Preface

The Republic of Turkey represents solid business opportunities for both Transnational Corporations (TNCs) and domestic enterprises. However, the economic sustainability of these opportunities lies in several key factors such as global hypercompetition, corporate governance, business creativity, the informal economy, qualifications of the labour force, wage structure, and international brand equity. This book explores these and other factors such as talent management, information and communication technologies (ICT) adoption, mergers and acquisition (M&A), corporate social responsibility, and English as a Foreign Language (EFL) training to examine how the nation’s long-term economic prosperity can be maintained in a global environment which demands sustainable development.

With a population of 77.7 million at the end of 2014 and a Real Gross Domestic Product (GDP) of US$1.407 trillion (at Purchasing Power Parity or PPP) as of 2013, Turkey is one of the next generation of “Tiger economies” known as CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa). A natural land bridge located between Europe and the Middle East, Turkey possesses a geopolitically critical position in the world due largely the strategic Bosphorous Strait linking the Black Sea to the north with the Mediterranean Sea to the south. This important connection permits relatively easy access to many markets beyond Turkey such as Bulgaria, Georgia, Romania, Russia, and the Ukraine in the northern region to Lebanon, all of Northern Africa, and many European nations (e.g., Greece, Italy, Spain) in the southern region.

However, as the effects of contemporary globalism (i.e., hypercompetition) spare no country over time, the key question to ask is how prepared is Turkey to maintain its economic gains achieved since the financial crisis of 2000 and 2001? This publication aims to answer this question based on first-hand experiences, credible secondary sources, and other means that government officials and businesspersons alike should consider.

ICTs have created disruptive forces unseen in the past in which organizations worldwide must now compete. The so-called “digital economy” means these organizations must seek a new framework for strategic planning that includes the following seven “intangibles”:

- Radical innovation and first mover advantages
- Firm strategy and positioning,
- Intangible resources and competencies
- Relational optimality
- Network effects and externalities
- Organizational ambidexterity
- Transaction cost efficiency
These intangibles are the true sources of value creation and competitive advantage today, and business organizations in particular which do not recognize this fact are most likely to fail over the long-term (i.e., lack sustainability). This is especially true of industries or sectors which are inherently riskier than others due to demand and technological uncertainty. Turkey specifically must develop over time more sustainable industries or sectors to effectively combat the long-term effects of contemporary globalization on the country and its economy. Turkey’s fossil-based energy system has created not only pollution problems, but also has become a major source of the country’s widening current account deficit. Upgrading manufacturing capabilities and focusing renewable energies for energy production remain the route to higher productivity and rising living standards for developing countries such as Turkey.1

It is well-known that the scientific productivity of a country correlates more strongly with gross national income per capita than its technological sophistication. Therefore, some potential industries for further consideration could include Next-generation Genomics, synthetic biology, or 3D Printing. It must be remembered that a nation’s economic health is based largely on the composition of its current and future workforce, which in turn impacts the persistent major determinant of long-term national growth (especially today): productivity. This is the primary reason why the first chapter in this publication is devoted to talent management and corporate social responsibility.

Chapter 1 covers corporate social responsibility and talent management in Turkey. Companies are inextricably connected to their surrounding communities and their success is greatly dependent on the characteristics of the communities where they operate. In an effort to meet the needs of their stakeholders and strengthen their business strategy, organizations have been incorporating social and environmental responsibility objectives into their service framework. In developing such corporate social responsibility (CSR) strategies, little attention has been paid to date to how this affects the current and potential future employees of the organization. The exploration of CSR and talent management in Turkey presented in the chapter helps to address this gap.

Chapter 2 discusses 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 goal is to assess the information content and the relationship of consumer confidence indices 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, this study appears to be 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 discloses the impact of information asymmetry measures such as Research & Development (R&D) expenditures, growth, distress, and ownership concentration on the likelihood of Mergers & Acquisitions (M&A) involvement of the constrained firms operating in an emerging market, controlling for size, age, and industry of the firms. A two-stage probit analyses is conducted and the evidence rests on 212 nonfinancial firms listed in Borsa İstanbul during the 2006-2010 period. The chapter looks at the impact of M&A activity on the use of trade credit and investigates whether M&A involvement mitigates the constraints of the firms involved in mergers.

Chapter 4 covers the so-called “Shadow economy” in Turkey which encompasses economic transactions and activities that are not officially chained, non-certified by legal documents, unsupervised by public authorities, and disregarded in national income calculations. The shadow economy has a great
importance for any economy. Because, it causes tax revenue drain, constitutes an inefficient allocation of resources and results in unfair distribution of income. This study compares the data of 11 different studies estimating informality in European countries and Turkey that use physical input, currency demand, DYMIMIC, and MIMIC methods. Moreover, the chapter investigates the reasons behind the emergence of informal economy and discusses the measuring methods. Finally, the chapter brings some suggestions to hamper informality not only for the EU but also for Turkey.

Chapter 5 discusses the adoption and the use of Information and Communication Technologies (ICTs) as indications of technological progress and important keys for the development of knowledge-based economy and its future sustainability. The study examines the impact of firm resources on ICT adoption by the Turkish business enterprises using data from 3633 firms in manufacturing and services sectors. The authors analyse the mechanisms that shape the adoption of complementary technologies and pose the following research questions: **RQ1.** Does adopting single technology require the use of same amount of firm resources as adopting multiple complementary technologies? **RQ2.** Does full complementarity among technologies imply full exploitation of the firm resources?

Chapter 6 provides insight into the analysis of the proximate causes of the growth in the Turkish economy particularly 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 have influenced economic growth of Turkey from 1980 to 2013. Additionally, the demand and industry side analysis of growth is provided as it contains some important information on globalization impact on growth anatomy. The chapter also examines the sources of growth in a more detailed manner by considering the contribution of human capital (education), the contribution of sectoral shifts, and some other related details.

Chapter 7 examines outsourcing in Turkish enterprises. International business and trade are important tools for countries and enterprises to increase their production and commerce volumes as well as enhance employment, increase the national income, and raise revenue for enterprises to make further investments. Turkey is close to many markets. But the bulk of its export goes to the European Union (EU). Since the production means in Turkey are not adequate, the country imports factors of production from abroad via international business operations, which threaten national economic sovereignty. Thus, the purpose of this study is to review the commercial operations of the Turkish enterprises on a global basis and try to identify a way forward for enhancing a domestic production base.

Chapter 8 analyzes the evolution of the Turkish wage structure following the introduction of the new labor law in 2003 for the European Union (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. Results of the study reveals that there are competing factors that influence wage inequality in Turkey. 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.

Chapter 9 presents the developments in Turkey’s economy recently and to show the impact of Turkey’s internal economic situation on its foreign economic relations. To achieve these objectives, the developments in the economy in the 2000s are first shown in some examples of developments in macroeconomics. Second, the impacts of Turkey’s internal economic situation on its foreign economic relations are considered in the examples of foreign trade, relations with the International Monetary Fund (IMF), foreign aid, and Foreign Direct Investment (FDI).
Chapter 10 is something of an “outlier” effort in that it contains a comparison of corporate sustainability (CS) reporting in Europe and the MENA (Middle East and North Africa) region. First, the evolution of corporate social responsibility reporting into CS reporting is discussed this chapter, since CS is becoming a strategic focus for large corporations globally. Then, global CS reporting standards such as the UN GRI and ISO 26000 are discussed. A content analysis is presented from the most recent CS reports published on the websites of large corporations from diverse sectors in the Europe and MENA regions to compare the governance of CS, the themes in CS reporting and history and format of CS reports.

Chapter 11 examines 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.

Chapter 12 investigates the background of the Turkish business environment and market conditions in light of the European Union (EU) Customs Union integration and emerging market characteristics. It also includes information about Turkey’s 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.

Chapter 13 studies 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 chapter 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 provides suggestions to create a paradigm shift in thinking required for teaching EFL in Turkey.

Chapter 14 contains information 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 the World Bank (WB) and were supported by TUSİAD (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 details effective applications of optimization methods in the manufacturing environment in 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. The author’s 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.
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Chapter 16 is a presentation of the effects of customs union between the European Union and Turkey on bilateral Foreign Direct Investment (FDI) flows in light of the theory of economic integration and FDI flows. The first section of the text is a survey of main theoretical links between economic integration and FDI flows. The second section focuses on the history and scope of the customs union. The 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.

Chapter 17 is a theoretical analysis regarding the differentiation of skills and unemployment that is applicable in Turkey and elsewhere. Using an original formalization of horizontal and vertical differentiation of workers, this chapter 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 labor.

Chapter 18 adopts a strategic management perspective. It includes a strategic positioning of Turkey’s agricultural products in the global marketplace using a business portfolio analysis approach as developed by the Boston Consulting Group (BCG). The study duplicates the previous research conducted on West African countries by Sidibe. The chapter will benefit scholars, scholar-practitioners, business executives, and undergraduate/graduate business and economics students as reference material because it links theory to application.

We trust this diverse array of titles will provoke the reader into further research and study of this fascinating nation that is underrepresented in the extant academic literature.

Bryan Christiansen
PryMarke, LLC, USA

M. Mustafa Erdoğan
Marmara University, Turkey

REFERENCES


ENDNOTES

1 For a chapter that explores the way in which a strong domestic wind turbine manufacturing industry can be nurtured in Turkey see, Erdoğan & Karaca (2014).