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EFFECT OF CORPORATE GOVERNANCE PRINCIPLES ON BUSINESS PERFORMANCE

Emel Burak, Oya Erdil and Erkut Altindağ*

ABSTRACT

The purpose of this study is to investigate whether the corporate governance principles, which are adopted by businesses to ensure their sustainability successfully, have an effect on business performance by discussing them in detail. This exploratory research article was carried out on participants in managerial positions in businesses operating in the Marmara Region. In addition, an attempt to collect data was made by delivering questionnaires to the management positions of the businesses in different regions to form a more valid sampling population from the whole of Turkey. The data which were provided by 304 questionnaires obtained as a result of various stages were analyzed by SPSS program. In the analysis performed, it was concluded that there is a relationship between the corporate governance principles consisting of the variables of transparency, fairness, accountability, social awareness, independence and discipline and business performance. Research results partially support studies in the literature. The research findings were interpreted, and the suggestions about managerial practices were presented in detail. This study will provide a basis for the scientific studies to be carried out in this field in the literature.

Keywords: *Institutionalization, Corporate Governance, Business Performance*
JEL Classification: B15, G34, L25

I. INTRODUCTION

The global financial crises experienced in the world history explicitly suggest that businesses need to adopt different strategies in their practice. In this context, some procedures have been put forward for the business and its entire environment along with the arrangements made nationally and globally (OECD, 1999; TÜSİAD, 2002; SPK, 2005). The purpose of this study is to reveal to what extent the Corporate Governance Principles, that the business tries to adopt voluntarily and legally by taking into account all circles which are affected by the business and affect throughout the life cycle, affect the business in terms of growth and financial performance that support it. Corporate Governance Principles discussed within the theoretical framework developed for the establishment of the research model involve the variables of transparency, fairness, accountability and responsibility as well as the variables of social awareness, independence, and discipline (CLSA, 2001). In this sense, businesses are demonstrated by a scientific analysis that there is a relationship between corporate governance principles and business performance. Businesses operating in national and international fields achieve a sustainable competitive advantage along with adaptation to corporate governance principles. In this study, it is aimed to create the characteristics of step to the solutions for meeting the need related to the expansion of corporate governance principles regarding the businesses located in Turkey and in the world. This study is also quite important in terms of providing an insight to top authorities, determinants of Corporate Governance Principles that will include the businesses in Turkey and the world.

II. LITERATURE REVIEW

Concept of Corporate Governance

The ground of corporate governance approach and the corporate governance principles established in connection with this approach is based on institutional theories that are called institutionalism or institutionalization.

The institution is conceptually expressed as a social order which is continuously reproduced and relatively activates its existence by itself or owes to automatic social processes (Boons and Strannegard, 2000). In addition, it is also defined as an established order which is socially organized, adheres to the rules, and has procedures and standards in which social practices have come together (Painter, 2002). Institutionalization is a more comprehensive concept than the institution (Boons and Strannegard, 2000). Institutional theory constitutes the basis of institutionalization (Apaydın, 2009). The institutional theory provides businesses with a legal identity by ensuring that they are compatible with environmental institutions and a part of the environment taking into account the presence of the institutional environment (Lawrence et al., 2001). Businesses always interact with the environment in which they operate. They are also affected by this environment, and they need to respond to environmental expectations and pressure (Fox-Wolfgramm et al., 1998). The fact that the businesses need to stay in touch with their environments to ensure their continuity through the ways which are

*The authors are, respectively, Professor at Kırklareli University; Gebze Technical University; and Beykent University. Corresponding author e-mail: emelburak@klu.edu.tr

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acceptable to various stakeholders in their environment is the reason for this (Dillard et al., 2004). The formal structure of some of the businesses in post-industrial society reflects the indirect effect of their institutional environment rather than work-oriented criteria such as efficiency and effectiveness and the requirements of intra-organizational coordination and control (Meyer and Rowan, 1977).

In the sense of organizational analysis, the theory of institutionalism has its origin in Merton's study on bureaucracy and bureaucratization in the 1940s (Painter, 2002). The placement of the theory of institutionalism on the substructure formed by Merton is observed by the "Natural system model" developed by Philip Selznick in 1948. According to this model, the primary purpose of the organizations is to ensure sustainability by keeping alive through the organization's responses to the internal and external environment through various elements (Selznick, 1996). The work entitled "Institutionalized Organizations: Formal Structure as a Myth and Ceremony" published by Meyer and Rowan in 1977 is another study on which the institutionalization theories were based and that helped the shaping of the theory. According to this work, homogenization will be provided when myths are formed within institutional rationales and these myths are adopted by the business. Thus, organizations will be considered as established actors in the environment instead of being seen as limited actors interacting with their environment (Meyer and Rowan, 1977).

The process of institutionalization begins along with the emergence of a business and its beginning to develop (Kimberly, 1979). Institutionalization is defined as developing a common understanding and meaningful behavior about what is right (Zucker, 1977), and as a process in which organizations adopt special structures for their legitimacy where their structural elements have external elements (DiMaggio and Powell, 1983).

The institutionalization approach envisages a similarity, parallelism between the structure and functioning features of the organizations operating within a specific framework and the features of the environment. This similarity, called uniformity or co-uniformity, is the most important factor that establishes the relationship between the organization and its environment (Koçel, 2011). Isomorphism is the concept that best describes the homogenization process in organizations (DiMaggio and Powell, 1983). Isomorphism is the pressure process that pushes an organization in the organization's population to resemble other units within the same environmental conditions (Oliver, 1988). While isomorphism is seen as an effort to get rid of the uncertainty in competition approaches, it is regarded as businesses' effort to gain legitimacy in institutionalization approach (Selznick, 1996; DiMaggio and Powell, 1983). Gaining legitimacy, the main and primary objective of institutionalization, refers to ensuring that businesses will become a legal institution and to the fact that the actions of the business are accepted in the surrounding environment by developing actions and structures in accordance with the norms and regulations established by the actors in the market environment (Boons and Strannegard, 2000). Norms are rules consisting of procedures, and they are used to show that what practitioners do is reasonable to themselves and the people around them (Handelman and Arnold, 1999). Businesses become a part of the market environment and an organization that can establish a relationship with other institutions and strengthen the institutionalization by creating a business organizational culture forming a certain norm as long as they follow these norms (Apaydın, 2009). In addition, the provision of institutionalization gains speed when the actions, behaviors, and performance are controlled in businesses and this environment is supported by the award-penalty system (Scott,1987).

The concept of corporate governance or management is a management philosophy that aims to protect the rights of the stakeholders that are directly or indirectly related to the activities carried out by the company including shareholders and to reveal the obligations of business management in any business (Shleifer and Vishny, 1997). The essential elements of corporate governance consist of corporate governance and management theories (Dereköy, 2015). Corporate governance is also defined as the whole of mechanisms developed to harmonize conflicts of interest that may arise among all stakeholder segments (Ülgen and Mirze, 2010). The primary purpose of corporate governance is to ensure that the complete and accurate statements about the actual financial situation of a business are made timely and that the management works to look out for the interests of shareholders in particular (Koçel, 2011).

The studies carried out based on the ideas that form the basis of corporate governance were firstly about the United States of America in the 1970s and 1980s. While these studies firstly began in other developed economies such as England, Japan, and Germany at the beginning of the 90s, studies in recent years have spread to developing countries (Denis and McConnell,). Corporate governance consists of applications ensuring that the groups providing institutional benefits guarantee their rights in the institution (Kolzenmann et al., 2006) and that the companies guarantee to use the capital efficiently (TÜSİAD, 2005). The facts that the businesses succeed in their activities within severe conditions of competition, and that the countries have a good image in

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the international field, can easily overcome crises, use their resources effectively and increase their level of welfare are possible with corporate governance (Dereköy, 2015). Other organizations trust businesses that are institutionalized with corporate governance and initiate long-term relationships with them (Ruerkert et al., 1985). Corporate governance decreases the cost of capital through transparent and accurate statements by giving confidence to existing or potential investors and makes personal or institutional investors a stable source of finance (Koçel, 2011).

The implementation of corporate governance the basic principles of which are fairness, transparency, accountability and responsibility and which is argued to have the principles of social awareness, independence, and discipline in the international source (CLSA, 2001) is encouraged by the states, sectors, associations, and non-governmental organizations. Corporate governance principles can also be determined by non-governmental organizations with a legal sanction power except for a public regulatory authority (Şen, 2013). It is believed that the businesses will reach a stable high performance, the security of the shareholders will be ensured, and the rights of stakeholders will be secured through the principles specified. Corporate governance consists of the principles that regulate businesses' process applications and mobility in the market and that propose to approach the internal and external environmental components with the same importance, attitude, and procedure. In this context, it is clearly seen that corporate governance practices changed the businesses' form of doing business (Fox-Wolfgramm et al., 1998) and penetrated into their attitudes and movements in the market.

Since corporate governance also involves the applications for the protection of investors who provide funds to the company (Kula, 2006), it consists of the whole of both institutional and market-based mechanisms that will encourage taking decisions that maximize the company value (Denis and Mc Connell, 2002).

The ground of corporate governance principles that basically consist of 4 basic principles including transparency, fairness, accountability and responsibility was expanded, and the factors of social awareness, discipline and independence were added and included in the study. Corporate governance principles are briefly mentioned below:

The principle of Transparency; Members of the United Nations define the concept of transparency as the fact that the access is not prevented by the public for convenient and reliable information in the performance and decisions in the public sector (Armstrong, 2005). The principle of transparency is the punctual statement of adequate and accurate information about the company's financial performance, corporate governance, co-partnership structure, business and activities (TÜSİAD, 2002). In addition, transparency is also referred to as the announcement of financial and non-financial information about the company in a timely, accurate, complete, understandable, interpretable and low cost manner to the public, except for the information that is a trade secret and has not yet been announced to the public (SPK, 2005). Along with the principle of transparency, the flow of economic, social and political information about the use of loans by investors, the credibility of those who use credits, the presentation of public services by the states and the activities of international organizations are ensured in an accurate, reliable, complete and timely manner (Vishwanath and Kaufman, 1999).

The principle of Fairness refers to the fact that the corporate governance treats shareholders and stakeholders equally in all its activities and the prevention of various adverse and potential conflicts of interest that may arise in this way (TÜSİAD, 2002). The principle of fairness sets forth the fact that the corporate governance treats shareholders and stakeholders equally in all its activities and the prevention of potential conflicts of interest (SPK, 2005). This principle allows for business executives to be equidistant from all the sectors to be affected by the decisions to be taken and protecting not only the rights of a particular sector but also the rights of all parties necessary for the survival of the company (Doğan, 2007).

The principle of Accountability; The principle of accountability refers to the clear definition of governance rules and responsibilities and the protection of the company management and shareholder interests by the board of directors (TÜSİAD, 2002). In addition, accountability is the disclosure of governance roles and responsibilities, the provision of voluntary support to ensure the compliance of its shareholders and managers and monitoring them by the board of directors with objective jurisdiction (Millstein, 2000). Along with accountability, businesses become open to society by providing the flow of accurate, complete and unbiased information related to their actions to the public and the relevant people as a result of the pressures of various institutions to gain legitimacy and take the responsibility for the consequences of their actions (Apaydın, 2007). Thus, managers' tendency to make unexpected decisions, the tendency of managers with an important place in representation problems to keep their interests before the corporate interests, and the conflicts of interest experienced by managers and shareholders are expected to decrease (Doğan, 2007). Businesses become accountable by

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complying with the standards and principles agreed on various institutions (Apaydın, 2009). Accountability is described as the ultimate protector of transparency, and transparency is shown as the complementary element of accountability (Samsun, 2003).

The principle of Responsibility; The principle of responsibility is to ensure the compliance of corporate activities and behaviors with the relevant legislation, social and ethical values (TÜSİAD, 2002). The principle of responsibility refers to the compliance of all activities of the company management in the name of the company with the legislation, articles of partnership and intercorporate regulations and the inspection of this (SPK, 2005). While accountability allows for authority users to explain their actions and the reasons for them, responsibility allows for the investigation of whether the duties by the perspective of those who impose duty are fulfilled as required and the responsibilities have been used appropriately (Doğan, 2007). The concept of corporate responsibility refers to the applications foreseeing that businesses can respond to social expectations to strengthen the interdependent relationship between business and society (Witherell, 2002).

The principle of Social Awareness; It refers to the initiatives that emphasize the effect of the company on society and is mostly considered as a company's liabilities against its stakeholders and shareholders. The fact that the corporate governance is built on a solid basis and ensuring the continuity of this management approach are possible with the adoption of a social awareness envisaging a social acceptance by the business.

In terms of businesses, social responsibility pays regard to the benefit of society while performing the applications and is the fact that the business management and employees undertake consequences of these actions (Apaydın, 2008). No success will be achieved in paying regard to the needs of stakeholders in a balanced manner without corporate transparency, public disclosure and social awareness (Robertson and Nicholson, 1996). There are pressures from environmental actors for businesses to fulfill the social responsibility obligation and the fact that the businesses exhibit social responsibility allows them to fulfill the expectations of these actors and increases their social acceptance (Greening and Gray, 1994).

The principle of Independence refers to the fact that the Members of the Board of Directors and top management act in a way to pay regard to investors' rights in all their activities and decisions without being dependent on any institution, organization, group or individual. The principle of independence in the context of corporate governance is the fact that the neutrality of the business corresponds to the protection of the interests of all stakeholders rather than the benefit of a person or group.

Independence requires the absence of a professional or personal relationship with any manager with a company or management. At this point, the board of directors and the audit committee should be independent of the company management (Şen, 2013). Independent and effective external members should be included in management, and participation at all levels should be made widespread (Ülgen et al., 2006).

The principle of Discipline; When the discipline factor is evaluated in terms of corporate governance principles, it is considered as the main element of corporate governance. The fact that the relevant laws and legislation applications are accepted as an important macro-determinant of corporate governance in the markets is the reason for this (CLSA, 2001). This situation involves the active implementation of the procedures and practices that can provide benefit for all stakeholders within the corporate governance. At this point, the principle of discipline establishes a relationship between corporate governance and the business procedures and applications.

Corporate governance principles have the feature of a strategic guide to the company about the effective supervision of the board of directors and the responsibility of the board of directors towards the company and shareholders (Şen, 2013).

Concept of Business Performance

In the general sense, performance is a concept that quantitatively or qualitatively determines what has been achieved as a result of an intended and planned activity. Measuring whether predetermined objectives have been achieved is the subject of the performance. When it is evaluated from this aspect, performance focuses on the objective consequence relationship (Çınar, 2014). Performance is the relationship between the effective output realized with the minimum cost and the consequence obtained by this output (Apaydın, 2007). Various data are used for measuring the performance. Business performance can be measured objectively (financial - quantitative data) and subjectively (non-financial - qualitative data) (Küçükkancabaş et al., 2006). The qualitative performance criteria are basically evaluated as the increase in employees' commitment to the business, the increase in employees' job satisfaction, the overall performance of the business, the success of developing new

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service or product and the increase in the quality of the service or product. The quantitative performance criteria are listed as the Total asset (active) profitability, the Turnover Profitability (Profit/Total Sales), the Equity capital/return on investment (profit/equity capital), the Increase in sales and the increase in market share (Ergün, 2003).

Firstly, it is necessary to have a good organizational strategy to have a good measuring system, because performance criteria are defined in the light of the data obtained from the analysis of the strategy and of critical success factors that the organization needs to focus on reaching the vision (Brown and Caylor, 2004).

Studies on the Relationship between Corporate Governance and Business Performance

Corporate governance creates a balance between personal and communal objectives as well as economic and social objectives. Within the framework of this understanding, businesses become in concordance with the environment, and the compliance with the environment improves performance (Scott, 1987). It is argued that the biggest observed effects of corporate governance practices will be on corporate performance (Nelson, 2005). Since corporate governance also involves the applications for the protection of investors who provide funds to the company (Kula, 2006), it consists of the whole of both institutional and market-based mechanisms that will encourage taking decisions that maximize the company value (Denis and Mc Connell, 2003).

The theory of corporate governance suggests that there is a positive relationship between corporate governance and company performance. An attempt to explain the relationship between corporate governance and company performance was made by many empirical studies carried out in different countries. (La porta and et.al. 1996; CLSA, 2001; La porta et al., 2002; Fremond and Capaul, 2002; Klapper and Love, 2003; Krishnamurti et al.., 2005; Durnev and Kim, 2003; Şen, 2013).

The study carried out by the group of four people consisting of Rafael La Porta, Florencio Lopezde-Silanes, Andrei Shleifer and Robert Vishny (LLSV) in which they expressed the legal protection of shareholders as the most important corporate governance mechanism in explaining the corporate governance practices between the countries is the most important study on the corporate governance mechanism. Corporate governance studies entered into a new phase after the survey carried out by this group of four academicians in 1996. It is stated that this situation created a new turning point for the field of corporate governance (Kula, 2006).

An attempt to explain the differences in corporate governance systems was made in the study involving 49 countries which were published by La Porta et al. in 1996. In this study, they discussed the variables of shareholder concentration in the name of corporate governance and the legal protection of investors. In this context, they found a significant negative relationship between the LLSV scale developed by the authors and the legal protection of investors. In other words, they stated that businesses complied with the restrictions of the legal system in which they operate. The authors argued that the lack of legal protection of shareholders was replaced by a concentrated partnership. In principle, it was stated that a strong legal practice system would replace the negativity of the weakness of laws. In addition to this situation, it was stated that the investors who are abused by managers in the active and well-functioning judicial system could be protected. (La porta et al., 1996). In addition, the authors found a positive relationship between a better shareholder protection and business value in the data they obtained from 27 developed countries in their another study in 2002 (La porta et al., 2002). In a study carried out by Fremond and Capaul in 2002 based on the OECD corporate governance principles in 15 countries from 5 continents, researchers measured the degree of compliance with these criteria. As a result, it was reported that none of the countries in question complied with OECD countries with all dimensions. However, it was claimed that reforms had been made or were being made in all countries to harmonize the legal system and legislative structures with the OECD principles. It was stated that there was an increasing interest in improving corporate governance practices in most of the countries examined (Fremond and Capaul, 2002).

Another significant scale based on Corporate Governance principles is the CLSA scale developed by Credit Lyonnais Securities Asia. The CLSA corporate governance principles scale developed in 2001 consists of seven subgroups. These variables consist of 57 items including management discipline (9 items), transparency (10 items), independence (8 items), accountability (8 items), responsibility (6 items), fairness (10 items) and social awareness (6 items). The study was applied to 495 companies in 25 developing countries including Turkey. In this study, a significant positive correlation was found between the scale in question and various financial ratios. In this study, it is emphasized that Turkey has a weak report in terms of a macro framework that shapes the corporate governance practices (CLSA, 2001).

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In the study carried out by Klapper and Love on 374 businesses from 14 countries using the CLSA scale in 2003, it was revealed that good corporate governance showed a good market valuation (Tobin's Q) and operational performance (Net Income/Total Assets). This positive relationship was found to be stronger in countries with weaker legal systems. Researchers interpreted this situation as the corporate governance practices are more important in countries with weak shareholder protection and weak judicial systems as a good governance at the firm level would require a less legal system to resolve conflicts (Klapper and Love, 2003). In another study carried out in 2003 taking into account the CLSA scale, 97 businesses from 8 Asian countries (Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand) were examined. As a result of the regression analysis applied, no effect of the CLSA measure on the company value was found. However, it was stated that the presence of a positive relationship could be mentioned only between the transparency and social awareness sub-index and company value when the sub-variables of the CLSA were taken into account (Krishnamurti et al., 2003). In the analysis performed by Art Durnev and Han Kim on 859 companies from 27 countries with the CLSA scale in 2003, a positive relationship was found between the subscales outside the social awareness in the CLSA scale and Tobin' s Q. With this analysis, researchers found a positive relationship between the Tobin' s Q and the rights restricting the board of directors and the interaction of the rights restricting the board of directors with the legal order. It was also suggested that companies that need more external financing have better corporate governance (Durnev and Kim, 2003).

In the study carried out by 153 companies registered to the Istanbul Chamber of Commerce in 2013, the effects of corporate governance, corporate governance and the sub-dimensions of the advanced corporate governance on company performance were examined. The study aimed to determine the relationship between institutionalization and firm performance and to investigate how corporate governance affected this relationship by different levels of corporate governance. In the study carried out, the other sub-dimensions outside the dimensions of the discipline of the CLSA scale were taken into account for the corporate governance and advanced corporate governance. The basic principles of formalization, professionalization, cultural power and consistency were adopted as the sub-variables of the institutionalization variable. As a result of the study, it was reported that the variables of institutionalization, basic corporate governance, and advanced corporate governance increased the firm performance (Şen, 2013).

As a result, it is suggested that there are three levels of the establishment and maintenance of a perfect corporate governance system. There are to believe that corporate governance is a matter that needs to be addressed, to establish the rules for better corporate governance standards, and to implement the rules (Krishnamurti et al., 2003).

III. HYPOTHESIS

The study was basically built on the effect of independent variables (Corporate Governance Principles and sub-variables) on the dependent variable (Business Performance). The reliability and validity analyses were performed respectively to measure the reliability and validity of data obtained through the questionnaires used in the study. Then, the factor analysis, correlation analysis, and regression analysis were performed respectively to examine the relationships between the factors. The hypotheses developed within the research model are as following:

Main Hypothesis: Corporate Governance Principles (CGP) have a direct and positive effect on business performance.

H1: Transparency directly and positively affects the business performance.
H2: Accountability directly and positively affects the business performance.
H3: Responsibility directly and positively affects the business performance.
H4: Fairness directly and positively affects the business performance.
H5: Social Awareness directly and positively affects the business performance.
H6: Independence directly and positively affects the business performance.
H7: Discipline directly and positively affects the business performance.

IV. METHODOLOGY

Method

This study was carried out on participants in managerial positions in businesses operating in the Marmara Region. In addition, an attempt to collect data was made by delivering questionnaires to the management positions of the businesses in different regions in order to form a more valid sampling population from the whole of Turkey. 21 of the distributed questionnaires were eliminated due to incomplete and insufficient responses. The remaining 304 questionnaires were analyzed.

In the study, the questions about Corporate Governance Principles were taken from the CLSA scale, which is the most advanced scale addressing the corporate governance principles by variables, developed by CLSA (Credit Lyonnais Securities Asia) (CLSA, 2001). The summarized form of the scale by being translated into Turkish was reached from Veysel Kula's book entitled 'Corporate Governance, Shareholder Protection Practices and the Case of Turkey' offered to the market in 2006 (Kula, 2006). The scale was included in the report titled ‘corporate governance in emerging Markets’ published by CLSA in 2001. The CLSA scale was translated into Turkish in the book entitled 'Corporate Governance, Shareholder Protection Practices and the Case of Turkey' published by Veysel Kula in 2006. Corporate Governance Principles Scale consists of the variables of transparency, accountability, fairness, responsibility, social awareness, independence and discipline with positive predicates. The scale consists of a total of 56 statements. The statements of the scale are asked by 5-point Likert-Type Scale. The evaluation options for the questions are as following: 1- Strongly disagree, 2- Disagree, 3- Undecided, 4- Agree, 5- Strongly agree.

In the study, the questions related to business performance were composed of the survey questions which were used in the doctorate thesis entitled ‘Determination of Strategic Orientation Levels in Family Owned and Its Effect on Company Performance’ of Erkut Altındağ (2011) who used and cited that he created it to measure the financial and growth performance through the scales developed by the researchers named Antoncic and Hisrich (2001), Zahra et al. (2002), Chang et al. (2003), King and Zeithaml, (2001), Lynch et al. (2000), Rozenzweig et al. (2003), Venkatraman and Ramanujan (1986), Baker and Sinkula (1999), Vorhies et al. (1999), Vorhies and Morgan (2005). The business performance questions created consist of two sub-dimensions including financial and growth performance (Altındağ, 2011). The questions were intended to evaluate the business's financial and growth performance over the past three years by comparing it with the competitors. The evaluation options for the questions are as following: 1- Very low, 2- Below the Average, 3- Average, 4- Above the Average, 5- Very High.

A total of 304 people participated in the study. 80.9% of the participants were male, and 19.1% of them were female. The majority of these people graduated from an undergraduate program by 64.1%. The smallest educational groups consisted of those who completed their doctorate by 3.3%. 6.9% of those who participated in the study were business owners, 4,3% of them were business partners, 29.6% of them were senior managers, 45.7% of them were mid-level managers and the remaining 13.5% of them were lower level managers. Most of the participants worked in the general management unit by 35.2%, and 29.3% of them were members of the board of directors. Those who worked in the field of medicine/medical devices constituted the smallest group by 0.7% among the participants working in various fields of activity. Those who worked in the textile industry constituted the largest group (excluding 'Other') by 13.8%. When the management structure of the business was asked to the participants in the study, it was stated that 39.8% of the management structure of the businesses consisted of family members, 9.2% of them consisted of the partners outside the family, and 51.0% of them consisted of professionals. The majority of businesses had an age of 21 years and over by 41.8%. The ratio of businesses with 1-5 years of establishment age was only 13.2%. When the numbers of employees working in businesses were examined, it was seen that the largest group had 500 and above employees by 29.6%, and the smallest group had 250-499 employees by 10.5%.

Reliability and Factor Analysis

In the study, the general value was determined to be 0.968 for the reliability analysis of the scale which was used to evaluate the Corporate Governance Principles and consisted of 56 questions, and the general value was determined to be 0.934 for the reliability analysis of the scale consisting of 13 questions for the determination of the business performance. The generally accepted values were determined as following; scale/dimension is not reliable if it is $0.00 \leq \alpha < 0.40$; reliability of the scale/dimension is low if it is $0.40 \leq \alpha < 0.60$; scale/dimension is quite reliable if it is $0.60 \leq \alpha < 0.80$; scale/dimension is highly reliable if it is $0.80 \leq \alpha < 1.00$ (Kalaycı, 2010). The figures reached in the study are well above the ratio which is accepted as the threshold value. The factor analysis was performed respectively to measure whether similar questions served the same purpose following the reliability analysis. Factor analysis is one of the most widely used statistical techniques that turn a large number of interrelated variables into a small number of significant and mutually independent factors (Kalaycı, 2010).

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TABLE 1
KMO and Bartlett Test for the Corporate Governance Principles Scale (N=304)

Measurement of Suitability of the Kaiser-Meyer-Olkin Sample		0.939
Bartlett's Sphericity Test	Approximate Chi-Square (X^2)	11196.726
	Degree of Freedom (*sd*)	1540
	Significance (*p*)	0.000

The suitability of the collected data for the factor analysis was examined by the Kaiser-Meyer-Olkin (KMO) coefficient and Barlett's Sphericity test. It can be said that the data are suitable for the factor analysis in the case that KMO is found higher than .60, and the Barlett test is found significant (Büyüköztürk, 2007). The Bartlett's sphericity test also shows us whether there is a sufficient relationship between the variables and that there is a significant relationship between the variables if it is less than $p<.05$ (Sipahi, Yurtkoru and Çinko, 2011).

After the factor analysis performed, the reliability coefficient (Cronbach's Alpha) was found to be $\alpha=0.859$ for the first sub-dimension (transparency), 0.835 for the second sub-dimension (accountability), 0.831 for the third sub-dimension (responsibility), 0.859 for the fourth sub-dimension (fairness), 0.822 for the fifth sub-dimension (social awareness), 0.875 for the sixth sub-dimension (independence) and 0.870 for the seventh sub-dimension (discipline). These values indicate that there is a very high reliability between the items in all sub-dimensions. There was no need to exclude items from (last column) any sub-dimension as it was seen that the coefficient α (the reliability coefficient of the sub-dimension) would not change when any item was deleted from the factor (sub-dimension).

The reliability coefficient (Cronbach's Alpha) was found to be $\alpha = 0.963$ for the whole 49-item scale after the item analysis performed for seven sub-dimensions. This value indicates that the items could also be used as a single dimension (scale) and that there is a high degree of reliability between the items. It was found that the reliability coefficients of the items (α) varied between 0.932 and 0.962, Item-Total Correlation coefficients also varied between 0.431 and 0.726, and it was found that there was a sufficient relationship between 49 items.

TABLE 2
KMO and Bartlett Test for the Business Performance Scale (N=304)

Measurement of Suitability of the Kaiser-Meyer-Olkin Sample		0.936
Bartlett's Sphericity Test	Approximate Chi-Square (X^2)	2471.721
	Degree of Freedom (*sd*)	78
	Significance (*p*)	0.000

The reliability coefficient (Cronbach's Alpha) was calculated to be $\alpha=0.875$ for the first dimension (financial performance) determined after the factor analysis performed. This value indicates that the reliability is very high between the items constituting the dimension. It was decided that five items would be under this dimension as it was seen that the coefficient α (the reliability coefficient of the sub-dimension) would not increase when any item was deleted from the dimension (between 0.838 and 0.867). The Item-Total Correlation Coefficients of the items of the dimension also indicate that there is a sufficient relationship between the items (varied between 0.628 and 0.746).

The reliability coefficient (Cronbach's Alpha) was calculated to be $\alpha=0.898$ for the second dimension (growth performance) of the Business Performance Scale. This value indicates that the reliability is also very high on the items of the second sub-dimension. It was seen that the reliability coefficients of the items (α) varied between 0.877 and 0.893, and there would be no significant increase in the overall reliability coefficient of the dimension in the case that any item would be removed. The Item-Total Correlation Coefficients of the items of the dimension also indicate that there is a sufficient relationship between the items (varied between 0.618 and 0.758).

After the item analyses performed for two dimensions, the reliability coefficient (Cronbach's Alpha) was found to be $\alpha=0.928$ for the whole of the 12-item scale. This value indicates that items could also be used under a single dimension (scale) and that there is a high degree of reliability between the items. It was found that the reliability coefficients of the items (α) varied between 0.917 and 0.924, the Item-Total Correlation Coefficients varied between 0.639 and 0.790, and it was understood that there was a sufficient relationship between 12 items.

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Correlation Analysis

The Pearson Correlation Coefficient is widely used when the degree and direction of the linear relationship between the variables measured at the interval scale are desired to be examined (Durmuş et al., 2011). The Pearson coefficient is symbolized by the letter "r" and takes values between -1 and +1. These values vary between 0 and +1 ; -1. In general, values close to 0 indicate that there is a linear and weak relationship between two variables, and values close to 1 indicate that there is a linear and strong relationship between two variables (Bayram, 2009). The fact that this coefficient takes the value of (0) indicates that there is no linear relationship between the variables included in the study. The detailed explanation practically given by Cohen (1988) especially in the field of psychology is presented in the following table (Altındağ and Turnalı, 2015).

Table 3
Pearson Correlation Coefficient Intervals

Correlation	Negative	Positive
Low	-0.29 and -0.10	0.10 and 0.29
Moderate	-0.49 and -0.30	0.30 and 0.49
High	-0.50 and -1.00	0.50 and 1.00

Source Cohen, 1988 cited by Altındağ and Turnalı, 2015, p.10

In the correlation table in which a total of 304 questionnaires were evaluated, two main variables and the entire 9 sub-factors of these main variables were mutually analyzed, and the relationships between them were revealed. When the levels of the relationship of the main variable and the sub-variables with each other were examined after the collected data were subjected to the correlation analysis, it was seen that there was a correlation at the $p< .01$ significance level between all variables.

When descriptive statistics are examined, when the mean responses are firstly examined, the employment factor stands out as the highest variable with an average of 4.31. The lowest average is the accountability factor with 3.54. When standard deviations were examined, the answers which are the closest to each other were given to the discipline factor in terms of the sub-factors of CGP, and the farthest answers were collected on the independence factor. In other words, the answers given to the sub-factor of independence were clustered on a larger horizontal plane. The questions in the independence scale may vary by institutions and also may change according to the level of perception of the participants who fill out a questionnaire. No comment was made about the standard deviation because the business performance was discussed as a single factor in the study and had two sub-dimensions. When the analysis results are examined, the variable of business performance was firstly controlled. This is because the performance is the indicator that can best prove the cause-effect relationship as it was selected as a dependent variable within the scope of the study. In this context, the corporate governance principles and its sub-factors affect the business performance in the range of 0.200-0.400 at a low and medium level. However, the important point to be considered here is to keep in mind that the clearest and most consistent table would be the regression model to be established in the following analysis because a large number of independent variables is involved in the analysis.

TABLE 4
Mean, Standard Deviation Values and Correlation Coefficients of All Factors

FACTORS	MEAN	S.D	1	2	3	4	5	6	7	8	9	10	11	12
1. Transparency	4.14	.67	1											
2. Accountability	3.54	.83	.610**	1										
3. Responsibility	3.82	.81	.630**	.707**	1									
4. Fairness	3.77	.75	.634**	.747**	.786**	1								
5.Social Awareness	4.17	.72	.688**	.564**	.619**	.647**	1							
6. Independence	3.64	.87	.455**	.695**	.633**	.678**	.489**	1						
7. Discipline	4.03	.64	.585**	.630**	.613**	.659**	.570**	.619**	1					
8. CG Principles	3.87	.62	.785**	.866**	.850**	.894**	.763**	.807**	.816**	1				
9. Financial Perf.	3.62	.69	.357**	.333**	.279**	.313**	.322**	.285**	.371**	.391**	.392**	1		
10. Growth Perf.	3.66	.70	.319**	.342**	.315**	.351**	.301**	.334**	.305**	.393**	.406**	.738**	1	
11. Business Perf.	3.64	.65	.358**	.362**	.321**	.359**	.332**	.336**	.356**	.420**	.428**	.906**	.954**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis

Regression analysis is the process of explaining the relationship between a dependent and an independent (simple regression) or more than one independent (multiple regression) variables with a mathematical equation (Kalaycı, 2010).

TABLE 5
Regression Analysis of the Effect of Corporate Governance Principles on Business Performance

Model	Independent Variable	R	R^2	ANOVA F	ANOVA P	Coefficient B	Error B	β	t	p
1 (H9)	Constant	0.416	0.173	63.28	0.000**	1.986	0.211		9.39	0.000**
	CGP					0.428	0.054	0.416	7.96	0.000**
	*Business Performance =1.986+0.428*CGP*									

**p<.05 and **p<.001*

Main Hypothesis: Corporate Governance Principles (CGP) directly and positively affect the business performance.

According to the results of the simple linear regression analysis performed to examine the effect of the participants' perception levels on corporate governance principles on business performance (Table 5);

ANOVA test indicates that the perception levels of the company employees about the corporate governance principles can be used in significantly predicting the business performance (F=63.28 and p<.001). It was found out that the corporate governance principles had a positive effect on business performance (β=0,416 and p<.001) and explained the business performance in the ratio of 17.3% (R2) at the p<.001 significance level. Therefore, the hypothesis was accepted as correct, and the equation related to hypothesis was established as following:

Business Performance =1.986+0.428* CGP.

H1-7: Sub-dimensions of the corporate governance principles directly and positively affect the business performance.

TABLE 6
H1-7 Regression Analysis of the Hypotheses

Model	Independent Variable	R	R^2	ANOVA F	ANOVA p	Coefficient B	Error B	β	t	p
1 (H1)	Constant	0.362	0.131	45.66	0.000**	2.193	0.218		10.07	0.000**
	Transparency					0.350	0.052	0.362	6.76	0.000**
	Business Performance =2.193+0.350 Transparency*									
1 (H2)	Constant	0.362	0.131	45.66	0.000**	2.648	0.152		17.46	0.000**
	Calculated V.					0.282	0.042	0.362	6.76	0.000**
	Business Performance = 2.648+0.282 Calculated V.*									
1 (H3)	Constant	0.319	0.102	34.14	0.000**	2.669	0.171		15.61	0.000**
	Responsibility					0.256	0.044	0.319	5.84	0.000**
	Business Performance = 2.669+0.256 Responsibility*									
1 (H4)	Constant	0.345	0.119	40.69	0.000**	2.570	0.172		14.92	0.000**
	Fairness					0.286	0.045	0.345	6.38	0.000**
	Business Performance = 2.570+0.286 Fairness*									
1 (H5)	Constant	0.334	0.112	38.04	0.000**	2.382	0.208		11.46	0.000**
	Social Awareness					0.302	0.049	0.334	6.17	0.000**
	Business Performance = 2.382+0.302 Social Awareness*									
1 (H6)	Constant	0.332	0.110	37.42	0.000**	2.747	0.151		18.17	0.000**
	Independence					0.247	0.040	0.332	6.12	0.000**
	Business Performance = 2.747+0.247 Independence*									
1 (H7)	Constant	0.362	0.131	45.65	0.000**	2.179	0.220		9.91	0.000**
	Discipline					0.364	0.054	0.362	6.76	0.000**
	Business Performance = 2.179+0.364 Discipline*									

**p<.05 and **p<.001*

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According to the results of the simple linear regression analysis performed to examine the effect of the participants' perception levels related to the sub-dimensions of the corporate governance principles on business performance (Table 6);

ANOVA test indicates that all sub-dimensions of the corporate governance principles can also be used in significantly predicting the business performance [F_{H1}=45.66; F_{H2}=45.66; F_{H3}=34.14; F_{H4}=40.69; F_{H5}=38.04; F_{H6}=37.42 and F_{H7}=45.65 ($p<.001$)]. It was found out that all sub-dimensions of the corporate governance principles had a positive effect on business performance [β_{H1}=0.362; β_{H2}=0.362; β_{H3}=0.319; β_{H4}=0.345; β_{H5}=0.334; β_{H6}=0.332 and β_{H7}=0.362 ($p<.001$)].

When the ratios of explaining the business performance by the sub-dimensions of the corporate governance principles are examined; 13.1% for R^2_{H1}; 13.1% for R^2_{H2} ; 10.2% for R^2_{H3} ; 11.9% for R^2_{H4}; 11.2% for R^2_{H5}; 11.0% for R^2_{H6} and 13.1% for R^2_{H7}.

When the findings are evaluated together, it is seen that all H1-7 hypotheses were also confirmed including our main hypothesis. The equations for the sub-hypotheses are as following;

- Business Performance =2.193+0.350* Transparency
- Business Performance = 2.648+0.282* Calculated V.
- Business Performance = 2.669+0.256* Responsibility
- Business Performance = 2.570+0.286* Fairness
- Business Performance = 2.382+0.302* Social Awareness
- Business Performance = 2.747+0.247* Independence
- Business Performance = 2.179+0.364* Discipline

V. CONCLUSION AND DISCUSSION

When the literature is reviewed, there are studies suggesting that the corporate governance principles model affect the business performance (La porta et al., 1996; CLSA, 2001; La porta et al., 2002; Fremond and Capaul, 2002; Klapper and Love, 2003; Krishnamurti et al., 2003; Durnev and Kim, 2003; Şen, 2013).

In the study, the effect of corporate governance principles on business performance was subjected to the analysis. The hypothesis ($R2= 0.173$, $F=63.28$ and $p<.001$) established regarding the fact that the corporate governance principles significantly and positively affect the business performance was accepted. The results support the studies carried out by various corporate governance variables and business performance measures (La porta et al., 1996; CLSA, 2001; La porta et al., 2002; Fremond and Capaul, 2002; Klapper and Love, 2003; Durnev and Kim, 2003; Şen, 2013). However, they are different from the study in which the corporate governance principles were evaluated as a whole and no relationship was found regarding its effect on business performance as a result of the analysis performed with 97 companies from 8 Asian countries using the CLSA scale (Krishnamurti et al., 2003). However, in the study carried out in 2003, it was reported that the sub-variables of transparency and social awareness positively affected the business performance when the variables of transparency, accountability, responsibility, fairness, social awareness, independence and discipline of the sub-scales of the corporate governance principles were evaluated separately. In the study, a similar path was followed and an attempt to determine the effect of each principle on business performance was made by separately analyzing the corporate governance principles consisting of the variables of transparency, accountability, responsibility, fairness, social awareness, independence, and discipline. All hypotheses established regarding the fact that each principle has a significant positive effect on business performance were accepted. Business performance is affected by different variables at different times. However, the continuity of this effect is important according to the variable to which it belongs. As it was previously mentioned, the continuity of business performance is possible with the said business' transition to an institutional structure that ensures its acceptability in all environments. This is also possible with the implementation of some national or international principles codes within the business. It cannot be denied that the perception levels of the corporate governance principles have a significant effect on business performance when it is viewed from this perspective.

Constraints of the Study and Suggestions for Prospective Studies

There are naturally some constraints associated with various factors in this study aiming to produce scientific information which was prepared meticulously with a long effort. It is thought that the increase in the number of managers achieved is important for the analysis to give more accurate results and to represent a larger population. Another important constraint is the fact that the respondents are from the manager group and therefore the presence of time constraints. The inclusion of countries with different features in future studies will provide access to new information by comparing two or more countries.

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