The Effect Of Enterprise Location On Export Performance: A Research On Turkish Exporters

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ABSTRACT
Exporters play an important role for the development of countries. All stakeholders are aware that export business has a significant share in job creation, technological innovation and economic revitalization. Enterprises having location advantage can improve their capabilities with qualified human resources and very well organisational planning. A significant part of Turkey's exports is realized by the enterprises located in Marmara region. But the balanced development of the regions will help in utilising efficiently the resources of the country. The aim of the study is to examine the effect of enterprise location on export performance via resources. The sampling of the research was selected by convenience sampling method among the second biggest 500 exporters in Turkey. The collected data were analysed by SPSS statistics programme and PLS structural equation modelling. As conclusion, location advantage affects human resources and organisational planning. In turn, both have impact on export performance.

Keywords: Location Advantage, Human Resources, Organisational Planning, Export Performance

JEL CODES: M11, M12, M16, M30

1. INTRODUCTION
Export business is crucial for a developing country, as it creates additional jobs and provides foreign currency for imports (Tesfom &Lutz, 2006). Export is one of the priority models in the development of countries. The supports for exports are provided in various forms since current account deficit continues to exist as a threat to the development of Turkey. For this reason, it is crucial to investigate the various antecedents that are effective on export performance. It is observed that many variables that have an effect on export performance have been explored substantially in the literature. However, it is understood that the impact of the location where enterprise operates on export performance has been limited studied. The aim of the research is to reveal how location is important for Turkish exporters by investigating the effect of location to human resources and organisational planning and in turn their effects on export performance in terms of satisfaction with export sales.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT
2.1. Enterprise Location Advantage
Freeman and Styles (2014) point out that location is seen as a server of resource winning and capability advancement in the context of export. The location of enterprise influences resources and its capability development and indirectly impacts export performance. Small and Medium Sizes Enterprises operated in regional zones are under the effect of its location (Lages, 2000; Meccheri and Pelloni, 2006). The enterprises struggle with the hassles in getting investments and reaching finance, recruiting and keeping talented employee, coping with state course of actions, and building and protecting convenient infrastructure to back up the region (Costa Campi et al., 2004). On the other hand, enterprises operating in metropolitan areas have a much better position to get the benefits of their position (Westhead et al., 2004). As a result, metropolitan locations have probably better chance than regional counterparts in terms of export capability (Zhao and Zou, 2002; Chevassus-Lozza and Galliano, 2003). In contrast, government subsidies may be an advantage for the regional development and for the enterprises especially focusing on only export. Moreover, Turkish government offers very different incentives for the enterprises that want to invest in less developed regions. These incentives include free land allocation, ready to use infrastructure, tax exemption for a time period and so on. These may impact SMEs on their decision to export.

2.2. Human Resources

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Human resources are commonly cited resources such as physical, organisational and financial (Barney, 1991; Morgan and Hunt, 1999; Haber and Reichel, 2007). Human resources are classified as intangible asset like management experience and commitment. The human resource planning for an organization includes forecasting personal needs and deciding on acting necessary steps to meet the needs. Katsikea and Skarmees (2003) state that higher level of management control and organisation design is a characteristic result of effective export sales organisations. Moreover, these organisations have export managers with superior behavioural attributes in terms of planning of sales, sales presentation, sales support, technical experience; and typical characteristics in terms of professional qualification and customer orientation. Enterprises located in rural areas may include some difficulties in recruiting and retaining skilled staff (Smallbone et al., 2003; Costa Campi et al., 2004). In opposite, enterprises located in big cities have better advantages in supply side conditions like specialized labour besides financial institutions, technological partners and infrastructure in relation to export (Keeble, 1997; Westhead et al., 2004; Fuller-Love et al., 2006). Furthermore, an enterprise’s ability to develop export markets depends on the infrastructure of the location and resources which is easily accessible (Mariotti and Piscitello, 2001). Therefore, it is expected that enterprise location advantage affects human resources and the following hypothesis is proposed based on the above given literature.

**H1:** Enterprise location advantage affects human resources

### 2.3 Organisational Planning

The resource based view approach and previous researches state that location is particularly relevant to access the resources which are related to export and the developments of abilities, which in turn impact export performance (Freeman and Styles, 2014). In other words, enterprise location advantage affects organisational planning (Freeman et al., 2012). Planning is defined as a core element of various management areas, such as strategy, human resources management and operations management. For instance, marketing plan is a key tool for directing and coordinating marketing effort (Kotler and Keller, 2006). The systems including planning and coordination in an enterprise are a result of organisational resources. These resources are basis for an enterprise to develop export markets. Pre planning with regard to export to make everything right the first time (organisational resources) minimizes the cost (Freeman et al., 2012). Export business needs a number of export related strategic planning and coordination processes (Darling and Seristo, 2004). For instance, planning of the logistics, such as delays in transport and warehousing costs, is more difficult for remote exporters because of the time and distance necessary to complete the operation (Leonidou, 2004). Also enterprises in remote locations confront with challenges to set in an effective strategic planning due to poorly developed infrastructure and services (North and Smallbone, 2000). The following hypothesis is proposed based on the literature.

**H2:** Enterprise location affects organisational planning

### 2.4 Satisfaction with Export Performance

A success or failure of an enterprise can be foreseen especially by the exclusive resources held and capabilities improved (Chmielewski and Paladino, 2007). It is stated that enterprise location impacts resources and capability developments, and these indirectly impact its export performance (Freeman et al., 2012). The resources and capability developments together add value in the target export market (Morgan and Hunt, 1999).

Export performance is measured in different ways in literature (Zou et al. 1998; Rose et al. 2002; Sousa, 2004; Navarro-García et al., 2015). One of them is the performance perception of the management such as management satisfaction of export performance (Lages & Montgomery, 2004). According to above given discussions, the following hypotheses are developed.

**H3:** Human resources affect satisfaction with export performance

**H4:** Organisational planning affects satisfaction with export performance

The following model is proposed according to the given literature. Location advantage affects human resources and organisational planning. Then, the both affect satisfaction with export performance. Figure 1 illustrates the proposed model of the research.
3. METHODOLOGY

The population of the research is exporters in Turkey. Sampling was chosen from among the second biggest 500 exporters in 2016 as they well represented the research population. The list of the exporters was found from the Turkish Exporters Assembly (TIM). Only 222 of them could be reached by their e-mail address. Web based questionnaires were sent to only the exporters having e-mail address in the list. Just 44 exporters participated in this study and replied the questionnaire between the dates of March 29 and April 5, 2017. The collected data were analysed by using IBM SPSS programme and SmartPLS structural equation modelling.

The scales used for variables are from the study of Freeman and Styles (2014) and given in Appendix. Location advantages with five items (Freel, 2000; Westhead, 1995), human resources with three items (Morgan et al., 2004), organisational planning with three items (Li and Ogunmokun, 2001; Richey and Myers, 2001; Georgellis et al., 2000) and satisfaction with export performance with five items (Robertson and Chetty, 2000; Cadogan et al., 2002) were measured. All scale items were measured by 7-point Likert type scales.

4. RESULTS

The number of the data was found acceptable as it met minimum sampling size called “ten times rule” in estimating PLS path model (Hair et al., 2014). First, descriptive statistics are given by sectors and regions. Respondents are classified by sectors as follows: Agricultural Goods (27.2%), Machine and its parts (18.2%), Ready-made clothing and apparel (13.6%), Iron and Non-Ferrous Metals (9.1%), Hazelnut (9%), Mining (9%), Electricity Electronics and Service (4.5%), Automotive (4.5%) and Jewellery (4.5%), respectively. Respondents are also classified by regions as follows: Marmara (40.9%), Aegean (18.2%), South East Anatolia (18.2%), Central Anatolia (9.1%), Black Sea (9.1%) and Mediterranean (4.5%) respectively. Second, SmartPLS results are given as follows. Here, the measurement model and the coefficients of the structural model are evaluated (Hair et al., 2014).

4.1. The Measurement Model

The model includes four variables namely enterprise location advantage, human resources, organisational planning and satisfaction with export performance. Reliability and validity of the latent variables should be checked for the structural model. Here item reliability and composite reliability results must have satisfactory levels. Moreover, convergent validity and discriminant validity are also examined in the structural model when conducting a PLS-SEM.

Item loadings with less than 0.70 values were eliminated from the model. Hair et al. (2010) approach was followed in this elimination process. Item reliabilities are calculated with the square of each outer loading. The values of over 0.70 are mostly preferred. But, Hulland (1999) accepts 0.40 as the minimum value for exploratory research. In our model, item reliabilities range from 0.613 to 0.854. Only two items are less than 0.70. So, the model was accepted as reliable.

Cronbach's Alpha is classically used to measure the reliability of internal consistency. Literature suggests the use of the composite reliability instead of Cronbach's Alpha (Bagozza and Yi, 1988; Hair et al., 2012). But, Cronbach's Alpha is also evidence for composite reliability and the values over 0.60 are satisfactory. In our model, Cronbach's Alpha ranges from 0.764 to 0.914 and composite reliabilities
range from 0.875 to 0.940 which are over the advised limit of 0.70 value. According to the data, the composite reliabilities are confirmed as strong and healthy in terms of internal consistency.

Convergent and discriminant validities must be checked for the validity of the model. Average Variance Extracted (AVE) values is used for convergent validity and its value should be higher than 0.5 (Bagozzi and Yi, 1998). The AVE values for each variable range from 0.700 to 0.809 which are over the advised limit value of 0.50 values. Table 1 shows the values of loading, reliability, Cronbach's Alpha, composite reliability and AVE of the latent variables and their items.

**Table 1.** The assessment of measurement model

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Items</th>
<th>Loading</th>
<th>Item Reliability</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources (HR)</td>
<td>HR1 0.874</td>
<td>0.764</td>
<td>0.786</td>
<td>0.875</td>
<td>0.700</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR2 0.873</td>
<td>0.613</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR3 0.849</td>
<td>0.721</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Location Advantage (LOC)</td>
<td>LOC1 0.906</td>
<td>0.821</td>
<td>0.909</td>
<td>0.932</td>
<td>0.733</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LOC2 0.785</td>
<td>0.616</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LOC3 0.885</td>
<td>0.783</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LOC4 0.849</td>
<td>0.721</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LOC5 0.851</td>
<td>0.724</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction with Export Performance (SAT)</td>
<td>SAT1 0.854</td>
<td>0.729</td>
<td>0.914</td>
<td>0.940</td>
<td>0.795</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SAT2 0.889</td>
<td>0.790</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SAT3 0.899</td>
<td>0.808</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SAT5 0.924</td>
<td>0.854</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational Planning (PLAN)</td>
<td>PLAN1 0.889</td>
<td>0.790</td>
<td>0.764</td>
<td>0.894</td>
<td>0.809</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PLAN2 0.910</td>
<td>0.828</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2 demonstrates Fornell-Larcker (1981) criterion analysis for checking discriminant validity of the model. The each value in bold showing the AVE’s square root in the diagonal is greater than the off-diagonal values in its corresponding row and column. The result means that the discriminant validity of the scales is confirmed.

**Table 2.** Fornell-Larcker results for discriminant validity

<table>
<thead>
<tr>
<th>Latent Variable Correlations (LVC)</th>
<th>Discriminant validity met? (Square root of AVE &gt; LVC?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR</td>
<td>LOC 0.837</td>
</tr>
<tr>
<td>LOC</td>
<td>SAT 0.856</td>
</tr>
<tr>
<td>SAT</td>
<td>PLAN 0.726</td>
</tr>
<tr>
<td>PLAN</td>
<td>Yes</td>
</tr>
</tbody>
</table>

4.2. **The Structural Model**

Path coefficients represent the strength of direct relationships between constructs. Bootstrapping also estimates the precision of the PLS estimates and causal order between constructs. Four path coefficients were found to be significant in the model.

Table 3 displays the results of T statistics with the values of Stdβ, sample mean, standard deviation and p. The following effects were found. Enterprise location advantage affects (β = 0.507, p < 0.001) human resources. Enterprise location advantage affects (β = 0.561, p < 0.001) organisational planning. Human resources affect (β = 0.449, p < 0.001) satisfaction with export performance. Organisational planning affects (β = 0.394, p<0.01) satisfaction with export performance.

**Table 3.** T-statistics for path coefficients

<table>
<thead>
<tr>
<th></th>
<th>Stdβ</th>
<th>Sample Mean</th>
<th>Standard Deviation</th>
<th>T Statistics</th>
<th>p values</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOC→HR</td>
<td>0.507</td>
<td>0.520</td>
<td>0.091</td>
<td>5.591</td>
<td>0.000</td>
</tr>
<tr>
<td>LOC→PLAN</td>
<td>0.561</td>
<td>0.577</td>
<td>0.087</td>
<td>6.464</td>
<td>0.000</td>
</tr>
<tr>
<td>HR→SAT</td>
<td>0.449</td>
<td>0.461</td>
<td>0.086</td>
<td>5.226</td>
<td>0.000</td>
</tr>
</tbody>
</table>
R² was used to measure the model’s explanatory power. The analysis revealed in the structural model that enterprise location advantage explains 25.7% of the variation in human resources and 31.4% of the variation in organisational planning. And both human resources and organisational planning together explains 60.6% of the variation in satisfaction with export performance. Figure 2 demonstrates the structural model results.

![Diagram](image)

**Figure 2.** The results of structural model

### 5. DISCUSSIONS

Table 4 summarizes the hypotheses and the results of the revised model, whether that hypothesis was supported or not supported. It is seen that all the hypotheses were supported.

**Table 4.** Hypotheses conclusions

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Finding</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H₁:</strong> Enterprise location advantage affects human resources</td>
<td>t=5.591; p&lt;0.001</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H₂:</strong> Enterprise location advantage affects organisational planning</td>
<td>t=6.464; p&lt;0.001</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H₃:</strong> Human resources affect satisfaction with export performance</td>
<td>t=5.226; p&lt;0.001</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H₄:</strong> Organisational planning affects satisfaction with export performance</td>
<td>t=3.067; p&lt;0.01</td>
<td>Supported</td>
</tr>
</tbody>
</table>

#### 5.1. Findings

This research investigated the satisfaction with export performance in relation with location advantage on resources such as human resources and organisational planning. The research was carried out on the second biggest 500 exporters from different regions in Turkey. The followings were revealed. Enterprise location advantage impacts human resources and organisational planning. In turn, both of them impact satisfaction with export manager. All the findings are in well consistent with the literature (Zhao and Zou, 2002; Katsikeas et al., 2005; Mittelstaedt et al., 2006; Freeman et al., 2012; Freeman and Styles, 2014).

#### 5.2. Limitations and Further Research

The research does not pay attention to classifying of exporters in terms of their number of staff, turnover, and year of establishment and so on. The results may change with these variables. The model also does not include marketing capabilities of the enterprises. The impact of the incentives offered to firm’s new investments may be researched as sustainable regional developments are priority for the governments.
These may be investigated with further research since the big cities suffer from over population problems.

REFERENCES

**APPENDIX**
The scales used for variables (Freeman and Styles, 2014)

*Enterprise location advantage (Freel, 2000; Westhead, 1995)*

LOC1. Our enterprise easily access to necessary sources of supply
LOC2. Our enterprise easily access to government agencies
LOC3. Our enterprise easily access to export related sources such as financial, freight, insurance services
LOC4. Our enterprise easily access to the necessary managerial skills required for exporting
LOC5. Our enterprise easily access to networking opportunities such as industry events/seminars

(1=strongly disagree; 7=strongly agree)

*Human resources* (Morgan et al., 2004)

HR1. Our staffs responsible for main export markets have substantial knowledge of the markets
HR2. Our staffs responsible for main export countries have substantial export experience
HR3. Our enterprise is experienced in exporting practices

(1=strongly disagree; 7=strongly agree)

*Organization planning* (Li and Ogunmokun, 2001; Richey and Myers, 2001; Georgellis et al., 2000)

PLAN1. Our enterprise carried out informal planning activities for this export venture
PLAN2. We planned substantially in advance for this export venture
PLAN3. Our planning activities extend beyond 12 months for main export countries

(1=strongly disagree; 7=strongly agree)

*Satisfaction with export performance* (Robertson and Chetty, 2000; Cadogan et al., 2002)

SAT1. We are satisfied with our export sales performance
SAT2. We are satisfied with our export sales performance as a percentage of total sales
SAT3. We are satisfied with our export performance in terms of export profitability
SAT4. We are satisfied with our export performance in terms of strategic goals achieved
SAT5. We are satisfied with our overall export performance

(1=strongly disagree; 7=strongly agree)