					
İhracat Müdürü					
Diğer (Belirtiniz):					

6.4Firmanızın yöneticileri şirketinizde kaç yıldır çalişmaktadırlar?

Murahhas Aza/Firma Sahibi
Genel Müdür
İhracat Müdürü
Diğer (Belirtiniz):

6.5 Firmanızın yöneticilerinin hangi sektörlerde kaçar yıl tecrübeleri olduğunu belirtiniz .					
Sektör / Yıl	Sektör 1 / Yıl	Sektör 2 / Yıl	Sektör 3 / Yıl	Sektör 4 / Yıl	Sektör 5 / Yıl
Murahhas Aza/Firma Sahibi					
Genel Müdür					
İhracat Müdürü					
Diğer (Belirtiniz):					

6.6 Firmanızın yöneticilerinin kaç yıldır şu an bulundukları görevde olduklarını belirtiniz.

Murahhas Aza/Firma Sahibi
Genel Müdür
İhracat Müdürü
Diğer (Belirtiniz):

6.7 Firmanızın yöneticilerinin kac yabancı dil biliyorlar?

Murahhas Aza/Firma Sahibi
Genel Müdür
İhracat Müdürü
Diğer (Belirtiniz):

6.8 Firmanızın yöneticilerinin yurt dışı tecrübelerinin, hangi ülkelerde ve kaç yıl olduğunu belirtiniz.				
	Yurt dışında okumuş	Yurt dışında yaşamış	Yurt dışında çalışmış	Turist olarak bulunmuş
Murahhas Aza/Firma Sahibi				
Genel Müdür				
İhracat Müdürü				
Diğer (Belirtiniz):				

7.0 MALİ BİLGİLER

7.1 Firmanız geçen mali yılda toplam ne kadar (iç ve dış) ciro yaptı?	**YTL**
7.2 Firmanız geçen mali yılda toplam ne kadar ihracat yaptı?	**YTL**

7.3 Geçen mali yılın bilançosuna göre firmanızın toplam aktifleri/varlıkları ne kadar?	**YTL**
7.4 Geçen mali yılın bilançosuna göre firmanızın toplam yükümlülükleri/borçları ne kadar?	**YTL**
7.5 Geçen mali yılın bilançosuna göre firmanızın net karı ne kadar?	**YTL**

7.6 Yurt dışına sattığınız ürün ve hizmetlerin toplam satışınıza yüzde olarak oranı nedir?	%
(7.6 no'lu soru eğer 1.7 ve 1.8 no'lu sorular cevaplanmamışssa sorulacak)	

APPENDIX C

RESULTS OF LEVENE TESTS

Results of Levene Tests

Grouping variable	Test variable		F	Sig.	t	df
CEO tenure	FS ratio	Equal variances assumed	12,041	0,001	2,38	127
		Unequal variances assumed			2,482	120,886
	Number of countries	Equal variances assumed	2,004	0,159	-0,051	127
		Unequal variances assumed			-0,052	126,871
	Delay in exporting	Equal variances assumed	5,314	0,023	-6,37	127
		Unequal variances assumed			-6,153	98,986
CEO age	FS ratio	Equal variances assumed	3,508	0,063	1,736	127
		Unequal variances assumed			1,713	114,792
	Number of countries	Equal variances assumed	4,216	0,042	0,84	127
		Unequal variances assumed			0,822	106,086
	Delay in exporting	Equal variances assumed	4,021	0,047	-1,37	127
		Unequal variances assumed			-1,393	125,697
CEO education level	FS ratio	Equal variances assumed	0,110	0,741	0,419	127
		Unequal variances assumed			0,417	118,369
	Number of countries	Equal variances assumed	0,054	0,816	-0,401	127
		Unequal variances assumed			-0,402	121,137
	Delay in exporting	Equal variances assumed	0,030	0,862	-0,322	127
		Unequal variances assumed			-0,323	121,899
CEO international experience	FS ratio	Equal variances assumed	0,560	0,456	-0,791	127
		Unequal variances assumed			-0,723	38,563
	Number of countries	Equal variances assumed	0,070	0,792	-0,267	127
		Unequal variances assumed			-0,28	46,37
	Delay in exporting	Equal variances assumed	1,072	0,302	-0,047	127
		Unequal variances assumed			-0,041	36,961
CEO foreign language skills	FS ratio	Equal variances assumed	2,933	0,089	-1,544	127
		Unequal variances assumed			-1,627	107,941
	Number of countries	Equal variances assumed	1,200	0,275	-0,954	127
		Unequal variances assumed			-0,996	105,065
	Delay in exporting	Equal variances assumed	0,240	0,625	0,061	127
		Unequal variances assumed			0,061	91,571
Human capital foreign language skills	FS ratio	Equal variances assumed	2,728	0,101	-1,484	127
		Unequal variances assumed			-1,526	123,902
	Number of countries	Equal variances assumed	8,519	0,004	-3,271	127
		Unequal variances assumed			-3,487	126,249
	Delay in exporting	Equal variances assumed	3,453	0,065	0,816	127
		Unequal variances assumed			0,782	95,073
Human capital international experience	FS ratio	Equal variances assumed	0,140	0,709	-0,102	127
		Unequal variances assumed			-0,108	64,862
	Number of countries	Equal variances assumed	0,048	0,828	-1,056	127
		Unequal variances assumed			-1,069	59,576
	Delay in exporting	Equal variances assumed	0,204	0,653	-1,018	127
		Unequal variances assumed			-0,985	54,863

APPENDIX D

OUTLIER ANALYSIS

Outlier Analysis

	Univariate Outliers - Z Values			
Groups	**FS ratio**	**Number of countries exported**	**Delay in exporting after start-up**	**Multivariate outliers Critical χ^2 = 16,266**
CEO age = low age group	--	3,89 (case no:127)	3,52 (case no:21)	--
CEO age = high age group	--	4,69 (case no:54) 3,37 (case no:39)	--	24,55 (case no:54)
CEO education level = low group	--	3,55 (case no:39)	--	--
CEO education level = high group	--	4,05 (caseno:54) 3,85 (case no: 127)	--	19,03 (case no:54)
CEO tenure = low tenure group	--	4,24 (case no:127)	4,39 (case no:100)	19,51 (case no:100)
CEO tenure = high tenure group	3,54 (case no:39)	4,30 (case no: 54)	--	22,61 (case no:54)
CEO foreign language = 0 language group	--	3,95 (case no:127)	--	--
CEO foreign language = 1+ languages group	--	4,52 (case no:54)	--	22,41 (case no:54)
CEO international experience = no experience group	--	4,13 (case no:54) 3,94 (case no:127)	--	21,00 (case no:54)
CEO international experience = some experience group	--	-	--	--
Human capital foreign language = 1 foreign language group	--	5,29 (case no:127)	--	27,52 (case no:127)
Human capital foreign language = multiple foreign languages group	--	3,95 (case no:54)	--	17,59 (case no:54)
Human capital international experience = 0 experience group	--	4,37 (case no:127) 3,30 (case no:39)	--	17,80 (case no:127)
Human capital international experience = some experience group	--	3,93 (case no:54)	--	18,30 (case no:54)

Note: Cases 21, 39, 54, 100 and 127 were deleted from the variable set.

APPENDIX E

MEAN RESULTS of t-tests

Mean Results of T-tests per Group

Dependent Variables	Low (0) vs. high (1) CEO Age	N	Mean
Delay in exporting	0	60	10,42
	1	69	12,89
Number of countries exported	0	60	9,73
	1	69	8,58
Foreign sales ratio	0	60	,3452
	1	69	,2678

Dependent Variables	Low (0) vs. high (1) CEO education level	N	Mean
Delay in exporting	0	57	11,41
	1	72	12,00
Number of countries exported	0	57	8,81
	1	72	9,36
Foreign sales ratio	0	57	,3144
	1	72	,2954

Dependent Variables	Low (0) vs. high (1) CEO tenure	N	Mean
Delay in exporting	0	71	7,19
	1	58	17,31
Number of countries exported	0	71	9,08
	1	58	9,16
Foreign sales ratio	0	71	,3511
	1	58	,2459

Dependent Variables	No (0) vs. multiple (1) CEO foreign language skills	N	Mean
Delay in exporting	0	46	11,82
	1	83	11,70
Number of countries exported	0	46	8,24
	1	83	9,60
Foreign sales ratio	0	46	,2576
	1	83	,3294

Dependent Variables	No (0) vs. some (1) CEO international experience	N	Mean
Delay in exporting	0	101	11,72
	1	28	11,82
Number of countries exported	0	101	9,02
	1	28	9,46
Foreign sales ratio	0	101	,2944
	1	28	,3375

Dependent Variables	One (0) vs. multiple (1) human capital foreign language skills	N	Mean
Delay in exporting	0	54	12,61
	1	75	11,11
Number of countries exported	0	54	6,57
	1	75	10,95
Foreign sales ratio	0	54	,2648
	1	75	,3319

Dependent Variables	No (0) vs. some (1) human capital international experience	N	Mean
Delay in exporting	0	95	11,19
	1	34	13,28
Number of countries exported	0	95	8,68
	1	34	10,32
Foreign sales ratio	0	95	,3024
	1	34	,3076