

## **The Effect of Business Firms' International Activities on the Firm Performance: A Central Black Sea Region Case**

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**ABSTRACT:** In this study, the effect of business firms carrying on business in Central Black Sea Region of Turkey on the performance of these firms. Especially how it affected SMEs (Small and Medium Sized Enterprises) was analyzed. When particularly considering the effects of business that have SME quality on economy of Turkey, such kind of researches are noticed to have a basis in recent years. The research depended upon the data obtained from enterprises through original qualified questionnaire. The questionnaire question forms were scaled benefiting from the studies in the literature based upon international activities and business performance measurement. For all variables, the scales in the literature were taken and included into research questionnaire. The questionnaires were performed to SMEs and large-scale enterprises. In the research factor analysis, correlation and regression analysis were included as analysis methods. According to the obtained results, it was determined that international activities had a positive effect on the performance of enterprises. The results were interpreted, and various suggestions were offered to academicians, and administrators.

**Keywords:** International Activities; Import and Export; Franchising; Joint Ventures; Firm Performance

**JEL Classifications:** M10; M16

### **1. Introduction**

Especially in recent years, gradually improving communication, competition and technology have caused to enter the international markets, and removing the borders in an economical among the countries. Expanding markets, new products, and acceleration of communication have intensified the international activities and broadened the way of inter-country economic integrations. There are economic systems and growth of enterprises on the basis of increasing international activities. As a product of globalization, it is noticed that the enterprises have turned into big firms, and SMEs have taken place in sub-sectors and subsidiary industries based upon this. Whereas international activities were only maintained by big enterprises in the past, SMEs got the attention they deserve in international activities due to the developing technology, logistics, and technology. From now on, each firm has had a sub-structure that can access easily to international activities.

In this study, it was aimed to reveal the effects caused by enterprises included into international activities upon body of enterprises. Especially the enterprises having SME quality are obliged to practice various strategic tendencies for providing a strong position in dynamic markets. Growth rate of companies which could not gain a place in developing international markets can remain limited. Under the light of business administration information, the relationship is known between international activities and company performances. In this study, this relationship was tried to be revealed with the analytic method. When business activities were analyzed environmentally, national and international environment of the enterprises could be mentioned. The idea of associating the international environmental factors and performance criteria was the subject of our research.

The fundamental targets of this research discussed to measure the effect of international activities upon the firm performance can be summarized as is:

- Defining the international activities, and revealing the relationship between these activities and performance,
- Emphasizing the role and importance of foreign trade upon general economy and firms,
- Classifying the variables and scales of international activities,
- Defining the performance criteria, and revealing its relationship with international activities,
- Explaining the possible effects of international effects upon firm performance establishing a model,
- Hypothesizing upon the research model,
- Testing the established hypothesis within the scope of the model, and making decisions,
- In the light of the research findings, offering suggestions to enterprises and the ones who will carry out such studies.

## **2. Literature and Conceptual Framework**

### **2.1. Foreign Trade in General**

Because foreign trade primarily depends on the concept of trade, defining the concept of trade firstly will provide to reach more comprehensive knowledge. In this sense, trade is defined as changing, purchasing, or selling the goods and products with objects that have economic values at a time from manufacturing process to consumption (Durukanoglu, 2008: 601). The concept of foreign trade is defined as the whole of good and service trade actualized between the independent countries besides including the whole goods, service, capital, and human movements inside the various national economies (Taşpolat, 1983: 13).

Intra-countries merchandising process is defined as foreign trade due to being a field of trade actualized out of domestic trade or international trade. Every country cannot produce the goods, service and factors it needs in itself. The countries demand some goods and services they cannot produce or produce at prices relatively higher than the other countries from the other countries. As a second choice, they demand some factors requested from them depending upon similar reasons. All these and suchlike processes create the source of foreign trade. Instead of this, division of labor increases the welfare levels of countries improving the productivity of sources. Division of labor means a country's turning towards the production and exporting of only the dominating goods, and importing the goods the country is deprived of sources from the other countries. This shopping also provides the sources to be used efficiently and productively. The people of a country are provided to use or consume at mode appropriate prices through trading of countries which have varieties in terms of manufacturing costs via the foreign trade (Melemen, 2003). As Gereffi (1999: 41) points, in global conditions economic activity is not only international in scope, it is also global in organization. 'Internationalization' refers to the geographic spread of economic activities across national boundaries.

### **2.2. Development of Foreign Trade in Turkey**

It caused Ottoman Empire's keeping the customs duty that could be applied upon export and import at a low level in the beginning of the 19<sup>th</sup> century and it's being deprived of the opportunity of practicing an independent foreign trade policy. This caused England's signing a trade agreement not standing out pressures on free trade. Depending upon this, during the period until the First World War, it caused e-rapid growth of trade with Europe and emergence of trade deficit continuously. In this period, the Ottoman became a country importing manufactured goods and accordingly specialized in production and export of agricultural products (Özcan, 1998: 1).

Foreign trade figures of Turkey have reached to high levels after the Customs Union signed with the European Union. Under the globalizing commercial conditions, Customs Union can be considered as a beginning for Turkey. The European Union members are the countries included most among the both exporting and importing countries, and the first country on both fields is Germany. The Customs Union should be considered on both sides. When considering the deficiency of Turkey in raw material production, as the trade increased the volume of foreign trade, it can also increase the foreign trade deficit, as well ([www.atonet.org.tr](http://www.atonet.org.tr).2013). As a result of the permanent and consistent macroeconomic policies and structural reforms supporting these that have been performed in recent years, the economy of Turkey has experienced a high and steady environment of growth. As a matter

of fact, the Gross National Product (GNP) growth actualized at 7.9 percents in 2002 and 5.9 percents in 2003, and exceeded the targets. This tendency continued also in 2004, and the growth rate actualized as 9.9 percent. Recovery of private investment and consumption demand that were suspended as result of a decrease at costs, drop of interests, and strengthening of prospective positive expectations has created the fundamental dynamics of this growth (DPT ‘2007-2013’: 8).

As the economy of Turkey developed; increase at current deficit has attracted the attention. Whereas the economy of Turkey grew 7.9 percents in 2002, foreign trade current deficit became 15.5 billion dollars. Whereas the growth rate was 5.9 percents in 2003, foreign trade current deficit reached up to 22.1 billion dollars increasing by 43 percents rather than the previous year. Whereas the growth rate was 9.9 percents in 2004, foreign trade current deficit became 34.4 billion dollars increasing at 56 percents rate, and whereas the growth rate was 6.0 percents in 2006, the foreign trade current deficit reached up to 54 billion dollars increasing by 25 percents. In years when high grow rate was experienced, the increase of growth rate at a high rate can be seen in Table 1.

**Table 1. Foreign Trade and Economic Indicators of Turkey**

Years	FOREIGN TRADE - ANNUAL (million \$)						Export / Import (%)
	Export	Exchange(%)	Import	Exchange(%)	Balance	Volume	
1993	15.345	4,3	29.428	28,7	-14.083	44.773	52,1
1994	18.106	18,0	23.270	-20,9	-5.164	41.376	77,8
1995	21.637	19,5	35.709	53,5	-14.072	57.346	60,6
1996	23.224	7,3	43.627	22,2	-20.402	66.851	53,2
1997	26.261	13,1	48.559	11,3	-22.298	74.820	54,1
1998	26.974	2,7	45.921	-5,4	-18.947	72.895	58,7
1999	26.587	-1,4	40.671	-11,4	-14.084	67.258	65,4
2000	27.775	4,5	54.503	34,0	-26.728	82.278	51,0
2001	31.334	12,8	41.399	-24,0	-10.065	72.733	75,7
2002	36.059	15,1	51.554	24,5	-15.495	87.613	69,9
2003	47.253	31,0	69.340	34,5	-22.087	116.593	68,1
2004	63.167	33,7	97.540	40,7	-34.373	160.707	64,8
2005	73.476	16,3	116.774	19,7	-43.298	190.251	62,9
2006	85.535	16,4	139.576	19,5	-54.041	225.111	61,3
2007	107.272	25,4	170.063	21,8	-62.791	277.334	63,1
2008	132.027	23,1	201.964	18,8	-69.936	333.991	65,4
2009	102.143	-22,6	140.928	-30,2	-38.786	243.071	72,5
2010	113.883	11,5	185.544	31,7	-71.661	299.428	61,4
2011	134.907	18,5	240.842	29,8	-105.935	375.749	56,0
<b>2012</b>	<b>152.561</b>	<b>13,1</b>	<b>236.537</b>	<b>-1,8</b>	<b>-83.976</b>	<b>389.098</b>	<b>64,5</b>
<b>2013*</b>	<b>11.509</b>	<b>11,2</b>	<b>18.800</b>	<b>7,6</b>	<b>-7.291</b>	<b>30.309</b>	<b>61,2</b>

\*2013 data belongs to January; exchange values were taken according to January of 2012.

**Reference:** TUIK. 2013. Foreign Trade Statistics, Foreign Trade According to Years, taken from <http://www.tuik.gov.tr/> on (27.07.2013); \*BUMKO. 2013. TRMinistry of Finance, Basic Economic Indicators, Balance of Trade. Taken from: <http://www.bumko.gov.tr/> on (27.07.2013)

In Turkish economy, the growth rate became positive in 1996-2007 period (except from 1999 and 2001). Since 2001, the growth rate has actualized as average 7.5 percent. Agriculture, industry, and service sectors grew as negative by the effect of the financial crisis experienced in 2001. In 2002-2006, the industry sector was the one that provided the most contribution upon growth. Services industry grew at a higher rate rather than the industry of agriculture as of 2002 (Akdemir and Konur, 2008).

### **3. International Activities of Firms**

There are different alternatives before the firms aiming to penetrate into international markets. The most commonly used alternatives among those are to make direct investment in abroad, or to purchase a company, go into strategic partnerships, or break into foreign markets through export. As the first of all these, direct foreign investment can be defined as a multinational company's establishing a new company in a foreign country alone or with partners spreading its production out of borders of the country where its corporate office is located, or affiliating an existing domestic firm whether by purchasing or increasing its capital stock. Direct foreign investments are evaluated as one of the necessary and important instruments to actualize the economic growth and development targets all around the world. The leading of the reasons that direct the international investors to direct foreign investment rather than other investments is their desire of benefiting adequately from the sales potential of the product they produce. Direct foreign investments that have become the most important cross-border activities through globalization support the efficient use of limited sources in the world. The aforementioned investments increase the competitive capacity of the capital exporting countries beside contributing upon an increase at labor force quality and spreading of innovative administration and marketing methods, improvements in technology, employment, increase at exportation and production capacity, and economic growth in importing countries (Kurtaran, 2007: 380). Joint Ventures as another international activity that proves an advanced level merging is defined as two or more companies' establishing a new company that has a corporate body and each main enterprise's having the shares of the company that is established new (Okuy, 1997). In joint ventures, the cooperation between the enterprises is improved up to property or share ownership degree (Dündar, 2006: 57). By means of incorporating the knowledge and capital stock, the companies convene, and establish a partnership that is called Joint Venture. Joint venture is a method used for practicing the projects with large capital stock besides being a partnership structure that is frequently used by the firms which desire to provide competition superiority and penetrate into new markets. 'A new firm' established by two firms in their own countries or in a foreign country with different share percentage is included into the scope of Joint Venture. Through the Joint Venture Agreements, the companies find partners in different countries, and gains advantage to penetrate into relevant markets via that partner. For that reason, "Joint Venture System" can occur in different forms such as participating into a domestic firm in a foreign country as a partner, purchasing some of a domestic firm's stock certificates, or establishing a new company with a domestic firm (Uzun, 2008: 9). Joint Ventures may do enhance firms' growth options values under various certain circumstances (Tong et al., 2008).

Franchising as the fastest growing marketing strategy has recently turned into an effort to market products of different countries according to their cultures rather than being an effort of searching the market to products produced in host countries which transforms marketing and distribution processes into a unity. Mass media which provides great contribution upon this transformation both presents the same product and service type throughout the world, and standardized to goods and services in majority of countries and created a new type of consumer requesting this standard. Franchising is a system that creates itself, competes with itself and struggles for protecting its presence without defaming itself (Saban, 1997: 1). Franchising is a kind of alliance that includes several forms of business within the two extremes of discrete, short-term contracts and the complete merger or acquisition of two or more firms (Contractor and Lorange, 2002).

The concept of franchising stems from the French word "Affranchir" which means absolving from tax and pictures, releasing and the verb "to free" which means the same meaning in English. Moreover, it is necessary to include the expressions such as "sales distribution privilege" or "using royalty, trademark, and operating rights" in order to refer the meaning of the word. For that reason, the concept of franchising is an international concept, and used in the same meaning in the literature (Şoğur, 1993, 3). Franchising system includes a contractual relationship actualized between two independent parties from each other which are called Franchisor (franchising supplier) and Franchisee (franchising recipient). Franchisor is defined as the owner of any operating system that has a registered trademark or trade name, operating and marketing systems, developed production and well-known fame in terms of a specific quality standard and has an in-field success. The Franchisee, as the other party, is an independent enterprise paying the determined fee to system owner franchisor, assuming the right and responsibility of using the operating system, commercial and/or service mark, and other

industrial and property rights of the franchisor in consideration of a specific time and specific fee as benefiting from this opportunity (Engin 2005: 55).

Mergers and acquisitions can be listed among the strategic cooperation treaties that have recently been actualized as the most frequently between the companies. Mergers and acquisitions are a method employed to create a synergy on the basis. Mergers that became a current issue through merging of Daimler Benz and AOL companies with Time Warner towards the end of 1990s had been actualized between many large and small companies for a long time. The fastest increase at mergers actualized in the midst 1990s. In 2007, a world record was broken on this issue, and the number of total acquisitions and mergers reached up to 1,637 USA dollars. The sectors mergers have been encountered as the most frequently include telecommunication, finance, pharmaceutical, gas and oil, and informatics and media-internet (Tataoğlu, 2009: 141). In management contract which is another method that is employed for the international markets, domestic enterprise guarantees to provide management know-how to the capital-supplying foreign enterprise. So, the domestic enterprise exports a specific service instead of material products. Hotels Chain has employed this method. This method is one of the methods of penetrating into markets through low risk. Indirect export includes an independent organization established in a national country, and the enterprise sells the products and services it has to the other countries through this independent organization. The companies sell their products and services to foreign countries via the various intermediary enterprises. The most important issue in this strategy is the exporting firm's losing its control over the exporting activities. Some boundaries and limitations may affect the firm strategy in different ways. (Cengiz et al., 2003: 33; Günay, 2005).

#### **4. Firm Performance**

The word of performance is defined as the amount of service or product produced within a specific time unit and is also expressed by the concepts of "efficiency," "productivity," "output" according to its function besides it's being a result of the interaction between the motivation and ability of individual. Performance is the product, service or thought revealed for actualizing a purpose and fulfilling a duty in a way of meeting the pre-determined criteria within the scope of duty (Helvacı, 2002: 156). Export performance of firms has drawn attention in the administrative field as in the academic field. The fact of globalization's being acceptable leads the firms to investigate the opportunities in abroad. So the globalization turns the export into an important activity for several firms. For that reason, determining the factors directing the performance of firms comes up as an important factor for the firms to be successful in foreign markets (Yücel, 2006: 34).

Correct and faultless measurement of firm performance as an operating process is an important factor towards being a successful company. Using financial and nonfinancial factors is another technique developed for measuring the organizational performance. Financial performance criteria are generally the ones such as income, cash flow, return on assets, and equity capital profitability. Nonfinancial criteria includes the perceptions related to criteria such as market share of partners, growth in sales, customer satisfaction, brand equity, keeping the capable employees, knowledge acquisition and use, process renovations, and change management (Altuntaş and Dönmez, 2010: 56). In the light of the literature review, we conducted two main Hypotheses:

*Hypothesis 1:* Export Subsidies should have positive and directly effects on firms' financial and growth performance.

*Hypothesis 2:* International Activities should have positive and directly effects on firms' financial and growth performance.

#### **5. Methodology and Practice**

In terms of shedding light on the research, several studies covering the foreign trade and international activities were encountered as result of comprehensive analysis performed in business administration literature. Benefiting from these, the scales that would be valid and considered giving the best result for this study were obtained. So the scales of factors related to the scope of the research benefiting from the scales of researches that had general acceptance currently and internationally were combined in a comprehensive questionnaire form. The questions in the questionnaire form were not changed depending upon the success of previous usages. After analyzing the structure, reliability, and validity of the scale, the questionnaire form was arranged in a way that can be easily understood by

firm managers having education at any levels. As expressed above, the variables collecting demographic data and dependent and independent variables in obtained questionnaire question forms included variables and dimensions in different numbers. When questionnaire question forms were analyzed, the first scale can be noticed as including 13 variables. The second scale within the scope of international activities was one-dimensional and included 18 variables. The firm performance scale evaluated as the dependent variable was two-dimensional, as financial and growth performance, and included totally 12 variables (Acar, 2008). All these variables were recorded into the database in SPSS 18.0 software, and the reverse scales used for the variables were primarily turned to standard.

In the research, "7-Point Likert Attitude Scale" was used for answering the questions included into questionnaire form. The evaluation choices were mentioned as below for the expressions related to all variables included into question forms: (1) I totally disagree, (2) I mostly disagree, (3) I partly disagree, (4) Either agree or disagree, (5) I partly agree, (6) I mostly agree, and (7) I totally agree.

Analysis of questionnaires was discussed under various titles. The demographical and general features related to the ones answering the questionnaire included the rate of firms according to their number of employees and sectors, reliability tests, descriptive statistics related to variables, factor analysis, correlation analysis that proves the direct relationship between the variables, and regression analysis as the method employed for testing the research hypothesis. In this analysis, acceptable margin of error ( $p$  value), or the level of statistical significance upper level in other words, was accepted as 0.005.

**Table 2. Factoral Components and Number of Addressed Questions**

<b>Variables and Sub-Factors</b>	<b>Number of Questions</b>
<b>Export Subsidies</b>	13
<b>International Activities</b>	18
<b>Firm Performance</b>	<b>Number of Questions</b>
Financial Performance	6
Growth Performance	6
<b>TOTAL NUMBER OF QUESTIONS</b>	<b>43</b>

In this study, the enterprises employing 10 or more labor force, carrying on international activities, and accordingly exporting, among the ones carrying on business in Central Black Sea Region created the main population of the research. In order to determine the main population, the records of Chambers of Commerce and Industry and Provincial Directorates of Industry and Commerce in 5 provinces (Amasya, Çorum, Samsun, Tokat, and Ordu) in Central Black Sea Region were utilized. The enterprises chosen for the sample were the ones that were active in 2012. The number of enterprises and sample size related to firms exporting and employing 10 or more employees present in records of Chambers of Commerce and Industry and Provincial Directorates of Industry and Commerce in provinces where the research was carried out were all presented in Table 3. Performing questionnaire to all enterprises was created as below considering some limitations (presence of the limiting factors such as not answering the questionnaire, much number of enterprises in the main population, time - budget and personal). According to these results, nearly 40% of the enterprises in the main population were reached. This rate was at an acceptable level in terms of its representing ability of the main population.

The data were tried to be obtained using face-to-face interview method from the enterprises carrying on international activities and employing 10 or more employees among the ones located on Central Black Sea Region. The most important advantage of face-to-face interview method is it's minimizing the mistakes that can emerge while the questionnaire is filled in.

The sectors in which the enterprises included into the research and the questionnaire was performed within the scope of the research were presented in Table 4. The activity of enterprises on the sectoral basis depends upon the economic structure of Central Black Sea Region. In the research, 17.4% of the enterprises were the ones carrying on business in food/beverage, 15.9% were machinery equipment/metal objects, 15.2% clothing/textile, and 5.8% furniture. The number SMEs (Small and

Medium Sized Enterprises) related to subsidiary sectors apart from the mentioned main sectors was 41, and its rate was 29.7%.

**Table 3. Sample Size**

Provinces	Number of Total Firms	Number of Firms Included in Sample	Rate of Sample Size to Universe(%)
Amasya	26	11	42,30
Çorum	97	31	31,95
Samsun	121	59	48,76
Tokat	36	17	47,22
Ordu	57	20	35,08
<b>TOTAL</b>	<b>337</b>	<b>138</b>	<b>40,94</b>

**Table 4. The Sectors of Analyzed Enterprises**

Activity Limits	Frequency	Rate (%)
Food/Beverage	24	17,4
Wood/Paper/Printing	1	0,7
Pharmacy/Medical Device	1	0,7
Clothing/Textile/Leather	21	15,2
Machinery Equipment/Metal Objects	22	16,0
Automotive Supply Industry	2	1,5
Furniture	8	5,8
Chemistry/Petrol/Rubber	5	3,6
Base Metal	7	5,1
Informatics	6	4,3
Other	41	29,7
<b>TOTAL</b>	<b>138</b>	<b>100</b>

The activity periods of analyzed enterprises were presented in Table 5. According to this, the ages of the enterprises where the managers answered the questionnaire worked were evaluated in 5 different periods. It was determined that 10.9% of enterprises were in the first 1-5 year period since their foundation, 21% carried on business for 6-10 years, 18.1% had been enterprises for 11-15 years, and 39.1% carried on business for 20 years and over.

**Table 5. Activity Periods of the Enterprises within the Scope of Research**

Activity Period of the Firm	Frequency	Rate (%)
1-5 years	15	10,9
6-10 years	29	21,0
11-15 years	25	18,1
16-20 years	15	10,9
20 years and over	54	39,1
<b>TOTAL</b>	<b>138</b>	<b>100</b>

In the research, factor analysis, correlation, and regression analyses were included. Whether the variables that will be included into these analyses are usable for the analysis or valid or not should be investigated. For that purpose, validity and reliability levels of the scales used in models were analyzed.

In brief, reliability arises from the internal consistency of measurement considering the average relationship between the questions in a variable. The reliability also provided an opportunity to use of scale cleared from the mistakes. Despite this, reliability of the scale does not mean it's being valid, as well (Nakip 2003: 125).

In this research the reliability of the scales was tested. The questions in the scale were included into variables, and their Cronbach alpha ( $\alpha$ ) values were controlled. In case a variable destroyed the reliability of the scale, the relevant variable was excluded from the scale, and Cronbach alpha coefficient of the scale was increased. Then, inter-variable analysis was performed. Considering the corrected correlation coefficients between the variables, whether all obtained values were below 0.500 or not was controlled. In Table 17, the findings related to reliability analysis were presented. When the alpha value was analyzed without any exclusion from the first scale (Export Subsidies), the Alpha value was noticed to be 0.670. In order to increase this value, (i2, i5, i6, i7and i8) variables were excluded, and the alpha value was increased up to 0.784. Among the other variables, alpha value over 0.700 was obtained without any exclusion. The alpha value of international activities was found as 0.913, and Cronbach Alpha value of the firm financial performance and growth performance variables was found as 0.901.

**Table 6. Reliability Analysis of Variables**

<b>Variables*</b>	<b>Number of Questions</b>	<b>Cronbach Alpha (<math>\alpha</math>) Values</b>
<b>Export Subsidies</b>	13	0,784
<b>International Activities</b>	18	0,913
<b>Firm Performance</b>	12	0,901
<i>Financial Performance</i>	6	<i>0,901</i>
<i>Growth Performance</i>	6	<i>0,901</i>

After these processes, exploratory factor analysis was performed in order to test the predicted structural validity of the scale including the rest variables. In this stage, the number of factors was determined in data reduction procedure; and the factors that have 1 or higher eigenvalue were considered during the analysis process. Using Varimax rotation, the variables that have 0.500 and higher factor load were regarded. In this stage, it was decided to exclude the variables cross-loading with another factor or could not be loaded to any factorial compounds. By this means, it was aimed to have more reliable results related to the variables wanted to be measured. According to this, because 1<sup>st</sup>, 3<sup>rd</sup>, and 9<sup>th</sup> questions in export subsidies scale had factor load below 0.500, they were excluded from the analysis. Due to cross-loading, 4<sup>th</sup>, 6<sup>th</sup>, and 12<sup>th</sup> questions in international activities scale were excluded. Model of all variables in the firm performance scale was found as appropriate. Within the scope of exploratory factor analysis, eigenvalue of the variables was determined as "1," and no cross-loading was performed>Loading the variables to predicted factors revealed the mono-dimensional validity of factorial components (Acar and Zehir 2008: 114-115; Acar and Zehir, 2010; Şehitoğlu, 2010:110-113).

In the study, construct validity of the research scale was tested using the factor analysis, and whether the scale was mono or multi factorial was analyzed. After approving the validity and reliability of the scales related to factorial components used in testing of model, a decision was made about the research hypothesis. During the decision-making process, correlation and regression analyses were used, and the hypothesis was tested as a whole.

Firstly, the factor distribution results of export subsidies scale were presented in Table 7. Here, the most important thing is four variables' being totally excluded from the scale and not being included into the analysis due to these variables' having cross-loading which expected to cover the viewpoint of company to itself under only one factor. Moreover, due to the cross-loading, i1, i3, and

19 variables were excluded from the analysis process. The factor loads related to variables in obtained results was determined to be at an adequate level between 0,094 and 0,886. Furthermore, total variance explained value related to these variables 46,270. This value proves an explanation nearly at 50% level.

**Table 7. Factor Analysis of Export Subsidies Scale**

Questions	Factor 1
The enterprises should be supported against high competition in export market.	0,094
Seminars and trainings should be organized in our province related to export subsidies.	0,171
Providing the export subsidies as cash will also increase the performance of firm.	0,400
Our benefiting from export subsidies increased our export.	0,882
Export subsidies increased employment in our enterprise.	0,886
Export subsidies diversified our products, and increased the quality.	0,879
Export subsidies increased the profit obtained from export.	0,840
<b>Reliability (<math>\alpha</math>)</b>	0,784
<b>Total Variance Explained:</b>	46,270

Factor distribution of the international activities scale was explained in Table 8. Kaiser-Mayer-Olkin (KMO) was determined as 0.753 in this scale. Kaiser-Meyer-Olkin is a criteria developed for the consistency of variable values. KMO was valid for data cluster including all variables, and was called as sample appropriateness criteria. It is an indicator whether the data are modelled in determined factors or not.

The factor analysis of the international activities scale that has totally eighteen variables was presented in Table 8. All eighteen items gathered under one factor as expected. However, due to cross-loading, U4, U6, and U12 variables were excluded from the analysis process. In obtained results, the factor loads related to variables was determined to be between 0.579 and 0.799. Total variance explained related to these variables was 42,073; this rate revealed 45% level of explanation. Kaiser-Meyer- Olkin as another indicator was determined as 0.876 in this scale.

**Table 8. Factor Analysis of International Activities Scale**

Questions	Factor
We have actualized our targets in business activities more every passing year.	0,636
We provide productivity increase in sourcing through the production actualized for the international field.	0,660
In general of our international activities, our level of productivity has continuously increased as of years.	0,671
We reach to new markets more easily due to innovations actualized in our products in international fields.	0,678
Our profitability has also increased considerably through our international activities.	0,686
Due to our effort of being loyal to planning while carrying on international activity, we provided remarkable development related to cost, performance, and profitability.	0,766
We could increase our market share prominently improving the efficiency of our enterprise in international markets.	0,799
Accounts receivables turnover rate has increased in our enterprise through the international activities.	0,718
The costs caused by mistakes, waste, and reproducing have decreased in our enterprise through the international activities.	0,658

Time and cost saving has been provided as result of new method applications through the international activities.	0,699
The amount of returned products caused by quality and standards in customers we have had in international markets has decreased every years.	0,635
Through the increase in internationalization process, stock turnover in our enterprise has increased.	0,682
Our access to new foreign and domestic demands has facilitated day by day through the international activities.	0,663
Through our carrying on business internationally, performances of employees have increased visibly.	0,579
Our enterprise has become more successful at actualizing the product delivery on time through the international activities.	0,663
<b>Reliability (<math>\alpha</math>)</b>	0,913
<b>Total Variance Explained</b>	42,073

The factor distributions of the scales used in the research for the firm performance were presented in Table 9. Factor loads varied between 0.598 and 0.782 in firm performance scale. Total variance explained related to these variables was 48.831; this ratio revealed that the scale had nearly 50% level of explanation. Kaiser-Mayer-Olkin (KMO) value was determined as 0.840 in this scale. Cronbach's Alpha Value was 0.901.

**Table 9. Factor Analysis of Firm Performance Scale**

<b>Questions</b>	<b>Factor 1</b>
Our average net profitability compared to our equity capital.	0,767
Our average net profitability before taxes	0,700
The net income we obtained with basic activities	0,760
Financial success of the new products we put on market	0,598
Your general level of financial success	0,782
Annual average increase in sales	0,717
The increase at the number new products we put on market	0,629
The increase at our market share rather than our leading competitors	0,689
The increase at the number of our employees	0,635
The increase at the number of new customers	0,668
Our position in competition environment of the market in general	0,673
Our level of profitability in general	0,739
<b>Reliability (<math>\alpha</math>)</b>	0,901
<b>Total Variance Explained</b>	48.831

The basic aim in factor analysis is providing the same type of questions to be gathered under the same title in a scale in which there are several variables. So an easy passing can be provided to the subsequent process which includes creating correlation tables and averaging of variables. After testing the reliability analysis of variables related to international activities and firm performance of enterprises in the research, strategic orientations, and factors related to firm performance were created averaging the variables loaded to each factor. Just before regression analysis, correlation analyses analyzing the direct relationships between the factors were employed.

Correlation analysis specifies the direction and power of a linear relationship between two random variables. Different correlation coefficients were developed for different situations. The most

well-known of these is Pearson product moment correlation coefficient that is most frequently used in social sciences. It is a value obtained through dividing the covariance of the two variables to the multiplying of standard deviations of these variables (Nakip, 2003: 321).

When the descriptive statistics of five main factors included into the correlation analysis were analyzed, the highest standard deviation rate was noticed as 1.68 in export factor. It was revealed that it had a relationship with general performance at the rate of 0.068, with financial performance at 0.110, and with growth performance at 0.016. When we analyzed the international activities factor, the rate of standard deviation was noticed to be 1.02. Depending upon this, both the general performance of the enterprise (0.561), and financial and growth performance (0.594 and 0.447) were noticed to be in a relationship. When Table 10 was analyzed, general performance factor and financial and growth performance were noticed to be in a high correlation relationship. The coefficients were 0,930 and 0,927. When the sub-dimensions of financial and growth performance depending upon the general performance was considered, the second choice disappeared spontaneously. Such a high rate of correlation revealed the similarity of the two factors tried to be measured at the same time. For that reason, financial and growth performance was combined under one title as the general performance. To sum up, financial and growth performance were included into the study as the sub-dimensions of general performance clearly.

In Table 10, correlation coefficients, averages, and standard deviation values related to each factor were specified. The superior factor structures were subjected to correlation analysis with firm performance criteria. The direct relationships among all variables and correlation analysis findings related to superior factors were analyzed, and the findings were obtained. As a result of the correlation analysis, it was concluded that the factors had a direct significant relationship with each other and firm performance factors. The standard deviation values related to variables were found as varying between 0,900 and 1,684. The amount of variance among these values was noticed to have an adequate level to perform analysis used in 7 point Likert scale.

**Table 10. Average, Standard Deviation Values and Correlation Coefficients of Sub-Factors**

Factors	Avg.	Std. Dev.	1	2	3	4	5
1-Export Subsidies	5,031	1,684	1				
2-International Activities	5,316	1,024	0,333*	1			
3-General Performance	5,466	0,900	0,068	0,561*	1		
4-Financial Performance	5,570	0,979	0,110	0,594*	0,930*	1	
5-Growth Performance	5,362	0,960	0,016	0,447*	0,927*	0,723*	1

\*The direct relationships between the (\*) marked factors included into the table were statistically significant at  $p < 0.001$  level (1%).

After testing the relationship between the variables included into the research model with correlation analysis, multiple regression analysis was also employed to analyze the possible effects of model upon the dependent and independent variables.

Regression analysis is a method used to analyze the relationship between a dependent variable and one or more than one independent variables. The regression analysis in which only one independent variable is used is called as the one-variable regression analysis, and the regression analysis in which more than one independent variable is called as the multi-variable regression analysis.

The primary purpose in regression analysis is to analyze the effects of export subsidies and international activities mentioned in research hypothesis upon firm general performance, firm financial performance, and firm growth performance.

In order to reveal the statistical significance of regression analysis results obtained from the study, multiple determination coefficient  $R^2$ , F statistics that expresses the statistical significance of the model as a whole, and t values that express the statistical significance of each independent variable

included in models were all analyzed. The models and variables that were found as statistically significant were interpreted. The level of statistical significance (p) was accepted as the highest 5%.

The first model in regression analysis was to analyze the effects of export subsidies and international activities upon the firm general performance. The obtained results were presented in Table 11. The determination coefficient expressing the explanation level of Model 1 was  $R^2 = 0.327$ ; and the explanation ratio of the independent variables' explaining the change in dependent variable was %32.7. F value that expressed the statistical significance of the model as a whole was 31.127; and the model was statistically significant at 1% level. The first independent variable included into this model was export subsidies. The variable of export subsidies included the supports of enterprises against competition, financial supports of state, and activities such as training in its definition. T value of this factor was -1,464; this was statistically significant at 14.6% level. Because the level of statistical significance was accepted as 5% in the research, no interpretation can be made related to the variable of export subsidies. Accordingly, no direct and positive effect of export activities upon the general performance can be mentioned.

**Table 11.** Regression Analysis of the Effect of Export Subsidies and International Activities on the Firm General Performance (Model 1)

Independent Variables (bi)	Dependent Variables		
	Overall Performance (Model 1)		
	B	t	P
Export Subsidies	-0,111	-1,464	0,146
International Activities	0,595	7,834	0,000*
Values	$R^2 = 0,327$	$F = 31,127^*$	$P = 0,000$
Independent Variables (bi)	Financial Performance (Model 2)		
	B	t	P
	Export Subsidies	-0,075	-1,009
International Activities	0,617	8,309	0,000*
Values	$R^2 = 0,358$	$F = 35,733^*$	$P = 0,000$
Independent Variables (bi)	Growth Performance (Model 3)		
	B	t	P
	Export Subsidies	-0,130	-1,585
International Activities	0,488	5,948	0,000*
Values	$R^2 = 0,217$	$F = 17,709^*$	$P = 0,000$

\*was found as statistically significant at the level of 1%.

The international activities, as the second independent variable, included several alternatives such as Direct Investment, Strategic Partnerships, Joint Venture, Franchising, License Agreements, Mergers and Acquisitions, Management Contracts, and Exportation used while penetrating into foreign markets. When regression analysis results of the variable were analyzed, it was statistically significant at the level of 0.000 (1%). Beta value was 0.595; and was positive. Namely, it provided a direct and positive increase through a high effect upon the general performance of the firm. The managers filling in the research questionnaire considered that export was not adequate alone, and all these international activities should be used together or in a way that would complete each other. This consideration was clearly observed both in correlation and regression analysis.

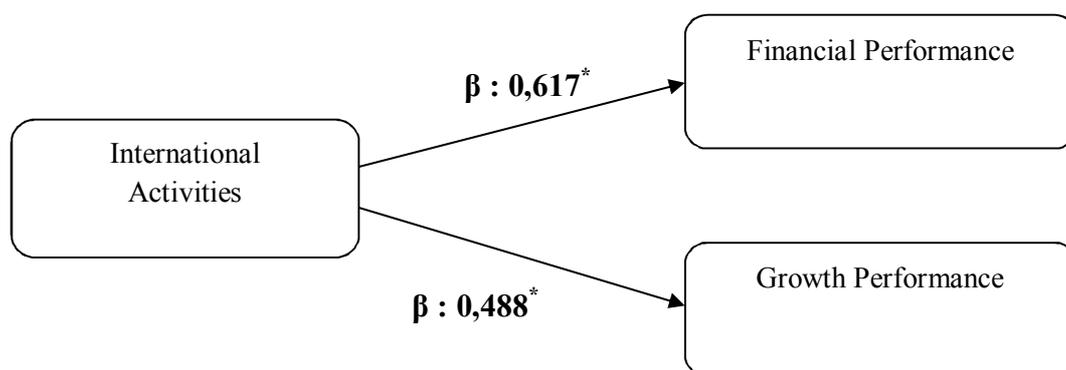
The second model in the analysis was analyzing the effect of export subsidies and international activities upon the firm financial performance. The obtained results were presented in Table 11. The

determination coefficient that expressed the explanatory level of Model 2 was  $R^2 = 0,358$ ; and the explanatory rate of independent variables included into the model was 35.8%. F value that expressed the statistical significance of the model as a whole was 35,733; and the model was found as statistically significant at the rate of 1%. Export subsidies as the first independent variable had -1.009 t-value in this model; and it was statistically significant at the level of 31.5%. Because the level of statistical significance was accepted as 5% in the research, no interpretation can be made related to export subsidies. Accordingly, no direct and positive effect of export subsidies upon the financial performance can be mentioned.

When the analysis results of international activities as the second independent variable was analyzed, it was found as statistically significant at the level of 0.000 (1%). Beta value was 0.617; and it was positive. Namely, it provided a direct and positive increase with a high effect upon the financial performance of the firm.

The third and last model was analyzing the effect of export subsidies and international activities upon the firm growth performance. The obtained results were given in Table 11. The determination coefficient expressing the explanation level of Model 3 was  $R^2 = 0,217$ ; the rate for the independent variables included into the model to explain the change in the dependent variable was 21.7%. F value expressing the statistical significance of model as a whole was 17.709; it was statistically significant at the level of 1%. T value of the export subsidies factor as the first independent variable included into this model was -1.585; it was statistically significant at the rate of %11.5. Because the level of statistical significance was accepted as 5% in the research, no interpretation can be made related to this variable. Accordingly, no direct and positive effect of export subsidies upon the growth performance can be mentioned.

**Figure 1.** The Effects of International Activities upon General, Financial, and Growth Performance



When regression analysis results of the international activities variable as the second independent variable was analyzed; it was statistically significant at the level of 0.000 (1%). Beta value was 0.488; and it was positive. Namely, it caused a direct and positive increase with high effect upon the growth performance of the firm (figure 1).

## 6. Discussion and Conclusion

The enterprises to which the questionnaire was performed within the scope of the research were the ones that have been carrying on their business or have branch offices in Central Black Sea Region. The activity fields of these enterprises include various sectors, and the leading of those were food, beverage, textile, machinery-equipment, furniture, and metal. According to KOSGEB (Small and Medium Industry Development Organization) classification, 43.1% of the analyzed enterprises were small-scale, and 41.1% were medium-scale. The rate of the enterprises employing 250 and more employees was 16.8%.

In the research, the factor analysis was firstly dealt. Factor loads of export subsidies scale was found between 0.094 and 0.886. Because the factor loads of three variables were low, they were excluded from the analysis. In factor analysis of international activities variable, three factors were

also excluded from the analysis. According to obtained results, factor loads were between 0.579 and 0.779; and this was considered as adequate.

In factor distribution of the scales used for firm performance, factor loads were found at an adequate level as being between 0.598 and 0.782. With factor analysis, the same types of questions were collected under one title in a scale that included several variables, and then correlation and regression analyses were performed. Finally, a decision was made related to research hypothesis according to regression analysis results.

In correlation analysis, the direct relationships between the variables were investigated. According to this, inter-variables correlation coefficients were obtained. Those findings were obtained after the coefficients that were found as statistically significant. The variable of export subsidies and standard deviation were found as high. It was also noticed that this variable had a low relationship with general, financial and growth performances.

It was determined that the international activities as the second variable had a high and positive relationship with all variables including firm general performance, firm financial performance and firm growth performance.

After the correlation analysis, regression analysis was performed in order to make a clear decision related to the research hypothesis in the study. Regression analysis was the multiple single regression analysis performed according to chi-squares method.

According to regression analysis results, it cannot be said that the independent variable of export subsidies was efficient upon both general performance and financial performance of enterprises and growth performance of enterprises. This variable was found as statistically insignificant in three models. However, it was determined that the variable of international activities was efficient upon enterprise general performance, enterprise financial performance and enterprise growth performance in three models. According to the obtained regression analysis results, international activities had a positive effect upon enterprise performances.

The suggestions that can be offered for the enterprises were itemized below:

- International competition conditions require efficiency in sourcing. The firms are required to follow the new development on production costs.
- Technology transfer is an important issue. The firms should adapt new technologies through different license agreements.
- The efficiency of international activities upon the growth rate of enterprises was revealed in this study, as well. The enterprises can affect their growth performances pushing their foreign capital and enterprising opportunities.
- Practicing the innovations should also be adopted in production. New products should be developed.
- International communication will provide the opportunity of adopting new technologies, new markets, and new products.
- The activities such as fairs, meetings should be emphasized within the scope of international activities.
- New development should be followed related to international quality and standards.
- Logistic activities should be developed in parallel with new developments.
- Considering the cultural and regional ties of Turkey, its share on new markets should be enhanced.
- It should permanently be regarded that local and regional sources can meet a need for different regions.

Each step that will be paced to intensify the international activities will create a positive effect on the enterprises. The reflection of positive effects created in micro scale on macro-economic indicators should not be ignored.

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