

Full Length Research Paper

A field study concerning the effects of economic crisis on international trading companies and the measures taken

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Foreign trade companies are the driving force of the economies especially in developing countries. These companies are the ones most affected by the crises caused by both internal and external factors. Rapid worldwide spread of the 2008 global crisis has produced enormous successive effects on the countries' foreign trade rates. Considering the fact that export is the core of development worldwide, and foreign trade companies have an important share (25 to 30%) in total exports of Turkey, the importance of these companies for the country's economy is better understood. In this study, a questionnaire has been conducted on 56 foreign trade companies which are the backbone of Turkish economy. By doing this, it is intended to provide a solution for these companies' increasing problems caused by the ongoing crisis. Through this survey, the effects of the global economic crisis on these companies, the crisis countermeasures they take and the strategies they follow especially in terms of finance and accounting practices were intended to be identified.

Key words: Economic crisis, foreign trade companies, foreign trade, financial management.

INTRODUCTION

The developments in the world economy have complicated the competing conditions and forced enterprises to enlarge in order to survive. The fact that global enterprises have enhanced the competition in the countries they operate has caused a lot of SMSEs (small and medium sized enterprises) to disappear or forced them to league together. Although the SMSEs in our country have difficulty in withstanding against the rapidly developing economic conditions, their flexible structures, entrepreneurships and their ability to subsist are some of the most important advantages of them. However, in order to subsist and guarantee their sustainable enlargement, enterprises require an institutional formation in due course in areas such as finance, marketing, management, research and development, and joint business culture. Considering the fact that 99% of the enterprises

in our country- which is a great majority- consists of SMSEs, this structural change will naturally increase the competition advantages of the national economy. Today, when the effects of globalisation are considered, it is seen that the expansion of the international trade and intensive foreign trade transactions of the enterprises are effective in this structural formation. Accordingly, various initiative mechanisms have been developed to enable enterprises, especially SMSEs, to export, to help them in their institutionalisation process and be a trademark on a global scale.

One of the initiative mechanisms in the field of foreign trade is foreign trade companies". This structure has been renewed with the adoption of development strategy oriented to exportation in 1980 and through the radical changes in the initiative system. SMSEs have an important role among the dynamics of economy within the framework of 'growth based on export' policy. And this model which was designed to direct SMSEs to exportation aims at arranging a suitable medium for enterprises to come together in the field of export. In order to realize

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the target of developing export rapidly, the principle to support the enterprises which have a previous export potential has been adopted. In line with this purpose, a model called 'general trading companies', which was successfully applied especially in Japan¹ and later gained success in South Korea, Thailand, Brasil and the USA, was taken as example, and a company model under the name of 'exporting capital stock companies' (after the latest changes, foreign trade companies) was put into practice.

FOREIGN TRADE COMPANIES IN TURKEY AND IN THE WORLD

All the countries are in a competition to get a bigger share in the world trade. Especially, the big enterprises in developed countries make the most of their endorsement and profits out of overseas productions and marketing practices. Due to the fact that the demand in internal market decreases and excess capacity occurs, enterprises desire to operate in foreign markets in order to get rid of the competition in internal market, reduce the risk, extend the lifespan of the goods, make use of tax and incentive advantages in overseas markets, obtain foreign exchange input, be more powerful in internal market and increase the efficiency of the enterprise (Özdemir et al., 2007).

Occasional economic crises in the world economy and the fierce competition experienced for the last 30 years during the globalisation process, forced enterprises to benefit from modern marketing methods and techniques and to have a good organisation, knowledge, experience, capital and staff as well as producing sufficient numbers of high quality goods in order to be successful in the field of export. Naturally, the use of these methods and techniques is viewed as an expensive and difficult issue by enterprises. Most of the time, it seems impossible for SMSEs to cope with these problems alone (Çelikkol, 2001). Therefore, in the medium where global economic crisis and uncertainty dominate, instead of competing through operating in foreign markets alone, their acting in solidarity with other enterprises increases the chance of success (Koçel, 2003; Özdemir et al., 2007).

Since 1970s, many countries have realized that they could be more successful in global competition through gathering the strengths and experience of enterprises (especially SMSEs) together, and directing their export operations from just one center. Similarly, it has been seen that organisations like 'joint export groups' have been effective in the enhancement of export operations of

the developed countries in a short period. Therefore, this kind of regulations will be very beneficial for small enterprises operating in foreign markets. Japan, Italy, the USA, South Korea, Finland, Argentina, India, Kenya, Singapore, Israel, Brasil and Sweden, are cited as successful in this respect (Alagöz et al., 1998; Çelikkol, 2001).

The most successful examples of effective organisation models oriented to export can be seen in Japan and South Korea. Organisations like JETRO and KOTRA which assist exporters with the support of the state on a macro base and form the planning infrastructure are the most important elements in the current successful export performance of Japan and South Korea. JETRO is a nonprofit organisation supported by the state which was established to build and develop the mutual trade between Japan and other countries (Çelikkol, 2001). The structure of the Japanese small and medium-sized enterprises supported by JETRO for more than 30 years in accordance with the changing conditions in the world sets a good example for organisation in the field of export although they are generally the part of giant enterprises-unlike other countries- and in the form of sub-industries producing high quality and innovative pieces (Alagöz et al., 1998).

Korea trade-investment promotion agency (KOTRA) was established in 1962, and started to monitor the export marketing programs in South Korea. The second important organization oriented to support the export in these two countries is the management of export and the execution of export marketing operations through joint venture enterprises. Japan foreign trade companies (Sogo Şoşa) and South Korea general trade companies provided considerable advantages to the individual export organisations and enterprises which do not have the knowledge and experience of international marketing management in order to help them gain an effective force and synergic potential in the world markets (Çelikkol, 2001).

Since big companies which are dominant in economy are affected more by the economic crises, South Korea implemented a planned economic support program in order to increase their weight and power in economy. Thanks to these economic programs, South Korea made these companies the most important driving force of the economic development in the 21st century by organizing the enterprises in the form of SMSE, transforming them into the companies which adapt themselves rapidly to the changing technological innovations and knowledge, and by reducing their dependence on big companies of the economy (Gregory et al., 2002).

In 1970s, South Korea, the USA, Italy, Brasil, etc., started to implement this Japanese foreign trade company model called as 'Sogo Shosha' in the literature. Thanks to this model, Italy in 1974, South Korea in 1975, Brasil in 1982 and the USA in 1982 realized the organisation of SMSEs in foreign trade through 'Foreign Trade Companies' (Alagöz 2002).

¹In a research carried out by International Business Studies Centre at Saskatchewan University, it has been stated that Japanese trading (especially foreign trade) companies contribute to the international trade to a great extent, they find markets to export their own goods and encourage import towards Japan.

On the other hand, in the USA, a successful export practice was realized through 'Webb-Pomerene Associations' organisations and the SMSEs in the USA were directed to export. Similarly, there are „export management companies“ which are specialized in certain goods and offer export marketing services as broker-representative or distributor to the limited numbers of manufacturing enterprises which are non-competitive and common in the USA (Alagöz et al., 1998; Çelikkol, 2001).

Another organisation model in export is the Italian federexport model. In this model, small industrial enterprises were enabled to enter the international markets in the form of export associations and consortiums, and thus, the export performance of the country has been increased (Alagöz et al., 1998).

Moreover, 'Winos Argentinos' established by wine producers in Argentina, 'Consexport' established by female manufacturers of ready-made clothes in Colombia, and with their export companies in ready-made clothes sector 'Eta' in Austria, 'Beta' in France, 'Delta' in Switzerland and 'Federexport' in Italy are examples of this kind of organisations (Çelikkol, 2001).

Because of the structural problems and changes experienced in Turkish economy, the compensation rate of export over import has developed adversely (Alagöz et al., 1998). Therefore, Turkey has adopted a development-based-on-export policy along with a liberal economy policy since 1980, and embarked on a quest to support enterprises in order to help them operate in foreign markets. After analysing the successfully implemented models in many countries, the 'General Trade Companies' model which was applied especially in Japan, South Korea, Thailand, Brasil and even in the USA, was taken as a base, and in 1980, FTCs were put into practice (<http://www.dtm.gov.tr/dtmweb/index.cfm?action=detay&yayinID=13&icerikID=103&dil=TR>) (20.01.2010). In this respect, foreign trade companies (FTC) is a model which proposes the management of foreign trade to be carried out by companies on a big scale and it aims at specialization on certain goods and markets in the field of export. Since the end of 2009, 56 FTCs operate actively (<http://www.dtm.gov.tr/dtmweb/index.cfm?action=detay&yayinID=169&icerikID=88&dil=TR>) (20.01.2010). In order to support foreign trade companies, some advantages have been provided. According to this, FTCs can benefit from such facilities:

- i. Research and development Aid,
- ii. Aid for opening an office-store abroad, Its management and presentation of the trademark,
- iii. Support for brand building activities for Turkish goods abroad and activities for sticking the 'made in Turkey' image in minds,
- iv. Aid for national specialization fairs which accept international participation,
- v. Aid for fairs abroad,
- vi. Aid for the national or individual level participation in

the fairs and exhibitions abroad.

THE ROLE OF FOREIGN TRADE COMPANIES IN TURKISH ECONOMY

SMSEs are considered among the significant dynamics of the economy. Within the framework of the development policy based on exportation, 'foreign trade companies' were developed in order to direct SMSEs to export. Thus, a rapid acceleration has been achieved in the field of export. With a great effort and thanks to the incentives they were provided with, exporting companies in our country which operate within the scope of 'foreign trade companies' model developed in the 1980s, increased the export potential of Turkey from approximately USA \$ 3 billion in 1980, to USA \$ 13 billion in 1990 (Alagöz, 2002). FTCs, which made a great contribution to the quadrupling of the export during the period of 1980 to 1990 and were therefore called the driving force of the export, also contributed a lot to the acceleration of Turkish export achieved in the last five years.

The role of foreign trade companies in the export of Turkey

As shown in Figure 1, the increase in the export rates of FTCs are parallel with the increase in total export. When the share of these companies in total export is analysed in Figure 2, it has been seen that, except for the year 1988, it tended to a continuous decrease until 1995, it was almost stable during the period of 1995 to 1999, it displayed an upward stability during 2000 to 2008; however, it tended to a decline again in 2009 due to the global economic crisis which affected the whole world since the end of 2008.

The share of FTCs in the total export was approximately 40% during 1980 to 1991, and it reached its peak with 51% in 1988 (<http://www.dtm.gov.tr/dtmweb/index.cfm?action=detay&yayinID=13&icerikID=103&dil=TR>) (20.02.2010). However, the share of them within the total export decreased to almost 25% during 1992 to 1999. When their performance is analysed in the last ten years, except for the years 2007 and 2009, it has been seen that their share in the total export was at the level of 30%. At the end of 2009, the share of FTCs in total export was 22.3%. The rise in the number of other exporting companies, the increase in their export and the fact that the increase rate of export of FTCs fell behind the rate of increase in general export, have been influential on the decrease of the share of FTCs in total export after 1990. The effect of FTCs on the development-based-on-export model, which was adopted immediately after 1980, can be seen clearly in Figures 3 and 4. Figure 3 shows the rate of total export during 1980 to 2009 and the rate of

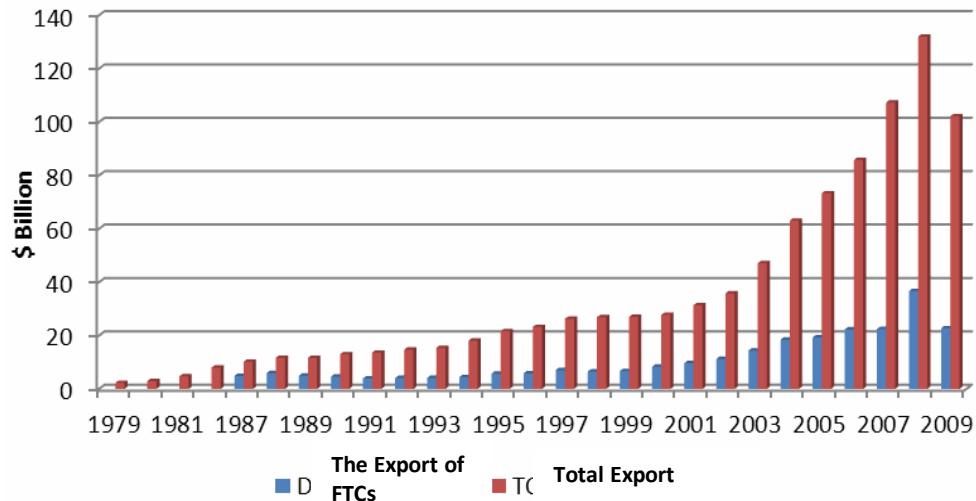


Figure 1. Total export of turkey and the export of FTCs.

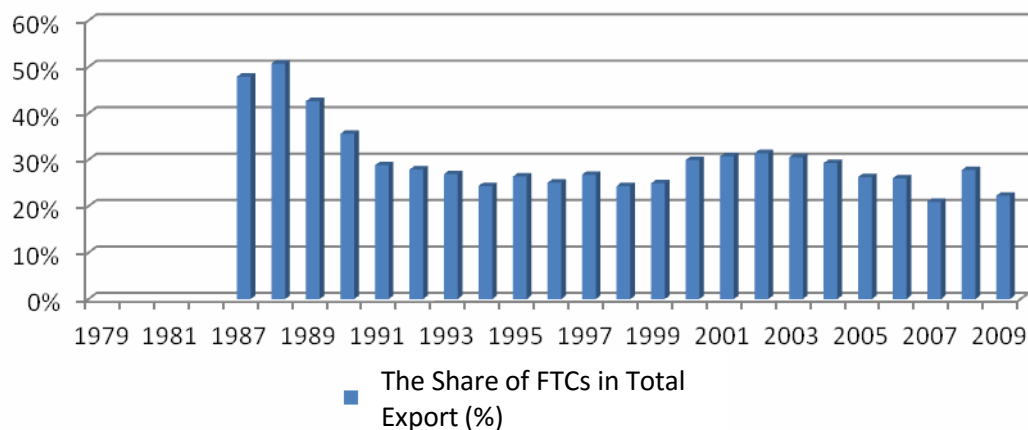


Figure 2. The share of FTCs within total export.

export carried out by FTCs within GDP starting from 1987.

In Figure 4, the increase rate of total export during 1980 to 2009, the increase rate of export carried out by FTCs within the same period but starting from 1987 and GDP rate of increase are illustrated. It is obvious that the share of export within GDP continued increasing after 1980. The rate of export which was 3.5% in 1980 increased to 9% in 1985 with the contribution of FTCs, and in 1988, it rised to 10%- approximately 5% of which is the contribution of FTCs. That the increase rate of GDP was above the total increase rate of export, but lower than the total increase rate of export carried out by FTCs during 1989 to 2000, caused the share of total export in GDP not to increase. During this ten-year-period, the share of total export in GDP was approximately 9.6%. During 2001 to 2009, the share of the two rates in GDP

increased rapidly and with the 5% contribution of FTCs, it reached 18%, which is the top level in total export. The main reason of this increase is that during this period, the increase rates of total export and the export carried out by FTCs were generally higher than the increase rate of GDP. The 63% export growth rate of FTCs contributed a lot to reach the highest share especially in 2008. Furthermore, it has been understood that the increase rate of export of these companies each year is much more variable than the increase rate of total export, and the upper and lower limits of these rates are always higher than the rates of total export. This indicates that the export of foreign trade companies is much more vulnerable to economic recessions and crises. The main reason of the negative growth in the export of FTCs especially in 1990, 1991, 1998 and 2009 is the economic crises experienced worldwide.

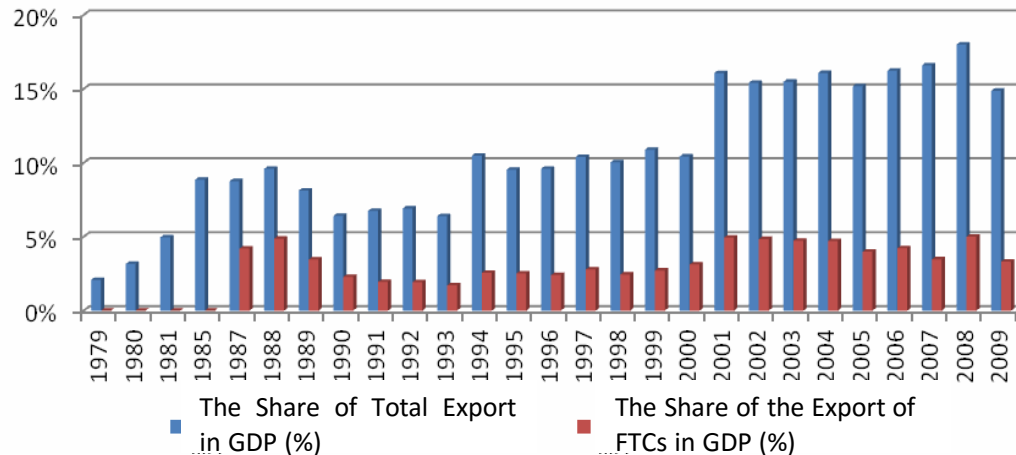


Figure 3. The share of total export and FTCs within GDP (gross domestic product).

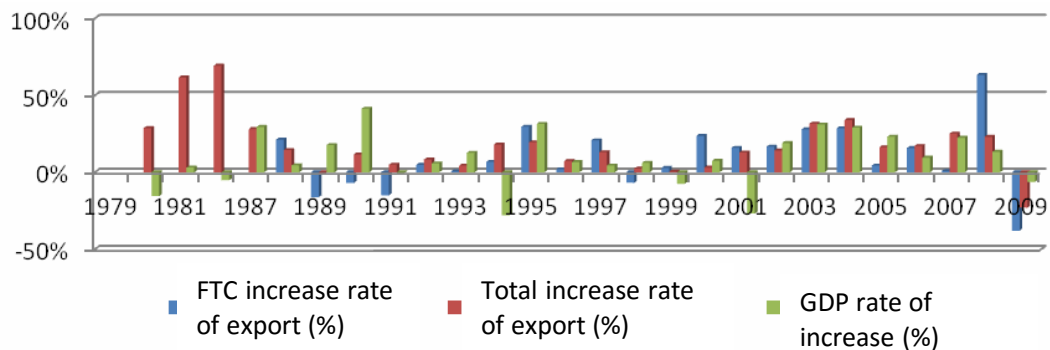


Figure 4. FTCs, total export and GDP rates of increase.

Since the economic recession in the world economy in the early 1990s, 'The Gulf Crisis' in 1991 and since the mid 1997, the global crisis which started first in the financial markets in far East countries and spread to Russia in August of 1998 obstructed the expected increase in the export of our country and caused a decline in the export of FTCs (<http://www.dtm.gov.tr/dtmweb/index.cfm?action=detay&yayinID=169&icerikID=88&dil=TR>) (20.02.2010). Similarly, the global economic crisis which started in the financial markets in the USA in 2008 and affected the whole world globally in 2009 caused a 23% decline in the export of Turkey, and it caused a 38% decline in the export of FTCs.

THE EFFECTS OF ECONOMIC CRISES ON ENTERPRISES AND THE MEASURES TAKEN

Global economic crises create a kind of domino effect and influence the purchase and sale, production, collection of revenues, payment, employment power,

opportunities, market position, profitability, financial/cash status and the competitive power of the companies in a negative way. Undoubtedly, the most serious negative results of the economic crises on companies are the ones that are concerned with the financial structure and accounting practices. Therefore, the increase in exchange rates due to crises, the developments in money and capital markets, financing expenses arising from floating rate loans and idle capacity costs arising from marginal capacity utilization directly affect the financial structure and accounting practices of the enterprise (Tenekecioğlu, 2009).

It has been stated that during the periods of financial difficulties, there are more negative effects in the sectors based on external financing (Dell'Ariccia et al., 2008). And this situation is much more salient in the countries with a developed financial system (Kroszner et al., 2007). On the one hand, the increase in the exchange rates during the periods of financial crisis provides exporters with a competitive advantage. However, it causes negative effects on financial structures due to the increase in liability costs (Berman, 2009). Accordingly,

the effects of financial crisis make the relationship between trade and financing more important in the sectors depended on liabilities and in the countries with a developed financial system.

The well-being of the financial system is very important for the running of real economy and the enhancement in export. If the financial system is healthy, it becomes the fundamental source of competitive advantage in export and export pattern. Accordingly, it can be concluded that the crises in the banking sector create a statistically meaningful and negative effect on the exporting sectors which depend on external financing (Iacovone and Zavacka, 2009).

Although the dimension and strength of the global economic crisis which emerged in the financial markets in the USA in 2008 and spread to the whole world are not known precisely yet, it became a big shock to all the enterprises. Even though it emerged in financial markets, the main effect has been on the real sector. Weak demand and tight credit policies are the fundamental difficulties all the companies encounter (Vandenberg, 2009).

Due to the difficulty enterprises experience in finding long term loans during the period of economic crisis, the ratio of debts on equity capitals and the ratio of long term liabilities on total liabilities decrease. Thus, financial structures deteriorate and the capacity utilization decreases since the demand decreases (Berry and Rodriguez, 2001). The bank loans provided to the enterprises that are in the nature of SMSEs in 19 countries in Latin America were decreased to 58% in 2008. The enterprises which had difficulty in finding loans to meet their need for working capital have started to close down because costs had increased and the orders decreased during the crisis period. Because of this, approximately 85 companies a day closed down in the early 2009 in England (Vandenberg, 2009).

In the economic crisis started in Asia in 1998, the number of companies closing down in the early two months of 1998 in Korea is almost 6,700 (Gregory et al., 2002). Almost every country started to apply incentive packages such as taxation, restructuring the debts, the utilization of loan programs in state guarantee or enlarging the scope of the current ones, subsidies in order to protect employment and government purchases (Vandenberg, 2009).

It is estimated that the financial dimension of the measures taken (cash and non-cash payments, tax reductions, funds provided, etc.) is about \$ 15 trillion. The \$ 10 trillion of these measures consists of the aids provided to the financial sector and \$ 5 trillion consists of the aids provided to the real sector (Arslan et al., 2009). It is important for the companies to be informed about these facilities and there must not be bureaucratic barriers or unnecessary procedures that extend the process.

The companies that operate in the exporting industries have difficulty since the markets they operate in are affected by the economic crisis. The sharp decreases in

the sales and profits of the exporting companies due to the decrease in the orders put these companies in a difficult situation (Vandenberg, 2009). The shrinkages in the export markets force countries to diversify their exports not only on a product base, but also on a regional base. To give a striking example, in the last 10 years, Latin American countries canalized themselves to Asian and African countries along with their biggest market - the USA (Rojas-Suarez, 2010).

The companies least affected by the latest crisis are the companies in the nature of SMSE that cooperate with each other (Vandenberg, 2009). Furthermore, it is stated that during the period of crisis, SMSEs which operate in sectors that are indexed to ultimate consumer such as textile manufacturing are affected more than SMSEs which operate in heavy industry sectors such as machine manufacturing (Gregory et al., 2002). However, the degree the sectors are affected can be different according to the differences in the emerging economic crises.

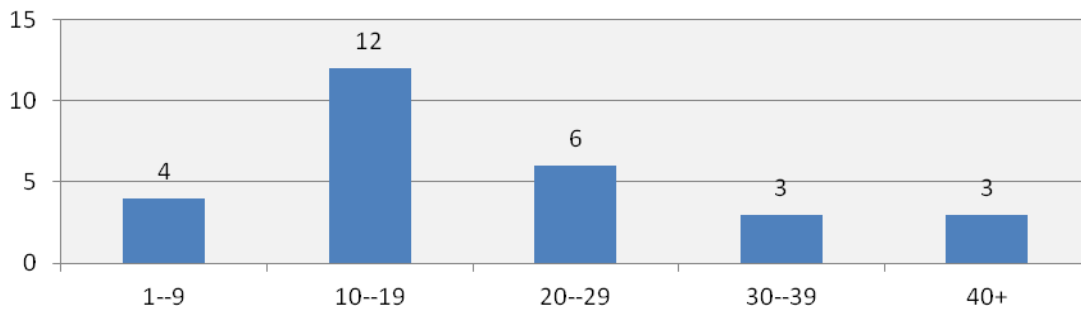
When the company management policies against the global crisis are analyzed, it can be seen that during the crisis periods, enterprises prefer discharging their employees temporarily, educating the employees to increase their productivity, decreasing the hours of work of the employees and closing down their workplaces temporarily (Vandenberg, 2009; Berry and Rodriguez, 2001). Moreover, it is seen that companies prefer increasing the capital of the enterprise, reducing the general management and production costs.

In addition, they follow policies such as improving their business process and providing productivity, revising purchase and sale agreements, ceasing their investments, reducing their environmental and social responsibility costs, decelerating their research and development studies relatively, restructuring their debts, ceasing their business operations temporarily, arranging their capacity and stocks, acting rationally, starting the restructuring process and benefiting from the supports and incentives provided by the government optimally. On the other hand, it has been seen that some companies are in an optimistic expectation as they want to make a profit out of the crisis (Tenekecioğlu, 2009).

The degree and direction of the exposure to the crisis is depended on the ability of the companies to cope with the crisis. The companies which overcame the crisis with the least deficit are not the strongest enterprises, but they are the ones that have the strongest adaptation ability. Within this framework, the best way to improve the adaptation ability to deal with the crisis and keeping the negative financial effects of the crisis at a minimum level is to create crisis-inclined strategic financial plans and accounting policies (Tenekecioğlu, 2009). Accordingly, during the period of economic crisis, it is vital for the companies to get professional help from the consulting companies that are experts in their field in order to overcome the effects of crisis with the least deficit (APEC, 2009).

Table 1. The trading structure of the enterprises.

Trading structure	No. of companies	%
Export only	5	17.2
Export and import	8	27.6
Export and domestic sales	1	3.4
Export, import and domestic sales	15	51.7

**Figure 5.** Operating periods of the companies.

THE AIM, SCOPE AND LIMITATIONS OF THE STUDY

The aim of the study

It is intended to identify the effects of the latest global economic crisis on Turkish foreign trade companies (FTC), which have an important role in the field of export of Turkey, the measures, especially the financial ones, taken by the companies against the crisis and the strategies they follow. By this means, this study aims at identifying the effects of the latest global economic crisis on enterprises.

The fundamental sample, scope and limitations of the study

The Turkish foreign trade companies determined annually by the undersecretariat of foreign trade comprise the fundamental sample of the study. The 56 operating foreign trade companies which realized the 22.3% of the export of Turkey in 2009 constitute the fundamental sample of the study.

THE METHODOLOGY OF THE STUDY

Selection of the samples, data gathering technique and preparation of the questionnaire form

The data used in the study consist of the data obtained from the questionnaires applied to these foreign trade companies. The questionnaire was applied to the senior managers of the aforesaid companies.

These questionnaire forms were first delivered through electronic mail to the 56 FTCs within the scope of this study, and 29 of them (Table 1) which returned back were interviewed on the telephone.

FTCs are considered within the small sample category since they are few in number. If the expected rate of feedback in this kind of questionnaire studies which is carried out through mail is between 20 to 30%, this rate is considered as high (Peterson, 1982). However, the rate of the sample in this study is 52%.

Some of the questions in the questionnaire consist of multiple-choice questions and some of the open-ended questions are the ones prepared on 5-point Likert-type scale. In line with the aims and scope of the study, the questionnaire form has been designed in the light of previous studies in the literature carried by various institutions (Aliç et al., 2009; Tim, 2009; Özdemir, 2007; Tenekecioğlu, 2009; Dodi, 2009) oriented to identify the effects of crises on enterprises.

The method of analysis

No previous study has been conducted concerning the effects of economic crises on Turkish foreign trade companies, the measures taken by these companies against the crisis especially about financial and accounting practices and the strategies they follow. There is no information especially about the financial and accounting practices of these companies which they use in order to protect themselves from the crisis. Therefore, defining statistical methods were used in the analysis of the data obtained as a result of the questionnaire study conducted in order to determine the effects of the latest economic crisis on these enterprises and the measures taken. In the evaluation of the data obtained from the questionnaire SPSS-13 (Statistical Package for Social Sciences) program was used.

THE EVALUATION OF THE FINDINGS OF THE STUDY

Enterprise profile

When the operating period of the participants within the sector is considered, it has been seen that it is between 3 and 56. The average of the operating period of the

Table 2. The structure of production input supply of the enterprises.

Variable	Domestic prices are expensive	The inadequacy of domestic quality	The lack of domestic production	The inadequacy of the domestic production	The existence of foreign partners	Inviting loan facilities abroad
Agree	16	5	5	14	1	1
Disagree	5	15	16	7	20	20
Total	21	21	21	21	20	21

participants is 20.9 years (Figure 5). The 9 (31%) of the 29 firms participated in the questionnaire stated that the shareholders and the executives are different. 17 (58.6%) of them stated that they have a professional management. However, 3 of the companies did not respond to this question. When the distribution of internal and external trade of the companies is analyzed, it is seen that along with export and import predominantly, they also operate inland. This structure may reduce the influence of crisis on these firms.

However, analyzing the answers given to the expression 'The effect of the crisis on FTCs has been bigger than on other large-scale companies.', it has been found that only 8 of the 13 companies which were concerned with foreign trade, and 13 of the 16 companies which were concerned with foreign trade and domestic sale stated that foreign trade companies are affected more by the crisis when compared to other firms. The 72% of the companies responding in the questionnaire are in the opinion that the effect of the crisis is more on the foreign trade companies. This resulting conclusion indicates that although FTCs operate in domestic market in order to reduce the risk, they fall behind in compensating the recent shrinkage in external markets.

The structure of manufacturing technology and input supply of the enterprises

The manufacturing technologies of the participants are considered modern to a great extent. 11 of the 21 companies responding to this question defined their manufacturing technology as modern, 9 of them as new and 1 of them as a little old. Therefore, it can be concluded that the manufacturing technologies of FTCs are up-to-date. Flexible production is considered as an indicator to keep pace with the changes emerging in the market during the crisis periods. When the process of flexible production is asked to the participants, 13 of the 16 companies responding to this question stated that they carry out the process of flexible production. On the other hand, it has been seen that 15 of the 17 companies stated that they have a total quality management program. Similarly, it has been seen that 11 of the 16 companies stated that they have an activity-based costing system, and 8 of the 12 companies have a continuous improvement system. When the distribution of

the import of fundamental raw materials and intermediate goods of the FTCs is taken into account, it has been seen that 24 of the 29 participants responded to the question. According to this, only 5 companies provide these inputs domestically, and 19 companies provide them both domestically and from abroad. The total distribution of input of the companies using domestic inputs ranges between 17 and 100%. On the other hand, the weight of the firms using inputs from abroad ranges between 10 and 83%. Analyzing these rates, it has been concluded that domestic inputs are approximately 59.7% and they are used more compared to the imported inputs.

In order to investigate the structure of production input supply and the reasons for using imported inputs, the participants were provided with the opportunity to give multiple answers to the question (Table 2). That the participants provide fundamental raw materials and intermediate goods from abroad is obviously due to the fact that domestic prices are relatively expensive and the domestic production is inadequate. On the other hand, it can be seen that the inadequacy of domestic quality is not a determining factor at all. Although other countries gain the competitive advantage in unit prices by devaluing in order to increase their export in the medium of global crisis, the real exchange rate increases in value in Turkey. And this is a determining factor, in that, domestic input prices are relatively expensive. On the other hand, it has been concluded that inviting loan facilities abroad do not have an influence on the supply of input by foreign partners.

The effects of the crisis on enterprises

25 different questions were asked to the participants in order to determine to what extent they are affected by which elements during the last economic crisis period (Table 3). To reach a salient conclusion, answers were designed as 3-option set (increased, decreased, remained the same). According to this, the level of export is naturally the most striking component since FTCs consist of the sample. This component is followed by the rate of imported input use, the unit price of raw material import, the level of export profitability, the level of general profitability, age of accounts receivable, the rate of the collection of receivables, doubtful trade receivables, the

Table 3. The effects of the crisis on the active-passive and profitability structure of the enterprises.

Profitability structure	Increased	Decreased	Remained the same	Total
The level of production	1	16	-	17
Stocks	10	6	5	21
The level of export	5	22	1	28
Unit export price	2	13	7	22
The rate of imported input use	6	3	11	20
The unit price of raw material import	9	6	5	20
The level of export profitability	2	18	5	25
The level of general profitability	2	20	5	27
Age of accounts receivable	12	4	6	22
The rate of the collection of the receivables	2	13	6	21
Doubtful trade receivables	16	2	5	23
The need for financing	9	3	13	25
Short term liabilities	9	6	9	24
Long term liabilities	7	3	12	22
Equity capitals	4	6	12	22

Table 4. The effects of the crisis on the production costs and expenses of the enterprises.

Production cost and expense	Increased	Decreased	Remained the same	Total
The cost of raw materials	7	9	4	20
Labor cost	4	3	15	22
General production costs	11	3	8	22
Marketing, sales and distribution expenses	16	4	5	25
General management costs	11	4	12	27
Financing expenses	6	3	15	24
Energy expenses	18	3	2	23
Research and development expenses	1	1	15	17

need for financing, short-term and long-term loans, respectively.

The recession in the level of export and export profitability is the primary result of the shrinkage in demand encountered in developed countries recently. This change is quite obvious in FTCs. It has been concluded that the volatility in the exchange rates and the appreciation of TL during the crisis period do not have an influence at all on the rate of imported input use by FTCs. However, it has been indicated that the reason for the preference of imported inputs instead of domestic ones during the pre-crisis period is the fact that domestic prices are higher and domestic production is not adequate.

Independent from the structure of the crisis, there has been some other problems such as the decrease in the level of general profitability, the extension of the receivables, the decrease in the rate of the collection of the receivables and the increase in the doubtful trade receivables. These four problems may cause a need for financing. In fact, it has been seen that the need for

financing did not decrease in FTCs, yet it did not increase in all companies, either. When the need for financing is evaluated according to the current domestic sales of the companies or the change in the levels of export, no salient tendency has been found. However, an increase has been detected in the need for short-term foreign liabilities of the companies whose need for financing has increased. It has been considered that the underlying causes of this resulting problem are the decrease in the sales and profitability during the crisis periods and the temporary inconsistency in the cash flows.

When the change in the expenses of the FTCs during the crisis period is taken into account, an obvious increase is seen in the energy and marketing expenses (Table 4). The main reason in the increase of marketing expenses is the canalization of the firms to the new markets instead of the lost ones during the crisis period. Furthermore, it has been seen that the financing, labor and research and development expenses remained the same during the crisis period.

Analyzing the approaches adopted by FTCs concerning

Table 5. Financing sources that the enterprises benefit from.

Financing source	Pre-crisis period			Crisis period		
	Mostly	Partly	Rarely / never	Mostly	Partly	Rarely / never
Private banks	20	1	2	18	4	1
Eximbank	7	5	8	4	3	14
State banks	5	3	5	7	6	5
Leasing	2	1	6	1	-	8

the developments abroad during the crisis period, it has been seen that the companies which lost their customers and markets canalized themselves to new markets. 22 of the 29 companies responding in the questionnaire stated that they lost their current customers and markets, and they entered new markets subsequently. In spite of this, only 8 of the 28 companies stated that they lost their current markets completely. This resulting situation indicates that FTCs did not lose their markets completely, but some of their customer and market share decreased to a certain extent during the crisis period. When the countries where there is a loss of market are considered, it is seen that European countries have an important share. Due to the shrinkage in external markets, FTCs canalized themselves to new markets to compensate this deficit. This indicates that in the long term our companies can gain a foothold in these new markets, they can increase their share in the current markets again after the effects of the crisis disappear and they can operate more in the diversified markets in the future.

When the external financing requirements of FTCs during the crisis period are investigated, 11 of the 24 companies responding to the question stated that they required external financing, but 13 of them stated that they did not need external financing. It is seen that 9 of the 11 companies requiring external financing canalized themselves to new markets. Therefore, it can be concluded that in order to direct FTCs to new markets and help them gain a foothold in these markets, providing financing facilities to them can be beneficial.

Moreover, it has been concluded that financing needs of the companies emerging during this period were met to a great extent. 12 of the 21 companies stated that their financing need was met completely, 4 of them indicated that it was met to a great extent and 4 of them stated that it was met partially. This resulting situation reflects that unlike previous crises, especially the banking sector did not cut off the loan facilities to the real sector in meeting the financing requirements.

When the source for financing requirements of FTCs during the crisis period is analyzed, the rapid increase in the need of the enterprise for working capitals distinguishes. 6 of the 13 companies responding to this question stated that the increase in the need for working capitals was the reason, but 2 of them disagreed. 6 of the 13 FTCs indicated that the loan costs were high and 5 of

them contradicted. Another component distinguishing among the financing requirements is the level of loan access. 8 of the 12 FTCs responding to this question disagreed with the idea that it is difficult to find loans. Only one company stated that it is difficult to find loans. According to these prominent results, it has been concluded that FTCs sought financing mostly because the need for working capitals of the enterprise increased and partly because the loan costs were high but it was still possible to access loans during the crisis period.

When the financing sources of the FTCs are analyzed, it is seen that private banks stand out. Private banks have been the most commonly used source of financing during the pre-crisis and crisis periods. Analyzing the change in the preferences of financing sources during the crisis period, it has been seen that the weight of state banks increased, and the level of benefiting from the Turkish Eximbank changed prominently. The level of benefiting from Eximbank, which is expected to increase especially during the crisis period, decreased (Table 5).

Moreover, it has been seen that FTCs did not benefit from similar facilities at all. 18 of the 20 companies responding to this question stated that they never used forward contracts, 17 of the 19 companies indicated that they did not use option contracts and 13 of the 19 companies stated that they did not use swap contracts. The resulting situation reflects that FTCs did not benefit from the financial risk management facilities adequately. However, it has been concluded that these companies managed the risk of exchange rate through the components in the balance sheet.

It is seen that FTCs, which operate mostly in the field of export, are affected more than the other large-scale companies during the crisis period. According to this, only 5 of the 29 FTCs indicated that they were not more affected than other large-scale companies.

When the existence of immediate action plans of FTCs concerning the predictability of the crisis period beforehand is analyzed, it has been seen that these companies were prepared and the practices prepared against the probable developments were realized during the crisis. It is understood that 15 of the 29 FTCs had immediate action plans, 5 of them had no action plans and 7 of them did not have a certain plan. On the other hand, when they were asked whether they prepared and realized an immediate action plan after the crisis, it has been

understood that 22 of the 28 companies prepared and realized their action plans. However, it has been concluded that 5 FTCs did not have any action plans during the crisis period and 1 company was indecisive about the issue.

It is seen that FTCs were informed about the legal regulations in the field they operate. 26 of the 29 participants agreed with this idea. However, 3 companies remained indecisive. It is understood that participants equally follow the developments about FTCs which take place both in national and international media.

Another prominent result is that accounting information system was successful in providing the necessary financial information about crisis management. Similarly, accounting and financing departments were successful in generating solutions during the crisis period. According to this, it has been found that 26 of the 28 participants agreed with this idea, but 2 companies remained indecisive about the issue.

Furthermore, it has been seen that FTCs turned the crisis period into an opportunity by canalizing themselves to new markets. Accordingly, 14 of the 27 companies indicated that they were able to turn the crisis into an opportunity, 8 of them stated that they were unsuccessful in doing so and 5 companies remained indecisive about the question.

When the effects of financing requirements on the structure of working capitals are considered, it has been seen that FTCs did not choose to strengthen the working capitals structure by making changes in the partnership structure. All of the 18 companies responding to this question indicated that there happened no change in the partnership structure during this period. Similarly, it is understood that they did not sell any shares in order to get fund. Therefore, it has been concluded that during the crisis period there happened no changes in the partnership structures of FTCs, and companies did not think of any changes in financing. In addition, FTCs, among which there were firms as big as the companies operating in ISE (Istanbul Stock Exchange), did not think of public flotation in order to get fund.

Another important effect of the crisis periods on enterprises is that a more flexible and customer-oriented production policy was adopted. It is seen that during this period, FTCs carried out a customer-oriented production. Although 15 of the 20 companies indicated that they started a customer-oriented production, only 2 companies stated that they did not realize this production model.

During the crisis periods, enterprises also canalize themselves to more risky markets and clients. However, it is worthy of consideration that this never happened in the case of FTCs. 19 of the 22 companies indicated that they avoided risky markets and customers, but 2 companies stated that they canalized themselves to risky markets and customer profiles.

Enterprises tend to cost reduction during the crisis periods. And this may cause a decrease in the quality of products. However, it is obviously seen that FTCs did not

decrease the product quality during the crisis. Although 20 of the 23 participants indicated that the global crisis did not lead to a decrease in the quality of products, only one company remained indecisive about the issue. It is seen that this salient structure emerging in the production quality during the crisis period did not lead to a decrease in the competitive capacity directly. 9 of the 25 companies indicated that during the crisis period their competitive capacity did not decrease, 7 of them stated that it decreased and 9 of them remained indecisive. Thus, it has been concluded that FTCs did not make concessions in quality during the crisis, and elements other than quality became influential on the decrease of competitive capacity.

It is understood that the employment of expert managers specialized in their fields during the crisis period contributes to the management of the crisis period. 18 of the 19 companies responding to the question agreed with this point, but only 1 company remained indecisive. On the other hand, things get complicated if a consulting company is asked for help during the crisis period. 9 of the 19 companies responding to this question indicated that this intervention helped, but 6 of them stated that it did not and 4 of them remained indecisive.

The problems enterprises encounter in export

When FTCs were asked to evaluate the problems of the field of export, they indicated that exchange rates, energy expenses, financing costs, taxing expenses, raw materials and intermediate goods are among the primary problems to be solved.

When the problems of the sectors to which these companies export are analyzed, it has been found out that exchange rates, financing costs, employment expenses and energy expenses are placed on top. On the other hand, it has been seen that these main problems were not much more different than the pre-crisis period. Although 13 of the 25 companies indicated that the inadequacy of the incentives was a big problem during the pre-crisis period, 8 of the 24 companies stated that it was a big problem during the crisis period. This variation arises from the fact that the shrinkage in the external demand and the decrease in unit prices during the crisis period are considered important. On the other hand, when the problems concerning the taxing expenses of the sector to which these companies export are analyzed, a meaningful difference is found between the pre-crisis and crisis periods. It has been seen that although 15 of the 24 companies regarded taxing expenses as an important problem during the pre-crisis period, 20 of the 24 companies regarded it as an important problem during the crisis period. This result arises from the fact that companies whose profitability decreases continuously regard taxes as a component from which they can provide an advantage.

As from the first half of 2010, most of the FTCs indicated

that the effects of the global crisis did not disappear, but there has been a partial decrease. 16 of the 27 companies stated that there is a partial decrease, 6 of them indicated that the crisis still continues, 3 of them stated that the effects continue increasingly at the least and 2 of them stated that there is no decrease in the effects of the crisis. And when the answers to the open-ended questions are analyzed, it has been seen that FTCs predict that the effects of the crisis will disappear completely at the end of 2010 and in the middle of 2011.

CONCLUSION AND SUGGESTIONS

Export is regarded as the driving force of the growth especially in developing countries. It becomes more important for countries, such as Turkey, which are in transformation process. The export of Turkish economy has experienced a comprehensive transformation both in structure and pattern recently. Although the number of exporting companies was 35, 587 in 2003, it became 48, 550 in 2009. There have been changes not only in the number of exporting companies, but also in the components of exported products. Products with high value-added taxes and technology-based products are regarded as important in the field of export in Turkey. Furthermore, it is seen that the export of high-quality products has increased lately. In this process, approximately one fourth of the export of Turkey has been carried out by 50 FTCs. Consequently, FTCs have a significant role in the export of Turkey. Therefore, their structures and exposure levels to the crisis are important as well.

According to the latest research carried out by the European Commission, approximately 25% of the SMSEs operating in European Union can carry out export transactions. And the level of benefiting from government aids and the awareness of such aids are low. It has been stated that 37% of the SMSEs benefit from those aids and these aids are not effective at all in accelerating and increasing foreign trade operations. The difficulty and cost of bureaucratic procedures concerning export, inadequate government aids, lack of working capital and high costs of export are among the barriers which prevent current non-exporting SMSEs from getting into foreign markets and obstruct the foreign trade operations of the current exporting SMSEs (<http://www.euractiv.com/en/enterprise-jobs/eu-export-support-schemes-dead-weight-loss-news-304932>) (05.02.2010). In various studies, it has been frequently stated that Turkish enterprises have similar problems as well. Therefore, in order to increase the contribution of FTCs and SMSEs which have exporting potential, it is vital to define the problems clearly and find a solution immediately. Consultancy support is one of the fundamental solutions which will be effective in encouraging Turkish enterprises to be more international. Therefore, Turkish enterprises must be provided with consultancy

support which will canalize them to new markets, help them gain a foothold in these markets and offer strategies. There must be studies oriented to reduce the bureaucratic procedures, enlarge the scope of government aids and increase the awareness among enterprises.

As a result of the study, it has been seen that FTCs have a considerable amount of experience in the fields they operate. Therefore, the experience of FTCs provide them with an advantage over other companies in terms of exposure levels to the crises and management success. However, considering the fact that the latest global crisis broke out due to the shrinkage in demand, it is a non-ignorable fact that predominantly exporting companies are affected more than other companies. The reduction in the export of Turkey especially in 2009 was worth \$ 31 billion. The 70% of it - that is, \$ 21 billion- was due to the countries in Europe. Therefore, companies operating predominantly in this area were affected more than others. Accordingly, 72% of the FTCs participating the questionnaire stated that they were affected more than other companies and they were affected negatively especially by European countries.

When the distribution of the input is analyzed, it has been seen that the cost of domestic input was higher than the imported input. This resulting data indicate a general approach, and the high cost of domestic input is the reason for using imported input. The high cost of domestic input reduces the international competitive power. On the other hand, FTCs disagree with the idea that the inadequacy of domestic input quality is the reason for the use of imported input.

It has been concluded that flexible production model - one of the primary advantages of companies, especially SMSEs in Turkey - is practiced by FTCs. On the other hand, it has been seen that in spite of the decrease in export and production levels, export and general profitability levels, there was a salient increase in doubtful trade receivables during the crisis period. Moreover, when the change in the expenses of FTCs during the crisis period is analyzed, it has been found that there was a salient increase in energy and marketing expenses. In this respect, in order to change the crisis into advantage, companies should adopt an innovative approach and orient themselves to research and development activities. The results indicate that instead of losing markets, there was a certain level of decrease in the customer and market share of FTCs during the crisis period. Due to the shrinkage in foreign markets, FTCs canalized themselves to new markets to meet the deficit. This development indicates that companies can gain a foothold in these new markets in the long term, they can increase their share in the current markets again after the effects of the crisis disappear and they can operate more in diversified markets in the future. Accordingly, FTCs must be provided with financing facilities which will them canalize themselves towards new markets and be successful in these markets. The widespread shortcut in the financing opportunities during the crisis periods has not been seen

during this period. According to this, financing requirements of FTCs have been met during the crisis period. However, it is obvious that FTCs could not benefit from Eximbank, which is one of the most important financing sources of exporters.

It has been concluded that during the crisis period, FTCs avoided risky markets and customer groups, and they did not benefit from consultancy companies either. FTCs stated that taxing expenses were among the barriers which obstructed export and they were more important during the crisis period than in the pre-crisis period. Therefore, policies to overcome this problem should be put into practice especially during the crisis period.

Although FTCs did not benefit from consultancy companies at all, they stated that it could be useful to benefit from consultancy services during the crisis period. Instead of financial facilities, companies which are expected to be permanent in exporting markets must be provided with consultancy services which will help them identify target markets, determine their marketing strategies and provide a successful financial management. FTCs generally expect the effects of the crisis to disappear completely at the end of 2010 and in the first half of 2011.

Consequently, considering the fact that limited numbers of FTCs carry out an important amount of the export of Turkey, it is important to restructure the advantages provided to these companies in the way to boost their exporting performances. Arranging the exchange rates - one of the fundamental problems of FTCs - in a way to obtain price advantage will provide international competing advantage. Creating more added value by reducing the dependency on import, and restructuring oriented to enable other SMSEs to reach new markets in a way to gain competitive advantage in global trade will contribute to export.

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