

## Determinants of The Export Performance of SMEs: Comparative Analysis of Turkish SMEs Exporting to Middle East and European Regions

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### Abstract

*This study aims to explain determinants of the export performance of Turkish SMEs by focusing on what factors impact the performance of firms mainly exporting to Europe and Middle East. As methodology, comparative analysis will be followed. Further, qualitative method, inductive approach based on a case study and interview data collection method were conducted in order to have reliable data to provide robust analysis. The case study data were collected from 20 small and medium sized Turkish companies exporting to Europe and Middle East regarding their international business activity in order to get direct information by addressing open ended questions to the firm owners. As concluded from interview data, internal factors in the firm level and managerial levels have positive impact on export activities of companies exporting to Europe. Moreover, technological and political environment as external factors have positive effect on export performance of firms as well, whereas economic, social and cultural environment may have some negative effects on the firms. In the firm analysis that export to Middle East countries, some of firm level and managerial level factors have positive effects on the performance while some of them effects it negatively. Additionally, political environment and firms' technological capabilities have negative effect on export of firms. Unlike the firms exporting European region, social and cultural environment favourably effect export performance of Turkish SMEs that export to Middle East countries.*

**Keywords:** Export Performance, Small and Medium Sized Enterprises, Turkish firms, Europe, Middle East

### 1. Introduction

Nowadays, small and medium-sized companies have gained more popularity and attention in the international business market because of the removal of restrictions and thanks to trade agreements between countries. Thus, internationalisation is one of the main aims for SMEs in order to attain more benefit from international market because trade liberalisation provides free integration and connection between different countries (Apec, 2011). In this competitive era, internationalisation of trade has gained a very crucial role for SMEs' survival. The growth of international integration and trade activity has enhanced the importance of exportation between companies and countries (Sousa et al., 2008). For that reason, growing internationalism encourages export activity, thereby making exporting activity a significant aim for many SME firms. Many scholars have studied the export activity and export performance of SME firms (Leonidou and Katsikeas 1996). The export performance of firms has a significant role for decision makers. However, even though the measurement of export performance has been researched, no specific measurement has been attained. Nevertheless, the measurements that have been discovered can be divided into financial and non-financial measurements. According to Zou and Stan (1998), export performance consists of "growth, profit, sales, satisfaction, success, goal achievement and composite scales".

A great deal of research has been conducted about the determinants of export performance in international firms (Julian & Ahmed, 2005). Most of the research has been conducted for developed countries, but Turkey was chosen for this study as an emerging country. Because, SMEs also play a crucial role in the Turkish national economy, small and medium sized companies constitute 99 per cent of national firms, 78 per cent of the whole employment of the Turkish economy, and yet the export value of the SME in Turkish economy is less than 60 per cent (KOSGEB, 2011). Therefore, the main aim of the present study is to search which factors affected the export performance of Turkish SMEs the most while also focusing on how these factors affected these SMEs' export activity in order to learn why small and medium sized firms cannot benefit effectively and efficiently from their export activity and why their export value is less than their expected value.

In this research mainly two different exporting regions (Middle East Region and Europe) of Turkey will be analysis to learn what is main reason of the firm's export barrier to these region. To sum up, this study is going to demonstrate the influencing factors of the export performance of Turkish SMEs according to the exporting regions in order to learn which factors affect their export performance and how these factors affect their export activity. At the end, this paper helps us to understand why the export performance of Turkish SMEs are different to the these exporting region.

## **1. Literature Review**

Internationalisation has become a growing trend among developed countries and their multinational companies for long time. However, SMEs started to trade internationally after 1980 to achieve the benefits that multinational companies had been getting from international trade. These trade advantages included not only sales growth, but also enabled them to attain knowledge, added competitiveness and the enhancement of their capabilities (Wilson, 2007). Thanks to the development of information technology and the removal of international trade restrictions, small and medium sized companies found opportunities of expanding their business from the domestic market into the international market (Abdullah et al. 2011). In this chapter, the importance of SMEs and their export performance are going to be mentioned; then, the influencing factors of their export performance are going to be discussed.

### **2.1. Small and Medium Sized Enterprises**

There is no standard definition of SMEs in business literature because different countries and different organization define SMEs according to their own economic and technologic situation. The most accepted definition of SME, however, is the definition given by the European Commission. According to the European Commission, SMEs can be determined by two factors; the number of employees and their turnover or balance sheet total. Thus, if the number of employees of a company is between 10 and 249 or their annual turnover is less than €50 million, it is considered an SME (European Commission, 2016).

Small and Medium Sized Enterprises (SMEs) have a very significant influence on national economic growth as well as playing a major role in most emerging countries' economies in terms of creating employment and providing sustainable economic growth. In the same way, SMEs play a crucial role in the Turkish national economy. According to the national statistical data of Turkish business, small and medium sized companies constitute 99.8 per cent of national enterprises, 74.2 per cent of whole employment in national economy, 55 per cent of added value, 63.8 per cent of whole sales, and 56.4 per cent of total export, whereas their export value is less than 10 per cent (TUIK, 2016). In short, although SMEs represent the majority of companies and create the most jobs, they neither benefit from their number of enterprises and nor from their number of employees with regards to the international market.

### **2.2. Export Performance of SMEs**

The measurement of export performance plays a vital role for decision-makers' future decisions. However, even though decision-makers need to measure export performance, there is no specific export performance measurement. Some researchers state that performance measurements should be divided into financial measurements, with sales, growth, and profits on the one hand, and non-financial measurements, with satisfaction goal achievement on the other. According to Zou and Stan (1998), export performance consists of seven groups which are "growth, profit, sales, satisfaction, success, goal achievement and composites scales". Because of the importance given to export performance, we need to increase the export performance of SMEs in order to reach national and corporate aims. Therefore, to know the determinants of export performance is a very noteworthy step for achieving national and corporate growth seeing as national economic growth and the survival of companies strongly relates with understanding the influencing factors of the export performance of SMEs (Sousa et al., 2008).

### **2.3. Export Performance of Turkish Firms to Europe and Middle East**

Exporting firms, especially SMEs play a crucial role in the Turkish national economy and SMEs enable to create employment and providing sustainable economic growth. In addition, Turkish SMEs has 56.4 per cent of total export of Turkey and main exporting partner of Turkish SMEs is Europe countries and Middle East countries. After liberalization Turkey's export activity to Europe and Middle East has increased sharply in 15 years. In this section, We discuss the export performance of Turkish firms to Europe and Middle East.

**Table 1: Turkish Export Data, (million \$)**

Years	Export Value	Change (%)
2001	31 334	12,8
2002	36 059	15,1
2003	47 252	31,0
2004	63 167	33,7
2005	73 476	16,3
2006	85 534	16,4
2007	107 271	25,4
2008	132 027	23,1
2009	102 142	-22,6
2010	113 883	11,5
2011	134 906	18,5
2012	152 461	13,0
2013	151 802	-0,4
2014	157 610	3,8
2015	143 934	-8,7
2016	142 606	-0,9

**Source: Turkish Statistical Institute 2017-02-15**

Table 1 shows that Turkey's export has increased constantly from 2001 to 2008, but after financial crisis in Europe that effects to all World, Turkey's export has decreased sharply from 132.027 billion ton 102.142 billion US dollars. As shown in Table 1, after European financial crisis Turkey's export has increased but, Turkey' export began to fluctuate between 2011 to 2016 with the emergence of the Middle East political crisis.

**Table2: Turkish Export to Europe and Near and Middle East Countries, (million \$)**

Years	Europe	Near and Middle East
2001	19 822	3 261
2002	23 021	3 439
2003	30 755	5 464
2004	41 087	7 921
2005	47 219	10 184
2006	55 895	11 315
2007	71 241	15 081
2008	69 068	25 430
2009	58 331	19 192
2010	64 058	23 294
2011	75 323	27 934
2012	73 564	42 451
2013	77 252	35 574
2014	83 697	35 383
2015	78 184	31 106
2016	78 168	31 317

**Source: Turkish Statistical Institute, 2017-02-15**

Table 2 shows export value of Turkey to different regions. As shown in table 2, Turkey's export to Europe was 19 822 US million dollars. Turkey's export has increased constantly from 2001 to 2008 and export value of Turkey reach to 69 068 million US dollars, but after financial crisis in Europe, Turkey's export to Europe has decreased sharply from 69 068 to 58 331 million US dollars. However, Turkey's export to Europe increased and reached to 78 168 in 2016 million US dollars. Turkey's export to Near and Middle East region was 3 261 million US dollars in 2001. As shown in table 2, Turkey's export to Near and Middle East region has increased sharply and constantly between 2001 and 2012, except in 2008, from 3 261 to 42 451 million US dollars.

However, with the emergence of the Middle East political crisis Turkey's export suddenly reduced from 42 451 to 31 317 million dollars.

#### **2.4. Influencing Factors of the Export Performance of SMEs**

Small and medium-sized enterprises usually face some export barriers and problems when they start international business. So, export barriers and difficulties affect the export ventures of SMEs. For that reason, a great deal of research has been done in order to identify which export barriers affect the export performance of SMEs (Karelakis et al., 2008; Katsikeas and Morgan, 1994). As a result of these researches, researchers understand that the export barriers of countries vary due to various factors, including cultural differences, economic conditions and differences amongst sectors (Julian and Ahmed, 2005; Leonidou, 2004).

Over the last 30 years, many determinants of export performance have been identified. Bilkey's study is one of the paradigmatic examples about export performance; Aaby and Slater (1988), Zou and Stan (1998) and some others have reviewed the literature of export performance as well. In their studies, Aaby and Slater (1988) and Zou and Stan (1998) classified the influencing factors of export performance into two groups: viz. internal factors and external factors. According to Man et al. (2002), the export performance of SMEs is affected mainly by internal factors, external factors and entrepreneur characteristics. According to a study by Rogoff et al. (2004), the export performance of small businesses are strongly related with manager characteristics, financing issues, economic conditions, competition, regulation, technology and business environment.

In this study, we identify the influencing factors of export performance as internal and external factors. Internal factors can be divided into two categories, firm-level factors and decision-maker-level factors. External factors consist of political, economic, socio-cultural and the technological environments of international business.

##### **2.4.1. Internal Factors**

Internal factors have positive and negative effects on SMEs' export performance and it could be necessary to understand the effects of these factors for exporting decisions. Internal factors of export performance are strongly related mainly to firm-level factors and decision-makers-level factors.

##### **A- Firm Level Factors**

Firm level factors are divided into four categories. They consist of firm size, the firm's previous experience, firm competencies and firm networks.

##### **- Firm Size**

Firm size is one of the most researched determinants with regards to the internal factors of export performance, because firm size has a significant influence on firms' marketing capabilities, strategies, behaviours, needs and problems (Dean et. al., 2000; O'Rourke, 1985). Therefore, there are a great deal of documents with relation to firm size and export performance in the business literature, with many controversial issues as well (Peter and Walters). According to Cavusgil and Naor (1987), larger companies have a greater advantage than smaller companies because they have more resources such as financial and human resources that they can concentrate specifically to exporting because they provide better financial and human resources distribution. In addition, the study by Aaby and Slater (1989) illustrate that firm size has a strong correlation with a firm's total sales. Similarly, Baldauf et al. (2000) assert that the number of employees is strongly related with a firm's export sales. Likewise, Reid (1983) emphasises that firm size plays an important role in starting a company's exportation ventures into new markets. All these researches show that the effect of firm size on export performance has mainly positive effects due to economies of scale, organizational sources and the perception of lower international risk (Barney, 1991; Bonaccorsi, 1992; Majocchi et al., 2005; Wagner, 1995). For that reason, large-sized firms may benefit from a large number of employees, whereas small firms might face more difficulties in the international market because of the lack of employees to concentrate on exporting activities (Bonaccorsi, 1993). Echoing this same point, Culpán (1989) states that small-sized firms are less successful than medium- and large-sized companies.

On the other hand, the study conducted by Wolff and Pett (2000) found an insignificant correlation between firm size and export performance. In the same way, Czinkota and Johnston (1983) and Diamantopoulos and Inglis (1988) found no relationship between firm size and export performance. In addition, McGuinness and Little (1981), Czinkota and Johnston (1983), and Gripsrud (1990) found negative relations between firm size and export performance.

This is because small companies can benefit by adjusting themselves very easily. For example, when currency rates change quickly, small companies adapt themselves rapidly to international markets (Holden, 1986). Therefore, some small-sized companies are very successful exporters (Louter et al., 1991).

Although this might be the case, most scholars have found strong relations between company size and firm export performance.

#### - **Firm Previous Experience**

Company's international experiences are thought of as being one of the crucial determinants of export performance. Thus, the relation between firm experience and export performance has been studied by many scholars. The results of these studies have shown that international experiences have positive and negative effects on export performance (Sousa et al., 2008).

Several studies found a significant positive relationship between export performance and firm experience (Dean et al., 2000; Lado et al., 2004). Firm export experience has a positive influence on the internationalisation of a firm (Dominguez and Sequeira, 1993) and its export performance (Madsen, 1989). In addition, export experience positively affects the firm's attitude towards its exporting activity (Gripsrud, 1990). These studies show that international experiences have a strong connection with export performance. Because of the uncertainty of the international market, export activity requires an international network and more knowledge about the international market in order to enhance the export performance of a firm (Madsen, 1989). Less experienced companies might face more uncertainty and more risk but more experienced firms face less uncertainty because, in the long term, they may reduce the uncertainty by developing networks and gaining more knowledge about the market (Katsikeas et al., 1996), Ali and Swiercz's (1991) investigation shows that companies with export experience of less than three years have the least intention to export, but that companies with export experience of more than three years have stronger intentions to export.

However, other studies show that export experience has no effect or negative affect on export performance. For example, the study conducted by Baldauf et al. (2000) did not find a significant correlation between experience and export performance. In addition, research of Katsikeas et al. (1996) could not find any direct connection between export experience and export activity. According to Zou and Stan (1998), firm experience has a negative effect or insignificant effect on export activity. The reason behind the negative effect of experience on export performance is that the least experienced and younger companies are pushed to enter international markets due to cost disadvantage and limited access to resources in their home market (Sousa et al., 2008; Ursic and Czinkota, 1984). Thus, the least experienced firms face huge pressure to enhance their export activity to survive in this competitive market.

All of these studies prove that, although firm experience has no effect or an insignificant effect on export performance, a great deal of studies illustrate that there is a strong relationship between experience and export performance thanks to enhancing international connections and their gaining more knowledge about markets in the long run.

#### - **Firm Competencies**

Company competency is one of the most important determinants of export performance, not only for international business, but also for overall business activity by providing strong market strategies, functional capabilities, strong financial resources and human resources (Zou and Stan, 1998). Technological resources, which provide product development and product differences, also enhance the export performance, not to mention the effect of that performance, on firms (Zahra and Nielsen, 2002). In addition, international orientation, international marketing capabilities, international creativeness and international marketing strategies are competencies which companies want in order to increase their overall competencies at getting more benefit from international business activities (Knight and Kim, 2009). For that reason, Cavusgil and Zou (1994) emphasise that the international competencies of firms have a strong impact on the export performance of companies. Katsikeas et al. (1996) state that firm exporting activity and export performance positively associate with the competencies required for the international market. As a result of this perspective, if a company intends to enhance their export activity, initially they should get more competitive advantage by enhancing that firm's competencies (Julien and Ramangalahy, 2003).

Moreover, survival and success of companies mostly depends on the competitive advantages of companies in overseas markets (Aaby and Slater, 1989). These studies show that the competitive advantages of international firms has a positive influence on export activity to increase their export performance so that serving better products than competitors enables companies to enhance their export performance in the international market.

#### - **Firm Network**

The international network of companies is another significant determinant of a firm's export performance and it might help the success of the companies by providing contact among foreign market key players. An international firm's network enables them to make relationships between suppliers and customers, governments and industries (Freeman et al, 2012), all for the purpose of providing easy international business. According to Borgersen (2006), network and cooperation may influence a company's export activity. Moreover, the connections and relationships of companies with foreign companies in the international market can accelerate the firm's internationalisation (Rutihinda, 2008). This is because companies might benefit from the international network by reducing trade barriers and transaction costs (Ricci and Trionfetti). In addition, to become a part of the international network, cooperation provides foreign markets with information about customers and market conditions in order to achieve international business activity (Ericsson and Chetty, 2003). For that reason, companies can benefit from their international networks and contacts by achieving cooperation with people in order to become a successful exporter (Rauch, 2001). All in all, strong relationships with foreign networks and contacts provide a strategic advantage to the firm so that firms can get more benefit from their contacts by getting information about the foreign market.

#### **B- Decision-Maker-Level Factors**

In SMEs, characteristics of decision-makers are also one of the most important determinants for export activity. Decision-maker-level factors consist of international orientation, personal network and personal previous experience. These will be discussed in order to understand the relationship between management characteristics and export performance.

#### - **International Orientation**

The international orientation of decision-makers seems to have a strong influence on firm export performance. The international orientation of managers mainly consists of education background, management perceptions, management commitment (Borgersen, 2006).

The study conducted by Ford and Leonidou (1991) on European firms' export performance shows that internationally oriented companies are more likely to be successful exporters than others. According to a great deal of previous studies about the relationship between manager background and export performance, decision-makers who are better educated, in addition to a command of a foreign language, are more advantageous than others to be successful exporters. (Dean et al., 2000; Leonidou, 1998; Rocha et al., 1990; Brooks and Rosson, 1982). This is due to the fact that educational background and good command of a foreign language help to create personal contacts with international trade partners, thereby increasing that decision-maker's firm's export activity (Leonidou et al., 1998).

Management perceptions also have a great influence on the export success of firms (Aaby and Slater, 1989). Likewise, Zou and Stan (1998) investigated previous studies about managerial perceptions on export performance and found that management perceptions have a positive influence on export success (Sousa et al., 2008). Thus, management attitudes and perceptions contribute positively to the export performance of companies (Aaby and Slater, 1989). Moreover, according to Zou and Stan (1998), management commitment also plays a key role for export success and is a very important determinant of export performance to enhance export activity. Cavusgil and Zou (1994) emphasise that high levels of management commitment encourage the manager to be conscious of making good export plans and that this manager's intentions might help to enhance the export performance of the firm. Thus, we can understand from this chapter that international orientation plays a very important role on the success of a company's export performance.

#### - **Personal Network**

Personal network and contacts also is an important determinant for export success. Dubini and Aldrich (1991) mention that networking is a very useful tool for entrepreneurs who intend to enlarge their company into foreign markets.

According to Oviatt and McDougall (1995), one of the most important personal characteristics a manager has is his or her own personal network. Likewise, it is a crucial determinant of export performance (ibid) as personal networking provides connections for firms with other countries' for business purposes. In addition, personal contact enables a manager to develop strategy, improve capabilities, follow technological changes and learn market conditions (Alvarez and Barney, 2001). For this effective network with overseas customers and distributors, firms can easily use the foreign market situation in order to benefit positively from these foreign connections. To enhance their export performance, decision-makers have to use their personal network effectively to get the same information like domestic firms in order to be more familiar with foreign markets (Cavusgil and Naor, 1987). With regards to this same point, Madsen (1989) states that positive personal connections with export members enables one to trade effectively and that this good network may have a positive influence on a firm's internationalisation and export activity. To sum up, all of the above researches have shown that personal networks have a huge impact on export activity.

#### **- Personal Previous Experience**

The international experience of a decision-maker has a significant impact on the export activity of firms. According to Borgerson (2006), the international experience of managers is one of the most significant influencing factors of firm export performance. Most of the researches illustrate that the international experience of a manager has a positive impact on export performance. In the same way, Zou and Stan (1998) find that decision-makers' international experience has a positive influence on export sales, profits, growth and export performance. Similarly, Cavusgil and Naor (1987) believe that the previous experience of managers is one of the key factors of export performance because it ensures that firms realise the opportunities and threats when doing international trade. Furthermore, international experience enables managers to understand foreign market condition and help to identify opportunities and threats; thus, international experience wards firms from risks by increasing their export performance (Lages and Montgomery, 2005). On the other hand, according to study a study by Contractor et al. (2005) on a software industry, there is no strong relationship between personal experience and export performance. All in all, even though some extraordinary studies have found no strong correlations between personal experiences and export performance, most researches prove that personal export experience is one of the key tools for export success.

#### **2.4.2. External Factors**

External factors, like the internal factors of firms, have a significant influence on the export performance of companies seeing as these factors create both threats and opportunities for exporting companies. In order to understand effects that external factor have on the export performance of companies, in this section I shall mention these external factors; they consist of political, economic, socio-cultural and technological environments.

#### **- Political Environment**

The political environment of the countries in which the company has dealings has a significant impact on the export activities of firms, not to mention the fact that the political system of those countries will affect how firms conduct their export activities. Political systems consist of political factors such as tax policy, labour legislation, trade barriers, tariffs, government stability, environmental law and political interference (Czinkota et al., 2010). Some non-governmental actions like war and terrorism also affect the export performance of firms. As a result of the political system and political environment, host country's governments can either encourage or discourage foreign companies' activities by providing investment and trade opportunities or by placing trade restrictions on exporting activities (Venkateswaran, 2006).

According to Zou and Stan (1998), the political attractiveness of exporting countries has a positive impact on export performance. In the same way, Baldauf et al.(2000) state that host exporting countries may motivate international business activities by providing tax advantages and by providing new sales areas in order to encourage export activities and to help to increase the export performance of foreign companies. However, Kaynak and Kuan (1993) found negative or insignificant effects between market attractiveness and export activities. Whereas export barriers like high tariffs, unfavourable quotas, high customs costs and embargos have significant negative effects on export activities (Madsen, 1987), many studies have stated that exporting barriers do not have a significant influence in export performance (Zou and Stan, 1998).

All in all, according to the previous researches, we may say that the political environment of a country has a huge impact on export activities because they encourage trade, offer investment opportunities, and restrict export barriers.

#### - **Economic Environment**

The economic environments of the countries in which exports take place have an important role in the international business arena. In today's international business arena, economic integration and export activities have mainly been affected by the economic environment. Economic environment consists of economic development, economic growth, and the balance of payment, foreign trade, income per capita, exchange rates and inflation (Cavusgil, 1985). Therefore, the economic environments of countries have both positive and negative effects on international business activities.

The economic situation of countries has an impact on the export activities of foreign firms. For example, the recent European recession has reduced the area's economic growth, thus reducing European export demand. For that reason, exports from the East and south Asia to the European Union reduced by 7.2 per cent in a year and exports from Western Asia to the EU went down as much as 18 per cent. (UN-DESA, 2012).

Exchange rates also have a significant effect on export performance. According to Hooper and Kohlhagen (1978), exchange rate volatility has a negative influence on export performance. Likewise, Auboin and Ruta (2011) state that the uncertainty of exchange rates has a direct impact on international business activities. Fugazza (2004) found an important correlation between interest rates and export performance. According to his findings, high interest rates effect producer costs, thereby reducing the competitiveness of exporting firms and the export performance of companies.

To sum up, researches show that the economic environment of international business affects export activities a great deal. In brief, economic growth, recession, inflation rates and others factors have a significant impact on international marketing activities.

#### - **Social and Cultural Environment**

Becoming a good exporter and taking competitive advantage in the international market are all required in order for them to adequately consider and understand customers' needs and behaviours to meet their demands. For this reason, understanding a country's national culture plays a vital role for exporting firms, not only for strategies but also for effective marketing operations (Czinkota et al., 2010).

Culture is defined as a collection of values, beliefs, customs, languages, behaviours, material artefacts and attitudes; furthermore, culture needs to be learned, shared, and transmitted from one generation to the next (Czinkota et al., 2010). According to Cavusgil (1985), exporting firms should consider the social and cultural environment of countries, including their education level, social class, similarities and differences, language and other cultural values to take competitive advantage and to achieve their goals. At that point, it could be said that becoming successful exporters and taking competitive advantage is required to adjust themselves to new socio-cultural environments and to face challenges with different cultural values like belief, language, behaviour, custom and religion.

Becoming familiar with a country's national culture plays a key role in international marketing activities as well as the export performance of firms. Likewise, Hollensen (2010) states that a country's language, manner, education, customs, religion, values and attitudes are all significant factors for firms' becoming successful players in the international market. Therefore, becoming familiar with the language, customs, values and national culture of the foreign country with which one is exporting with will enable one to adapt easily to the foreign market as well as taking competitive advantages; hence, it enhances the export performance of exporting firms. For example, to understand a foreign country's language helps to gather information about a country, to provide access to the country easily as well as to ensure the effective communication between market players of the international market and helping to increase the export activity of firms (Czinkota et al., 2010).

In short, the socio-cultural environment of the country in which a company is trading with has a huge influence on international business activity, thus also having a direct effect on the company's export performance. Therefore, understanding the socio-cultural environment provides a competitive advantage which enhances the export activity of firms.



## - Technological Environment

The effect of technology on export performance is the one of the most controversial issues in the international business literature with many scholars asserting that it has a significant influence on export performance, while others deny this by stating that there is either no, or rather just and indirect, relation between technology and export performance.

According to Aaby and Slater's (1989) research, technological capabilities of firms directly relates to the export performance of the company. This is true seeing as technological capabilities are one of the key components of a company's international competitive advantage (Grossman and Helpman, 1995). Therefore, having technological advantage enables product mobility in the international market and thus ensures the enhancement of the business activity of foreign firms. In order to obtain competitive advantage in international markets and to increase their activity in foreign market, many companies invest in R&D (Kuemmerle, 1999). In this regard, technologies have a positive influence on the export performance of firms (Cavusgil and Nevin, 1981; Cooper and Kleinschmidt, 1985; Karagozoglu and Lindell, 1998; Chetty and Hamilton, 1993).

On the other hand, trying to relate technological capabilities with export performance entails many practical and conceptual difficulties (Dhanaraj and Beamish, 2003). Because of this, some scholar insist that there is no relationship or that there is just an indirect relationship between technology and export performance. Similarly, Reid (1986) concludes that the relationship between technology and export performance is very small and that technology does not show the true relationship between them. In the same way, Lefebvre and Bourgault (1998) and Christensen et al. (1987) found no relationship between technological capabilities and export performance.

All in all, while some studies show no relation, little relation or an uncertain relation between technology and export performance, a great deal of researchers found that technological capabilities have a direct and positive influence on export performance. Thus, it could be said that the relationship between R&D and export performance is very controversial among researchers.

## 2. Methodology

### 2.1. Research Approach

This paper mainly points out the influencing factor of export performance of small and medium sized companies that export to Europe and Middle East. In this research qualitative method, inductive approach which is based on case study and interview data collection method were conducted in order to have reliable data to provide trustworthy analyse and result.

In this paper, case study was chosen for data collection. It is because this method gives considerable assistance to get rich understanding on specific issue and situation and also it allows to answer some significant question such as, "what?", "how?" and "why" so as to obtain more appropriate data (Saunders et al, 2009). In this research, data was collected from Turkish companies regarding their international business activity in order to get reliable information. Initially, 20 small and medium sized companies were chosen to export two different region.

Within this dissertation 'grounded theory' was chosen as a data analysing method. Bryman and Bell (2007) describe the grounded theory that collects information from data, categorise the all information and analyse them through research process. As Bryman and Bell (2007) mentions that grounded theory consist of preparing research question, choosing sampling, data collection, transcription and translating. Similar method was pursued for data collection and analysis. Additionally, author analysed all answer regarding the research process and author tried to combine the all answer with literature review. Therefore, analysis of this dissertation mainly based on literature review.

### 3.2. Companies Characteristics and Managers Background

This research has done with 10 firms which exports to developed region and 10 firms which export to undeveloped regions. As we see in table 1 interview was conducted with different companies from different sector. In this research % 35 of firms chosen from food industry, % 25 of firms chosen from construction industry, % 30 of firms chosen from textile industry and % 10 of firms chosen from printing industry. Number of employee of firms in this research is % 30 between 1-50, % 30 51-100 and % 40 between 101- 249. Operating Duration of firms is % 30 between 1-5, % 10 between 6-10, % 60 between 11 and more.

**Table1:Firm Characteristics**

	<b>Firm Specification</b>	<b>N</b>	<b>%</b>
<b>Firm Sector</b>	Food Industry	7	% 35
	Construction Industry	5	% 25
	Textile Industry	6	% 30
	Printing Industry	2	% 10
<b>Number of Employee</b>	1-50	6	% 30
	51-100	6	% 30
	101- 249	8	% 40
<b>Operating Duration</b>	1-5 year	6	% 30
	6-10 year	2	% 10
	11 year and more	12	% 60

In this study, interview has done with 20 managers from different position in companies. All managers in this study is male and % 60 of managers is general manager, % 30 of manager is marketing manager and % 10 of manager is production department manager. Managers who participate the this research has different background, % 15 of the managers graduate from primary school, % 25 of managers graduate from high school and % 60 of managers graduate from university. Also only % 5 of manager's age less than 30, % 50 of manager between 31 and 50, and also % 45 of manager more than 51 years old.

**Table 2: Manager Characteristics**

	<b>Manager Characteristic</b>	<b>N</b>	<b>%</b>
<b>Gender</b>	Male	20	% 100
	Female	0	% 0
<b>Position of a manager in firms</b>	General Manager	12	% 60
	Marketing Manager	6	% 30
	Production department manager	2	% 10
<b>Education Status</b>	Primary School	3	% 15
	High School	5	% 25
	University	12	% 60
<b>Age</b>	0-30	1	% 5
	31-50	10	% 50
	51 and more	9	% 45

### 3. Finding And Analysis

The previous research has been conducted for examining the influencing factors of export performance of small and medium sized companies to the developed and undeveloped region. Specifically, this research investigated what factors affect the export performance and how these factors affect the export performance of SMEs. Table 3 shows that firm level and decision level internal factors have positive effect on export performance to the developed region. In the same way, for companies that export to European region, political environment and technological environment has positive effect, whereas social and cultural environment has negative effect and economic environment has both effect. As we see on table 3, firm size and firm competencies has negative effect on export performance of firms that export to Middle East region, but firm previous experience and firm network have positive effect. international orientation, personal previous experience and personal network of manager has negative effect on export performance of firms that export to undeveloped region. For firms that export undeveloped region, political environment, technological environment and economic environment have directly negative effect on export performance, whereas social and cultural environment has positive effect on export performance.

**Table 3: Influencing Factors of SMEs Export to Middle East and Europe**

	<b>Firms Export To Europe</b>	<b>Firms Export To Middle East Region</b>
<b>Internal Factors (Firm Level Factors)</b>		
-Firm Size	+	-
-Firm Competencies	+	-
-Firm Previous Experience	+	+
-Firm Network	+	+
<b>Internal Factors (Decision Maker-Level Factors)</b>		
-International Orientation	+	-
-Personal Network	+	+
-Personal Previous Experience	+	+
<b>External Factors</b>		
-Political Environment	+	-
-Economic Environment	-	-
-Social and Cultural Environment	-	+
-Technological Environment	+	-

#### 4. Conclusion

The previous research has been conducted for examining the influencing factors of export performance of small and medium sized companies that export to Middle East and Europe. Specifically, this research investigated what factors affect the export performance and how these factors affect the export performance of SMEs. Literature review was divided into two main sections, which are internal and external influencing factors. First of all, internal influencing factors which consist of firm level and managerial level factors were researched. In addition, in this section, the effect of the firm size, firm competencies, firm experiences, firm network, international orientation of manager, previous experiences of manager and personal network of manager on export performance of small and medium sized companies have been investigated. Then, the impact of external factors including political environment, economic environment, social and cultural environment and technological environment were researched and relation between external factors and export performance of small and medium sized companies have been discussed in details.

As with data finding part, data of the Turkish companies were collected and these data analysed in data analysing section. The findings of the case studies illustrated that companies' condition, managers' situation and external environment of the companies have significant influence on export performance of firms that export Middle East and Europe.

According to interview data, internal factors, which are firm level factors and managerial levels factors have positive impact on export activities of companies that export to Europe. Technological environment and political environment have positive effect on export performance of firms. Whereas, Economic environment and social and cultural environment have negative effect on export performance of Turkish SMEs to export European countries. However, some of firm level and managerial level factors have positive, some of them is negative effect on export performance on firms that export to Middle East countries. In addition, political environment and firms technological capabilities have negative effect on export of firms. Whereas, Economic environment and social and cultural environment have positive effect on export performance of Turkish SMEs that export to Middle East countries.

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