

The Characteristics Of The Boards Of Directors In Turkey: The Outlook On The Anatolian 500 Companies

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Extensive Summary

Introduction

The concept of the Board of Directors took part in the focus of many studies. In particular, this issue has been investigated in many aspects in the studies conducted internationally. While the size of the board of directors and its impact on business performance are examined in some of these studies (Boone & others., 2007; Guest, 2008; Hillier & McColgan, 2006; Mak and Kusunadi, 2005; Yermack, 1996 etc.), and it has focused on the structure of the board of directors and the characteristics of board members in some other studies (Chang 2010; Ees, Gabrielsson & Huse, 2008; Kostyuk & Koverga, 2006; Pfeffer, 1972 etc.). Studies on the Boards of Directors and its structure have been conducted in Turkey as well (Akgül 2009; Aygün, İç & Sayın, 2011; Şener, 2012;). But it can be stated that these studies are limited. Furthermore, another lack seen in studies conducted in Turkey is absence of a study that takes into account and examines all of Turkey. In order to fill this gap in the literature this study has tried to present the main features of the boards of directors of the joint stock companies that are determined with the cooperation of the Ekonomist magazine and Turkish Economy Bank (TEB) and listed in the Anatolian 500 companies. Primarily the literature on the concept of the board of directors and basic characteristics that determine the structure of the board is discussed in the study. Later, findings concerning the structural properties of businesses taken in the sampling are discussed via a survey.

(The Concept Of The) Board of Directors

Many definitions regarding the concept of the Board of Directors are found in the literature. According to Mintzberg (1983), board of directors is a formal port located usually between the company's shareholders and company executives who are registered to (/ responsible for) the daily operation of the organization. According to Fama and Jensen (1983), boards of directors are responsible for following and directing the strategy as the peak of the company's decision-audit system, but not for the implementation of strategic decisions or daily management. According to Tüngler

(2000, p. 232), boards of directors are the bodies representing the company in the business dealings and court as a responsible for decisions of the company.

By many researchers boards of directors are considered in the center of corporate governance as a corporate entity that decisions are made to create a competitive advantage for the businesses and as the most important legal administrative mechanisms (Daily & Others., 2003, p. 373; Kostyuk & Koverga, 2006, p. 48; Zilberg, 2013, p. 174; Ziv & Weisbach, 2013, p. 363)..

Dynamics Determining the Structure of the Board of Directors

What would be the subject of structural properties of the board of directors to fulfill its responsibilities is important as it allows the organization to work more efficiently. According to Green (2005, p. 28), poorly designed boards prevents the managers fulfilling their obligations in the real sense. Therefore attention should be paid to features such as independence of the board, the number of members on the board, committees under the board and leadership structure of the board in the formation of a good board. Yıldırım (2012, p. 31-53), in a manner similar to Green states that the ideal boards of directors must bear a number of qualitative and quantitative characteristics. Accordingly, issues such as the number of members on the board (size of the board), characteristics of the members making up the board, the diversity of the board, the independent members, demographics of the board and sub-committees should be handled carefully in the formation of a board.

Objectives, Importance and Scope of the Study

Studies conducted in Turkey related to boards of directors are local based and a limited number. This study aims to reveal the structure of the boards of directors of the businesses listed in the Anatolian 500 firms and to provide the opportunity to identify regional trends, if available. Findings of the businesses operating in all regions surveyed in this study were obtained.

General Characteristics of the Companies Participated in the Study

2,5 % of businesses surveyed under this study consists of enterprises established before 1950. 37.5 % of businesses participated in the survey consists of businesses operating since the 1990 – 2000s, and 31% of businesses is since the 1971 – 1990s. And again foundation year of 10.5% of the companies in the sampling is between the years 1951-1960. In terms of number of employees, 49.5% of businesses have a number of employees 500 and more. Furthermore, the range that businesses clustered in the most according to the number of employees is a 14% that is businesses having a number of employees 200 up to 300. When examining the sectoral distribution of enterprises within the scope of the survey, it is seen that the substantial part of businesses are located in the Food Industry (23.5%) and Weaving - Textile - Yarn Sector (22.5). Apart from these, areas such as metal industry, automotive, iron and steel industry, and cement industry are sectors in which businesses engage in activities.

Discussion and Conclusions

Determining the structural properties of the boards of joint stock companies can be deemed among the most important indicators for the understanding of management mentality in Turkey in the context of corporate governance. Therefore, the basic properties defining the boards of enterprises surveyed in this study were tried to be

determined from several aspects starting from literature review. Accordingly, the fundamental characteristics of the board of directors through variables such as the number of members on the board (board size), discrepancy of chairman of the board and chief executive officer (dualism dilemma), female representation on the board (the gender distribution of the board), number of foreign national members on the board, the board's independence, professional experience of board members, the average age of board members, interlocking board memberships and committees were studied to be determined.

According to the findings, the average number of members of the enterprises participated in the survey is 4.91. While in 58% of enterprises surveyed in the study, chairman of the board and chief executive officer are the same people, in the other hand 16% of enterprises have separate individuals as chairman of the board and chief executive officer. The study shows the average number of female members as 0.58%. Chairman of the board in only three of the 200 companies surveyed are women. However, only 14 companies have foreign national members while the rest 186 companies have no the members of foreign nationals. Rate of independent members on the boards of enterprises in the sample shows up 0,54. 81% of these companies do not have external members from the outside. While the average age of board members is seen as 47,48 the sectoral experience of board members is seen as 11,72 in average. Finally, the 52 (26 %) of businesses in the sampling has members serving also on the boards of other different companies.

Characteristics constituting the structure of the board are issues discussed by researchers with great interest since they have the dynamics affecting the performance of the companies. Hence in this study the overall image and the dynamics of the board of directors of large enterprises in Turkey are the main research issues. The common point of the previous studies regarding the structural properties of the board of directors is to focus on a limited number of properties. In this respect, this study provides quite widely information about the boards of enterprises in Turkey for researchers.