

Comparative Economics and Regional Development in Turkey

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Chapter 1

Corporate Social Responsibility and Talent Management in Turkey 1

Elaine Farndale, Pennsylvania State University, USA & Tilburg University, The Netherlands
Dincer Atli, Pennsylvania State University, USA & Uskudar University, Turkey

Addressing the relationship between corporate social responsibility (CSR) and talent management, we examine these fields largely from the perspective of employee attraction. We first present the historical development of CSR, detailing its current standing in Turkey. We then go on to describe how talent management has developed, and its particular relevance in emerging markets. Pulling these two fields together, we explore how a firm's CSR activities can improve employer branding to attract and retain key human resources. Comparing the results of Capital Magazine's "CSR Leaders in Turkey" and "Most Admired Companies in Turkey" research (both conducted annually from 2009 to 2013), we are able to identify how corporate reputations are related to CSR in the specific context of Turkey.

Chapter 2

Revisiting the Link between Consumer Sentiment and Economic Activity: Consumer Confidence and Economic Growth 16

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This chapter revisits the relationship between consumer confidence (sentiment) and economic and financial variables for the emerging market of Turkey using the recently developed and superior frequency domain causality and wavelet comovement analysis. The main theme is to assess the information content and the relationship of consumer confidence indices (which are advocated to be leading economic indicators) with important economic and financial variables in Turkey. This will help to understand the dynamics of interaction between households, firms and the public sector in Turkey. There are two basic contributions of this study to the existing literature: first, as far as we know, this study is the first of its' kind concentrating on the consumer confidence and several other financial parameters for an emerging market by adopting a frequency domain and wavelet comovement analyses. Second, the use of frequency analysis enables us to examine the test results over different frequencies rather than limiting ourselves in time domain and a linear world.

Chapter 3

M&A Activity, Financial Distress, and Trade Credit: Evidence from Turkey

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Mine Ugurlu, Bogazigi University, Turkey

This paper investigates the effects of firm constraints on the likelihood of M&A involvement and explores if mergers mitigate financing constraints. The results display that young and small firms facing financial constraints, corporations that have low R&D expenditures and capital investments have higher likelihood of M&A activity. Firms that compete in technology-driven industries are more likely to merge. Equity-constrained firms have high likelihood of M&A involvement while cash insolvency and leverage are not significantly related with mergers. The results support the positive relation between the use of trade credit and financial distress displayed in previous studies, but reveal that distressed firms involved in mergers reduce trade credit significantly. Results indicate that mergers mitigate the positive relation between distress and trade credit. Distressed firms involved in mergers avoid payables which rank lower in pecking order finance. M&As seem to alleviate financing constraints for cash-constrained corporations in an emerging market.

Chapter 4

The Comparison of the Shadow Economy in Turkey and European Countries

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Coskun Karaca, Cumhuriyet University, Turkey

As informal activities are considered as a crime, that kind of activities are being carried out secretly and their detection is difficult in most cases. Along with difficulties in determining the size of informal economy exactly, recently developed models and opportunities to reach reliable data enable making realistic estimations in regard to shadow economy. This study benefits from 11 different studies estimating informality in European countries and Turkey by using physical input, currency demand, DYMIMIC, and MIMIC methods. Common conclusion acquired from these studies is that informality rate in Turkey is higher than EU15 countries and EU13 countries -except for Hungary, Cyprus, Latvia, Croatia and Bulgaria. In addition to the comparison of these data, the reasons of the emergence of informal economy, measuring methods, and policy proposals in order to hamper informality in Turkey are also discussed.

Chapter 5

Resources on the Stage: A Firm Level Analysis of the ICT Adoption in Turkey

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Derya Findik, Yildirim Beyazit University, Turkey

Aysit Tansel, Cornell University, USA

This study examines the impact of firm resources on ICT adoption by the Turkish business enterprises using firm level data. The data for this study consists of 3633 firms in manufacturing and services sectors. We investigate the effect of firm resources on the adoption of ICT by using ordered logit model. Adoption of ICT is an index variable including four categories which ranges from single technology ownership to four technology ownership. These technologies are local area network (LAN), wireless local area network (WLAN), intranet, and extranet. We assume that these technologies are complementary. We find that firms do not need to use same amount of resources while adopting single technology as they would while adopting complementary technologies. In the adoption of complementary technologies, the effect of firm size, trade openness, human capital, purposes of ICT usage and environmental factors such as region and industry increases. On the other hand, full complementarity among technologies does not require

the full exploitation of the firm resources. As a result of inefficient use of firm resources, single and two technology owner firms, which are composed of resource-limited small and medium sized enterprises (SMEs), do not accomplish the technology adoption benefits of the three and four technology owners. We discuss a set of policy implications to promote the efficient use of firm resources for single and two technology owner firms. The effect of firm resources on the adoption of complementary technologies is analysed in this study which has not been investigated before in this context.

Chapter 6

Causes of Growth of Turkish Economy

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Milenko Popovic, Mediterranean University, Montenegro

This chapter provides an analysis of the proximate causes of growth of the Turkish Economy. Previous researches on this issue have been not only critically reviewed but also used to provide some additional insights on long run growth of Turkish economy. Emphasis of the paper is, however, on causes of growth in the era of globalization. Sources of growth have been analyzed for different sub-periods of this era in order to see how different reforms, like trade and capital account liberalizations, economic crisis and post-crisis policy measures and similar have influenced economic growth of Turkey from 1980 till 2013. Apart from conventional sources of growth analysis, demand and industry side sources of growth analysis have been also given. A lot of interesting insights have been obtained from these analyses.

Chapter 7

International Business Initiatives of the Turkish Enterprises in Global Trade: The Case of Outsourcing I

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Aytag Gdkmen, Fankaya University, Turkey

The amount of trade and international business volume in the world has amounted considerably as a result of the fast moving globalization and declining borders especially after the 1990s. International business and trade are important tools for countries and enterprises to increase their volumes of production and commerce as well as enhance employment, increase the national income and raise revenue for enterprises to make further investments. Turkey is located at the threshold of Europe and Asia, consolidating East and West, and North and South at the convergence of various trade routes. However, despite of being close to various countries, a great deal of Turkey's export potential is focused on the EU and developed countries. However, the production means in Turkey are not adequate, so it imports factors of production from abroad by way of international business operations. Thus, the aim of this study is to review the theory of globalization, international business, firm internationalization process of businesses, impact direction of multinational businesses as well as the commercial operations of the Turkish enterprises, real and commercial abilities of the Turkish firms and international business activities on the global basis; compare this to its entire trade volume and propose comments on these issues resting on credible national and international publications and figures.

Chapter 8

Changes in the Turkish Wage Structure in the EU Accession Process

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Nursel Aydiner-Avsar, Gediz University, Turkey

M. Burak Onemli, Gediz University, Turkey

This chapter aims to analyze the evolution of Turkish wage structure following the introduction of new labor law in 2003 in the EU accession process. The authors first present a descriptive picture of the changes in wage inequality between 2003 and 2013. They then conduct an econometric analysis of the relative importance of individual, job- and workplace-related factors on wages across the wage distribution to understand what drives this outcome. It is found that wage inequality decreased from 2003 to 2007, and increased during the global economic crisis. Increased returns to college education, skilled white collar jobs as well as returns to construction sector stand out as the major factors increasing wage inequality. Though to a lesser extent, increased returns to blue-collar jobs, formal job status and reduced returns to employment in large firms are factors reducing wage inequality in Turkey in the post-2003 era.

Chapter 9

The Impact of Turkey's Internal Economic Situation in 2000s on Its Foreign Economic Relations

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Muslum Basilgan, Uludag University, Turkey

Turkey is an important country both in terms of population and geographical location. In terms of population, Turkey is the second largest country in Europe after Germany. Geographically, Turkey serves as a bridge between Europe and Asia. This feature enables Turkey to develop economic relations with a lot of countries and regions. However, Turkey has experienced negative results in the field of economics as in many areas because of political uncertainty and government structure based on coalition and could not make full use of its potential for many years. After living one of the worst economic crisis in history in the 2001 year, the people in Turkey has decided to a government of one party than government based on coalitions. With the political stability, Turkey became a center of attraction in direct foreign investment and portfolio investment for both countries in the region and developed countries. Despite these positive developments, the greatest difficulty encountered in the economy in this period is the current account deficit problem.

Chapter 10

A Comparison of Corporate Sustainability Reporting in Europe and the Mena Region

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Harish C. Chandan, Argosy University, USA

Corporate sustainability (CS) is becoming a strategic focus for large corporations globally. This chapter compares CS reporting in the Europe and MENA regions. A content analysis of the CS reports from large corporations in Europe and the MENA region is presented to explore the themes covered in their sustainability reports. More large corporations in Europe have been reporting CS longer than those in the MENA region, and more large corporations in the developed countries of Europe as compared to MENA region publish CS reports. In general, CS reporting in the MENA region and developing European countries is in its infancy. There is evidence of leadership structures being put in place to ensure that the board and senior management are involved in sustainable strategy development and are incentivized to monitor and ensure implementation of that strategy through financial rewards.

Chapter 11

On The Risk-Return Relationship in European and MENA Major Stock Markets During the 2008 Financial Crisis

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Stephane Gagnon, Department of Administrative Sciences, University of Quebec in Outaouais, Canada

The purpose of this study is to examine the relationship between risk and return in financial markets. In particular, a comparative study is conducted to shed light on such association by using stock market data from Middle East and North Africa (MENA) and Europe. The exponential generalized autoregressive conditionally heteroskedastic in the mean (EGARCH-M) methodology is adopted to investigate the return generating process in financial markets under study during the 2008 financial crisis. Empirical findings show evidence that some MENA region financial markets generated more risk reward than European stock markets.

Chapter 12

EU-Turkey Customs Union and Bilateral Foreign Direct Investment Flows

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Adam Marszk, Gdansk University of Technology, Poland

Main aim of this text is presentation of the effects of customs union between the European Union and turkey on bilateral FDI flows in light of the theory of linkages between economic integration and FDI flows. First section of the text is a survey of main theoretical links between economic integration and FDI flows. Second section focuses on the history and scope of the customs union. Third and fourth sections are empirical and are devoted to presentation of the results of analysis of FDI inflows to the European Union and turkey, including main trends and impact of the economic integration. According to the results of the conducted research, FDI inflow to both sides of the agreement increased substantially. Intra-regional FDI flows grew since the formation of the union which may be attributed to the positive impact of reduction of trade barriers and access to enlarged markets as well as linked changes in the turkey's legislation. FDI inflow from the third countries also increased.

Chapter 13

Motivation of EFL Students in Turkey: Potential Impact on the Nation's Economic Sustainability

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The global marketplace is characterized by various changes occurring in economic, social, natural, and technological areas. As such, experts in numerous fields are still working to revise various systems and infrastructures to operate in a robust manner within the new realities of today. This paper focuses on part of the educational aspect of that massive effort by examining the intrinsic motivation of Turkish students of English as a Foreign Language (EFL) and its potential impact on the country's long-term economic sustainability since English remains the global business language. The paper commences with an introduction to the realities of contemporary globalism that underscore the very purpose for this work, and the subsequent sections present and then synthesize all material to provide suggestions to create a paradigm shift in thinking required for teaching EFL in Turkey.

Chapter 14

Turkish Corporate Governance Regime Antecedents and Outcomes

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Bezza Oba, Istanbul Bilgi University, Turkey

This chapter focuses on the characteristics of Turkish corporate governance regime with an emphasis on the dominant characteristics of emerging economies. In Turkey, corporate governance practices were introduced as a precondition of the International Monetary Fund (IMF) rescue package in and around the 2001 financial crisis. Governance practices were enforced by World Bank (WB) and were supported by the TUSiAD (Turkish Industry and Business Association). While OECD-based governance principles were drafted by the Capital Market Board (CMB) their implementation has gone through modifications that are characterized by the institutional environment, the culture and legal system in which they were embedded and accordingly, today corporate governance practices, especially the board structuring and transparency routines reflect this local milieu.

Chapter 15

Effective Applications of Optimization Methods in the Manufacturing Environment in Turkey

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Omer Faruk Yilmaz, Istanbul Technical University, Turkey

Hikmet Erbiyik, Yalova University, Turkey

In today's manufacturing environment both used equipment and worker resources have become more crucial. Both resource must be used in an effective and appropriate way. Therefore, studies in conjunction with manufacturing environment are actualized under dual resource constrained (DRC). In the extant literature, DRC manufacturing environments place importance on certain dimensions which are surveyed in detail in this study. This literature research is conducted for manufacturing environments where worker planning and product scheduling topics are studied frequently. Our observations reveal that the systems of single conducted do not reflect the real manufacturing environment; hence, hybrid manufacturing systems which consist of functional layout and cells are investigated. The efficiency of hybrid manufacturing systems in the DRC environment are revealed by searching through literature. Therefore, the more effective way of usage of optimization methods are proposed by examining the studies regarding hybrid manufacturing system in terms of usage of optimization methods.

Chapter 16

Economic Development, Market Characteristics and Current Business Conditions in Turkey: A Guide for Successful Business Operations

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Rifat Kamasak, Yeditepe University, Istanbul, Turkey

Meltem Yavuz, Istanbul University, Turkey

The purpose of this chapter is to provide a background to the Turkish business environment and market conditions in light of the European Union (EU) Customs Union integration and emerging market characteristics as well as including information about its economic and political dynamics, financial volatility and risks, consumer habits and consumption patterns, ethical issues, and physical and institutional infrastructure. A brief historical overview of Turkey's economic development starting from the early years of the new Turkish Republic will also be provided. Besides its academic contributions, the chapter can also be used as a guide by practitioners and business people who consider conducting business in Turkey.

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Differentiation of Skills and Unemployment: Theoretical Analysis	355
<i>Samir Amine, University of Quebec, Canada</i>	

The purpose of this paper is to study an original relationship between the differentiation of jobs and the characteristics of the labor market. Using an original formalization of horizontal and vertical differentiation of workers, this paper shows that an increase in unemployment leads to creating jobs more suited to skilled workers. Introducing a negative income tax system (NIT), the present model shows that this public policy results in a deterioration of the situation of unskilled workers by encouraging firms to create jobs more suited to skilled.

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Strategic Positioning of Turkey Agricultural Products on the Agricultural World Market	366
<i>Hamadoun Sidibe, Universite de Moncton, Canada</i>	

Applying a strategic management perspective, particularly the BCG tool, this chapter demonstrates that the agricultural products exported by Turkey are distributed unevenly on the four cells of the global agricultural markets matrix: almost of its products (236 products or 85.20% of its portfolio) are Question Marks, two products are a Star, one product is a Cash cow, and 38 products are Dogs. Such a situation creates important strategic choices for the leaders of the country and for its businesses. None of Turkey top ten exports were among the top ten growers in the world. Turkey is world export leader in ten products, but these products are not the world most growing markets, and the country should increase its relative market share in some of its ten top exports, and also consider developing organic product segments, and eliminate tobacco products in its portfolio.

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