

Mediation Effect of Human Resources Practices Between Corporate Governance Principles and Business Performance: Evidence from Turkey Firms

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ABSTRACT:- The aim of this research, which is an exploratory study, was to determine whether human resources practices have a mediation effect between corporate governance principles and business performance. In this context, 304 managers were reached through survey management. Data were analyzed by the survey method. In the analysis performed, it was concluded that human resources practices had a mediation effect on the impact of corporate governance principles on business performance. The research results partially support studies in the literature. The results of the study were interpreted and the recommendations for managerial practices were presented in detail. The research can constitute a step for scientific studies to be carried out in this field in the literature.

Keywords:- Corporate Governance Principles, Human Resource Practises, Business Performance, Mediation Effect, Turkey Firms

Jel Codes: G34, L25, O15, M10, M12

I. INTRODUCTION

Corporate governance is a management approach which aims to protect the gain of all parties to which the business is associated, especially human resources that constitute the internal stakeholder controlled by it. The establishment of this process within the business is enabled by the fact that certain national or international procedures are made adopted by the business. Institutionalization, which constitutes the basis of corporate governance, is directly associated with the human factor in the business. Therefore, in the study, it was aimed to determine whether human resources practices have a mediation effect on the relationship between corporate governance principles and business performance.

As a result of the studies, it was concluded that it is of strategic importance for businesses to comply with the "Corporate Governance Principles" with respect to achieving competitive advantage. The national and international authorities that direct the corporate governance principles conduct studies on the relevant principles for the adoption of them by all business levels. These studies are largely directed by scientific studies conducted on a national or international basis. In this study, the corporate governance principles, which are universally accepted and also adopted at the national level, consisted of seven sub-headings with the addition of independence, social awareness, and discipline (CLSA, 2001) by expanding the ground of the principles of transparency, accountability, fairness, and responsibility. Furthermore, whether human resources practices play a mediator role between corporate governance principles and business performance was investigated in this study. This result is of great importance for businesses, which try to adopt corporate governance principles, in terms of restructuring their human resources practices.

The questionnaire method was used as a data collection method in the study. Managers at the administrative levels of businesses of various sizes were reached. In the questionnaire prepared, managers were asked questions about corporate governance principles, human resources practices, and the financial and growth performance of the business. The data provided by the 304 questionnaires which could be included in the study from the questionnaires reached by face-to-face interviews, telephone, and e-mail were analyzed by the SPSS program.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. The Concept of Corporate Governance Principles (CGP)

The concept of institution is expressed as an established order that is socially organized, follows the rules and has procedures and standards and in which social practices have come together (Painter, 2002). Institutionalization is a more comprehensive theoretical understanding than the institution (Boons & Strannegard, 2000). The institutional theory provides businesses with a legal identity by taking into account the existence of the institutional environment, ensuring their compliance with environmental institutions and enabling them to be a part of the environment (Lawrence et al., 2001). The concept of corporate management or governance is a management philosophy that aims to protect the rights of stakeholders that are directly or indirectly related to the activities of the company, including shareholders, in any business and to reveal the obligations of the business management (Shleifer & Vishny, 1997). The main purpose of corporate governance is to ensure that complete and accurate disclosures about the actual financial situation of a business are made timely and that the management works in a way to look out for the interests of shareholders in particular (Koçel, 2011).

The corporate governance approach, which has started to be among various global financial crises and management approaches, was evaluated and reported in detail in 1998 by the OECD, a higher organization regulating international trade. The corporate governance approach, which is based on voluntariness and provides an insight to businesses on the way of institutionalization, is defined in the report as follows: "Corporate governance includes a series of relationships between a company's management, the board of directors, shareholders, and other stakeholders. Corporate governance is involved in a wider economic framework which consists of a number of factors that shape the activities of companies from macroeconomic policies to the level of competition in product and factor markets. The framework of corporate governance is also based on legal, regulatory and institutional factors" (OECD, 1999, p.9). Corporate governance consists of practices that ensure that the groups providing corporate benefits secure their rights in the institution (Konzelmann et al., 2006) and practices that ensure that companies secure the efficient use of capital (TÜSİAD, 2005).

Corporate Governance Principles that are accepted in Turkey and in the world consist of four basic principles: transparency, fairness, accountability, and responsibility. However, in this study, the ground of corporate governance principles was expanded by using the international resources, and the factors of social awareness, discipline, and independence (CLSA, 2001) were added and included in the study. The Corporate Governance Principles discussed are briefly mentioned below.

Principle of Transparency; The principle of transparency is described as the public disclosure of adequate and accurate information about the company's financial performance, corporate governance, shareholding structure, business and activities in a timely, accurate, complete, comprehensible, interpretable, easily accessible manner at low cost (TÜSİAD, 2002; SPK, 2005).

Principle of Fairness; The principle of fair treatment is a concept that envisages the equal treatment of shareholders and stakeholders in all activities of the company management and the prevention of potential conflicts of interest (SPK, 2005).

Principle of Accountability; Accountability is the disclosure of governance roles and responsibilities, the provision of voluntary support to ensure the compliance of the demands of shareholders and managers, and monitoring them by the board of directors with objective jurisdiction (Millstein, 2000).

Principle of Responsibility; The concept of , refers to the applications foreseeing that businesses are able to respond to social expectations in order to strengthen the interdependent relationship between the business and society (Witherell, 2002).

Principle of Social Awareness; There are pressures from environmental actors for businesses to fulfill the social responsibility obligation, and the fact that businesses exhibit social responsibility allows them to fulfill the expectations of these actors and increases their social acceptance (Greening & Gray, 1994).

Principle of Independence; Independence requires the absence of a professional or personal relationship of any manager with a company or management. Here, members of 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 the management, and participation should be made widespread at all levels (Ülgen et al., 2006).

Principle of Discipline; When the discipline factor is evaluated in terms of corporate governance principles, it is considered as one of the main elements of corporate governance. The reason for this is that the relevant laws and legislation applications are considered as an important macro determinant of corporate governance level in the markets (CLSA, 2001)

2.2. Concept of Human Resources Management Practices

Human Resources Management practices consist of the concepts of recruitment and selection, training and development, career management, rewarding and performance appraisal, performance feedback, wage system, and written policy and documentation. The Human Resources Practices discussed are briefly mentioned below.

Recruitment and selection; Recruitment activities are basically the integration of recruitment practices with business requirements arising within the framework of organizational strategy and functions (Smith, 1987). This will also improve the employees' perception that the performance expectation is high and employees are valued in the business (Pfeffer, 1995). Accordingly, the policy of selecting employees with the best qualifications will improve the quality of the business staff and ensure focusing on the development of appropriate procedures (Delaney & Huselid, 1996).

Training and Development; The training and development of human resources refer to qualified programs that are carried out with the aim of enabling employees who are acquired within the organization to learn business-related competencies more easily and develop these competencies (Noe, 2009). Basically, the focal point of education and training activities is to ensure that employees undergo a change or are changed in terms of knowledge and behavior within the process so that they can fulfill the current works or the works that are considered to be fulfilled in the future more qualitatively (Koçel, 2011).

Career Management; As a lexical meaning, career is defined as a job or a position that an individual starts and develops by using the productive years of his/her life and generally maintains until the end of his/her working life (Bilge, 2010). Thus, when the personnel who are promoted on a position basis exhibit higher performance, they contribute to the business with respect to reducing training and development costs (Schuler & Jackson, 1987).

Rewarding and Performance Appraisal; Performance appraisal is defined as the degree of achievement of a specified purpose (Argon & Eren, 2004). The performance appraisal function should be compatible with the changing environment while meeting the varying needs and expectations of customers and employees (Jain, 2005). The appraisals made through performance allow the determination of the difference between feedback, expectation, and the performance executed (Hester, 2005).

Performance Feedback; Performance feedback enables to increase employees' commitment to the organization and managers and enhance their confidence levels. If this process does not take place or is not successful enough, there may be problems regarding the motivation of employees and their commitment to the organization (Peçen, 2012).

Wage System; The wage system should look out for a qualified benefit/gain logic, wages should be high, the incentive system should be based on expertise/ability, the incentive system should be based on groups (gain sharing, etc.), incentives should include annual increases in salaries, and the incentive system should be based on performance (Takeuchi, 2003).

Written Policies and Documentation; The written policies within the business are composed of a set of rules and principles that guide managers and employees. Organizational manuals are of great importance within written policies and documentation studies. They exactly determine the duties, authorities, and responsibilities of all units within the business, to whom they will give orders and from whom they will receive orders, what kinds of reports they will prepare and where they will send them, and which records they will keep (Peçen, 2012).

2.3. The Concept of Business Performance

Performance can be assessed from many different perspectives, and each assessment differs according to the proponent's approach (Ford&Schellenberg, 1982; Dess&Robinson, 1984). Business performance criteria are defined based on the data obtained from the analysis of critical success factors on which the organization should focus to achieve strategy and vision (Brown&Caylor, 2004). According to Kuwaiti and Kay (2000), the performance measurement system also means performing the necessary roles to ensure the success of the

redesign of the business process. The measures to be used should be aimed at motivating talented employees who are more participatory and more customer focused (Altındağ, 2011).

2.4. Studies on the Effects of Corporate Governance Principles on Business Performance through Human Resources Practices

The corporate governance theory 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 et al., 1996; CLSA, 2001; La porta et al., 2002; Fremond & Capaul, 2002; Klapper & Love, 2003; Krishnamurti et al., 2005; Durnev & Kim, 2003; Şen, 2013; Burak et al., 2017).

The effects of human resources management and its policies and practices on organizational performance are among the research subjects in the fields of human resources management, industrial relations, and organizational psychology (Huselid, 1995). The common ground of international studies is that human resources management positively affects the organizational performance and that there is a positive relationship between human resources management and organizational performance (Snell-Dean, 1992; Huselid, 1995; Delaney & Huselid, 1996; Delery & Doty, 1996; Welbourne & Andrews, 1996; Ichniowski et al., 1997; Huselid et al., 1997; Harel & Tzafirir, 1999; Guthrie, 2001; Wan et al., 2002; Ahmad & Schroeder, 2003; Chow, 2004; Singh, 2004; Tzafirir, 2006; Kaya, 2006; Genç, 2009; Akın, 2009). What kind of effect HRM practices have on organizational performance and by which factors they are affected are important. Rather than the implementation of HRM practices, how the HR (Human Resources) department and employees perceive and implement these practices is important (Hailey et al., 2005).

Corporate governance consists of a set of principles that regulate the processes and market mobility of businesses and propose to approach the internal and external environmental components with the same importance, attitude, and procedure. In this regard, it is an inevitable fact that corporate governance practices change the way businesses do business and penetrate into their attitudes and movements in the market. The implementation of corporate governance, the basic principles of which are fairness, transparency, accountability, and responsibility and which is also argued to have the principles of social awareness, independence, and discipline in international sources (CLSA, 2001), is promoted by states, sectors, associations, and non-governmental organizations. Thus, it is considered that businesses will achieve stable high performance, the security of shareholders will be ensured, and the rights of stakeholders will be secured. The role of HRM increases organizational performance by distributing the responsibilities necessary for the product, process development, and production innovation. In order to achieve this goal, labor cooperation is important to protect their commitment to organizational goals and to take full advantage of their knowledge and experience. However, the maintenance of employee cooperation depends on managers' levels of prioritizing employee interests and the corporate governance form provided by managers by considering it (Konzelmann et al., 2006).

Ensuring cooperation with employees and also the fact that managers pay attention to stakeholders' interests and prioritize them are of great importance to transform corporate governance practices into the organizational culture. Corporate governance practices are considered to be in interaction with HRM practices when considering the fact that employees are also a stakeholder and their participation for the success of the corporate governance approach. When they are examined chronologically, it is known that the strategic role of HRM and the concepts of strategic HRM and corporate governance emerged in almost the same period in the 1990s. This interesting similarity also strengthens the possibility that corporate governance and HRM can be in interaction/relation with each other (Ulusal, 2010).

The human-information-organizational capital, which includes the organization's perspective of learning and growth, is harmonized with the strategies of the organization and provides the development of the internal perspective of the organization and thus the development of the customer perspective and financial perspective. This consequently contributes to the long-term shareholder value (Kaplan & Norton, 2006). When it is evaluated, corporate governance and HRM meet on common ground to serve the same purpose on issues such as stakeholder satisfaction, internal stakeholder efficiency, business strategies, and long-term shareholder value.

It is indicated that corporate governance plays an important role in prioritizing managers' objectives and ultimately affects HRM (Konzelmann et al., 2006). In general, the shareholder is a strong stakeholder in businesses. The presence of a dominant shareholder also causes that the priority of managers and what is legally

expected from them are to manage shareholder risks. This means that they sometimes ignore their responsibilities to employees. In such a structure, human resources will be considered as a cost that needs to be reduced or a source for greater productivity and even exploitation. In this case, HRM is expected to move to more rigid practices and focus on short-term financial return (Konzelmann et al., 2006). Such a choice of practice may be negatively reflected in the sustainability of the business in the long term. At this stage, corporate governance plays an important role in establishing the balance between shareholder and employee expectations. Employees' commitment to the business where they work is one of the main outcomes of HRM and one of the performance indicators of HRM. It is a fact that effective communication and positive relationships as a result of corporate governance practices, performance-based career opportunities, and explicit knowledge sharing have positive effects on the commitment of employees (Barutçugil, 2004).

Ensuring the co-operation of employees depends on the degree to which managers can prioritize employees' interests. This is associated with the corporate governance approach that is appropriate to the business structure. The adopted approach envisages how managers prioritize stakeholders' interests and how these interests are defined. The positive effect of HRM practices in terms of employees is the quality of consulting and personnel policies rather than the employee's job performance. Corporate governance is considered to play an important role in ensuring it (Konzelmann et al., 2006). Therefore, it can be said that corporate governance and HRM practices are supported by a bilateral interaction.

A study indicating that human resources are an important component in a sustainable competitive advantage was published in 2006. The study, by its subject, is a basic step for the studies regarding the fact that human resources provide a sustainable competitive advantage. In this study, the author states in detail the organic relationship between human resource management links within the structure of the corporate governance mechanism (Supangco, 2006).

In another study conducted in 2006 which is important in terms of the interaction between corporate governance and human resources practices, the authors investigated the effects of different forms of corporate governance within the nature and structure of stakeholder relationships on human resources management. The result obtained from this analysis is stated as follows: a corporate governance regime that gives privileges to external stakeholders may have an effect as a constraint on these systems while getting performance advantage from HRM systems that anticipate the commitment of employees. Corporate governance recommends that managers should prioritize the targets needed to maintain their ultimate influence on human resources management. It is argued that human resources outcomes may be associated with the form adopted by corporate governance. The effect of corporate governance on the design and implementation of HRM practices within the organization is derived from the requirements of dominant stakeholders. In the study, it was determined that the corporate governance approach was organized according to the requests of stakeholders and that the contribution of HRM could be shaped in line with these requirements. Ideally/preferably, the main purpose and role of HRM are to improve organizational performance. Therefore, the corporate governance model acknowledges and reinforces the effectiveness of HRM practices (Konzelmann et al., 2006).

In a study carried out in Turkey in 2007, as the main hypothesis, the hypothesis that management practices in businesses where corporate governance practices exist positively contribute to the commitment of employees was accepted to be statistically significant. The most effective factors on the acceptance of the main hypothesis were the consideration of all internal and external stakeholders in management practices, the regulation of working principles in this direction, effective execution of supervision, audit and controls, the confidentiality of employee information, and respecting their rights. Furthermore, it is observed that businesses with corporate governance practice are more interested in the issues of managerial ethics and stakeholders. It is observed that this interest increased the importance that employees attach to the issue of stakeholder and their levels of awareness and that, finally, there is an interaction between HRM practices and issues such as employee participation, managerial ethics, and the intra-organizational communication of corporate governance (Ayvaz, 2007).

In a study carried out in Turkey in 2010, it was aimed to determine the changes in companies as a result of corporate management practices, the relationship between corporate governance practices and HRM practices, the importance that employees attach to HRM-related corporate governance practices, and their views on the success level of practices in their companies. In accordance with the results obtained, corporate governance practices can increase the perceptions and satisfaction levels of employees with regard to the success of practices related to the issue to which they attach importance, with respect to the written regulations stating employees' rights and damages to them in case of violation of their rights. Corporate governance

practices may increase the level of importance that employees attach to the promotion of participation in management and incentive systems practices for performance improvement, and they may positively affect the likelihood of the presence of practices. The presence of practices may increase the perceptions of success and satisfaction levels of employees with regard to the relevant practices in the business where employees work (Ulusal, 2010).

The study carried out in 2013 analyzed the organizational context style created with the corporate governance structure. In this regard, it is argued that corporate governance constitutes the development and cooperation of the distinctive capabilities of human resources that provide a competitive advantage to companies (Pelayo-Maciel & Sanchez- Gurierrez, 2013).

In an article published in 2016, the connection between strategic human resources and corporate governance was discussed. In the article, how people within the organization are managed and the effect of management preferences on corporate governance were primarily discussed. Furthermore, how HR components/players in the strategic human resources approach would be restructured with the corporate governance model of the company, and the effect of the company on HR by considering the way the company is structured were investigated. According to the article, individual decisions legitimized as symbolic practices, series of materials and organizational strategic human resources approaches through the negotiation and communication process are created by HR managers. Corporate integrity is achieved when the company-level corporate governance approach helps restructuring for practices and approaches on the organizational basis in the field of human resources management. Therefore, it is argued that similar strategic human resource approaches and company practices can reconstitute the logic of corporate governance conceptually and even at the social point (Martin et al., 2016).

The subject of the study was to investigate whether Human Resources Practices have a mediation effect between Corporate Governance Principles and business performance. In this context, it was attempted to measure the effect of the mediation role of human resources practices in the impact of corporate governance principles on business performance. Whether corporate governance principles and human resources practices have a separate effect on business performance was also evaluated based on the literature in order to determine the mediation effect and to support the study carried out.

The relationship/interaction between the headings of corporate governance principles, human resources practices, and business performance was discussed in a comprehensive manner by considering the literature. It was discovered that these three main headings had an organic link with each other and that there was a gap in the literature regarding the results obtained by evaluating the three headings together. Therefore, the main hypothesis which was developed to contribute to the literature and constitute a step for the studies to be carried out in this field is as follows:

Main Hypothesis: *Human Resources Practices have a mediation effect between Corporate Governance Principles (CGP) and Business Performance.*

III. METHODOLOGY

All businesses in the Marmara Region constituted the main population of the study. The simple random sampling method was used in the study. The study was carried out on the participants in managerial positions of the businesses operating in the Marmara Region. In particular, the managers of the businesses registered to BIST (Borsa Istanbul) were contacted with the help of the authorities of the Borsa Istanbul research unit. Furthermore, an attempt to collect data was made by sending questionnaires to the management positions of the businesses in different regions to be able to create a more valid sample population from all over Turkey. Maximum four manager surveys were filled out from each of the businesses in our research sample. The participants were contacted by face to face, via e-mail and telephone. The analysis was performed through 304 questionnaires which were answered fully and adequately.

The type of screening of the study is relational screening. The survey method, which is the most common data collection method, was used in the study. The survey questions were created after the literature search was performed. The survey questions were composed of the questions the validity and reliability of which were approved using various scales.

In the study, the questions related to the Corporate Governance Principles were taken from the CLSA scale, which is the most advanced scale addressing the corporate governance principles on the basis of variables,

developed by CLSA (Credit Lyonnais Securities Asia) (CLSA, 2001). The summarized form of the scale 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 original of the scale published by CLSA was reached from the study entitled 'Corporate Governance in Costa Rika' published by Gilbert E. Arce and Edgar A. Robles (Arce&Robles, 2005). 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. The Corporate Governance Principles Scale consists of seven sub-dimensions, all of which have positive predicates.

In the study, the questions related to Human Resources Practices, the questions related to Human Resources Recruitment and Selection, the questions related to Human Resources Training and Development, the questions related to Rewarding and Performance Appraisal, the questions related to Performance Feedback and the questions related to Written Policy and Documentation were composed of the survey questions which were created using the articles of N. Kaya (2006), N. Kaya et al. (2010), K.L. Rogg et al. (2001) and S. Ahmad&R.G. Schroeder (2003) and translated into Turkish in the thesis of ÜmitPeçen (2012) entitled 'Human Resources Management Practices and Effects of Organizational Climate on Company's Innovation Level: Comparison of US Firms and Turkish Firms' (Peçen, 2012). The questions related to Human Resources Career Management (Intraorganizational Promotion) and the questions related to Wage System were composed of the survey questions which were prepared using the thesis by L.J. Hester (2005), R. Takeuchi (2003), E. A. Platonova (2005) and the studies by S. A. Snell&J. W. Dean (1992), D. Wan; C. H. Ong; V. Kok (2002), J. E. Delery&D. H. Doty (1996), J. T. Delaney and M. A. Huselid (1996) and were created again by being translated into Turkish in the thesis of Kurtuluş Yılmaz Genç (2009) entitled 'Relationship between Strategic Human Resource Management and Organizational Performance and An Application performed in Big Businesses of Turkey' (Genç, 2009). The questions related to Human Resources practices are composed of seven sub-dimensions.

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 Businesses and Its Effect on Company Performance' of ErkutAltındağ (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 created business performance questions consist of two sub-dimensions including financial and growth performance (Altındağ, 2011).

A total of 304 people participated in the study. While 80.9% of the participants were male, 19.1% of them were female. The majority of these people, 64.1%, graduated from an undergraduate program. Those doing their doctorate constituted the smallest training group by 3.3%. Of the participants, 6.9% were business owners, 4.3% were business partners, 29.6% were senior managers, 45.7% were mid-level managers, and the remaining 13.5% were low-level managers. Most of the participants work in the general management unit by 35.2%, and 29.3% of them are members of the board of directors. Among the participants working in various fields of activity, those working in the field of drug/medical devices constituted the smallest group by 0.7%. Those working in the textile industry constituted the largest group (except 'Other') by 13.8%. When the participants were asked about the management structure of the business, it was indicated that 39.8% of the management structure of the business consisted of family members, and 9.2% and 51.0% of it consisted of the partners outside the family and professionals, respectively. Most of the businesses have an establishment age of 21 years or more by 41.8%. The ratio of the businesses with an establishment age of 1-5 years is only 13.2%. When the number of employees working in the businesses is examined, it is observed that the largest group had 500 and more employees by 29.6% and the smallest group had between 250 and 499 employees by 10.5%. It is observed that 24.0% of the businesses participating in the study are traded on the stock exchange (BIST-Borsa Istanbul), 18.4% of them are included in the BIST Corporate Governance Index, 28.0% of them have received the Corporate Governance Rating, and finally, 31.3% of them have received the Credit Rating.

3.1. Reliability and Factor Analysis

The scales used in previous studies were used in the study. However, the validity and reliability of these scales were also tested in the present study. Cronbach's alpha reliability coefficient method, which is one of the internal consistency methods, developed by Cronbach (1951) was used in the study (Cronbach, 1951). According to Cronbach's alpha method, the higher the relationships of statements with each other, in others words, the correlation is, the scale measuring those statements is also consistent and reliable to that extent (Field, 2009).

In the study, it was determined that the overall value was 0.968 in the reliability analysis of the scale consisting of 56 questions which was used to evaluate the Corporate Governance Principles, the overall value was 0.969 for the reliability analysis of the scale created with 41 questions in Human Resources Applications, and the overall value was 0.934 for the reliability analysis of the scale consisting of 13 questions aimed at determining business performance. The fact that the Cronbach's alpha value is found to be above 0.60 is sufficient in terms of the reliability of the scale (Nunnally & Bernstein, 1994).

After the reliability analysis, the factor analysis method was applied to determine the construct validity of the scale which shows whether similar questions serve the same purpose in the study, and then the correlation analysis was performed.

The questionnaire used in the study consists of three main sections and 110 questions. Corporate Governance Principles were measured with 56 questions, Human Resources Practices were measured with 41 questions, and Business performance was measured with 13 questions. The scales used in the study were created by the development of the scales the validity and reliability of which were confirmed and that had been previously used in other studies. Nevertheless, due to the fact that the relevant scales were previously used in a different culture and in a different sample, it was required to keep the data for factor analysis and to obtain the reliability of the resulting factors. When the variables used in the study are considered, it is observed that CGP consists of seven sub-dimensions, HRP consists of seven sub-dimensions, and business performance consists of two sub-dimensions. 5-point Likert-type 110 questions which constituted the questionnaire were subjected to exploratory factor analysis. CGP, HRP, and Business performance questions were separately subjected to factor analysis while applying the factor analysis. The exploratory factor analysis was performed in the study.

Whether the Corporate Governance Principles Scale was perceived as unidimensional or multidimensional by the participants, and whether it consistently measured the participants' views on the level of perception of corporate governance principles as a whole were tested through factor analysis.

Table 1 KMO and Bartlett's Test of the Corporate Governance Principles Scale (N=304)

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

The Kaiser-Meyer-Olkin (KMO) sample adequacy test and Bartlett's sphericity test were applied to test the suitability of the data set for factor analysis. The acceptable minimum limit of the KMO sample adequacy test value is 0.50. The values between 0.50 and 0.70 are considered moderate, values between 0.70 and 0.80 are considered good, values between 0.80 and 0.90 are considered very good, and values of 0.90 and higher are considered perfect (Field, 2009). Bartlett's sphericity test indicates whether there is an adequate relationship between the variables. The fact that Bartlett's test is significant ($p < .05$) indicates that there is an adequate relationship/correlation between the variables (Hair et al., 2010).

As it is seen in Table 1, the *Kaiser-Meyer-Olkin (KMO)* test performed for the suitability of the data collected by the scale with factor analysis indicates that the scale is suitable for factor analysis and the feature measured has multidimensionality in the population where the sample is selected [KMO=.939; $X^2=11196.726$; $sd=1540$ and $p < .001$]. Since the result of Bartlett's sphericity test performed for the data group is found to be $p < .001$, it is understood that there is a significant relationship between the items of the scale.

Whether the Human Resources Practices Scale was perceived as one-dimensional or multidimensional by the participants, and whether it consistently measured the participants' views on human resources practices as a whole were tested through factor analysis.

Table 2 KMO and Bartlett's Test of the Human Resources Practices Scale (N=304)

Kaiser-Meyer-Olkin Measure of Sampling Suitability		0.953
Bartlett's Sphericity Test	Approximate Chi-Square (X^2)	8914.279
	Degree of Freedom (sd)	820
	Significance (p)	0.000

As it is seen in Table 2, the *Kaiser-Meyer-Olkin (KMO)* test performed for the suitability of the data collected by the Human Resources Practices Scale with factor analysis indicates that the scale is suitable for factor analysis and the feature measured has multidimensionality in the population where the sample is selected [KMO=.953; $X^2=8914.279$; $sd=820$ and $p<0.001$]. Since the result of Bartlett’s sphericity test performed for the data group is found to be significant ($p<.001$), it is understood that there is a significant relationship between the items of the scale.

Whether the Business Performance Scale was perceived as one-dimensional or multidimensional by the participants, and whether it consistently measured the participants' views on business performance as a whole were tested through factor analysis.

Table 3 KMO and Bartlett’s Test of the Business Performance Scale (N=304)

Kaiser-Meyer-Olkin Measure of Sampling Suitability		0.936
Bartlett’s Sphericity Test	Approximate Chi-Square (X^2)	2471.721
	Degree of Freedom (sd)	78
	Significance (p)	0.000

As it is seen in Table 3, the *Kaiser-Meyer-Olkin (KMO)* test performed for the suitability of the data collected by the Business Performance Scale with factor analysis indicates that the scale is suitable for factor analysis and the feature measured has multidimensionality in the population where the sample is selected [KMO=.936; $X^2=2471.721$; $sd=66$ and $p<0.001$]. The fact that the result of Bartlett’s Sphericity test performed for the data group is found to be significant ($p<.001$) indicates that there is a significant relationship between the items of the scale.

3.2. Correlation Analysis

Correlation analysis provides information about the direction and strength of the relationship between two variables (Nunnally & Bernstein, 1994). The Pearson product-moment correlation coefficient, which determines the degree of a significant relationship between two continuous variables with normal distribution, was calculated in the study. The Pearson correlation coefficient is commonly used when it is intended to examine the degree and direction of the linear relationship between the variables measured on the interval scale (Nunnally & Bernstein, 1994). The Pearson coefficient is symbolized by the letter “r” and takes a value 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 (Ho, 2006; Adams et al., 2007). Basically, the interpretation of the Pearson Correlation coefficient between the two variables is evaluated as in Table 4.

Table 4 Pearson Correlation Coefficient Intervals

R	Relationship
0.00 – 0.20	Too Weak
0.21 – 0.40	Weak
0.41 – 0.69	Moderate
0.70 – 1.00	Strong

Since the correlation, which shows the mutual relationship, does not show the cause-effect relationship, can be searched between two dependent or two independent variables as well as between a dependent and an independent variable. In the study in which corporate governance principles and human resources practices were discussed as independent variables and the business performance was discussed as a dependent variable, correlation analysis was first performed to examine the strength and direction of the relationship between these three variables. This analysis is reported in Table 5.

Table 5 Mean, Standard Deviation Values and Correlation Coefficients of All Factors

MAIN VARIABLES	MEAN	S.D	1	2	3
1. CG Principles	3.87	.62	1		
2. HR practices	4.04	.60	.679**	1	
3. Business performance	3.64	.65	.420**	.428**	1
**p< 0.01					

It would not be right to talk about a multiple correlation when it is considered that the factors in the correlation table should be considered as only one-to-one and mutual relations. Nevertheless, mutual relations that may be found insignificant should be supported by regression analysis, which is a multiple causality analysis. When the correlation values in Table 5 are examined within these criteria, it is observed that the factors have a moderate significant correlation with each other.

When the analysis results are examined, business performance is the first variable controlled. The reason is that performance is the indicator that can best prove the cause and effect relationships because it was selected as a dependent variable within the scope of the study. In this context, both corporate governance principles and human resources practices moderately affect business performance in the range of 0.41-0.69. However, the point that needs to be taken into account is to keep in mind that the most consistent table should be supported by the regression model to be established in the next analysis. An important result was found when the factors were evaluated within themselves. The correlation between corporate governance principles and human resources practices was 0.679. This is an important result in terms of arguing that HRP plays a mediator role between corporate governance principles and business performance, which constitutes the main hypothesis of our study.

3.3. Regression Analysis

Regression analysis explains the relationships between a dependent and an independent (simple linear regression) or multiple independent (multiple linear regression) variables (Nunnally & Bernstein, 1994). Regression analysis is the analysis method which is used to measure the relationship between two or more variables (Ho, 2006). Regression analysis provides information about the existence of a cause-effect relationship and the strength of the relationship if there is a relationship (Adams et al., 2007).

Main Hypothesis: Human Resources Practices have a mediation effect between Corporate Governance Principles (CGP) and Business Performance.

Table 6 Multiple regression analysis of the mediator role of Human Resources Practices between Corporate Governance Principles (CGP) and Business Performance

Dependent Variable	Independent Variable	R	R ²	ANOVA		Coefficient Table				
				F	p	B	Error _B	β	t	p
Business Performance	Constant	0.416	0.173	63.28	0.000**	1.986	0.211		9.40	0.000**
	CGP					0.428	0.054	0.416	7.96	0.000**
	<i>Business Performance = 1.986+0.428*CGP</i>									
HRP	Constant	0.678	0.460	256.92	0.000**	1.581	0.156		10.15	0.000**
	CGP					0.636	0.040	0.678	16.03	0.000**
	<i>HRP = 1.581+0.636*CGP</i>									
Business Performance	Constant	0.465	0.216	41.54	0.000**	1.496	0.239		6.27	0.000**
	CGP					0.231	0.071	0.225	3.24	0.001*
	HRP					0.310	0.076	0.282	4.07	0.000**
	<i>Business Performance = 1.496+0.231*CGP +0.310*HRP</i>									
Sobel Test: Z=3.95** and p<.001										
*p<.05 and **p<.001										

Whether corporate governance principles have an effect on business performance through human resources practices, in other words, the mediation effect of human resources practices was investigated by multiple linear regression analysis proposed by Baron & Kenny (1986) (Table 6).

In the first stage, it is observed that the independent variable, corporate governance principles significantly and positively predicted the business performance ($\beta=0.416$ and $p<.001$), and in the second stage, corporate governance principles significantly and positively predicted the human resources practices ($\beta=0.678$ and $p<.001$). In the third stage, when corporate governance principles and the mediator variable human resources practices were included in the model, it was observed that the effect of corporate governance principles on business performance decreased to 0.225 ($\beta=0.225$ and $p<.05$). This also shows that the human resources practices variable plays a (partial) mediator role. This also means that the mediator variable human resources practices significantly affected the dependent variable (business performance). Whether the decrease in the beta value is statistically significant is analyzed by the Sobel test. The Sobel test is calculated through the beta values and standard deviations of the independent and mediator variables and tests that the indirect effect of the independent variable on the dependent variable (effect transmitted on the mediator variable) is significantly different from zero (Sobel, 1982). The Sobel test was also performed for the mediation effect of the human resources practices variable, and the test result was found to be significant ($z=3.95$ and $p<.001$). The Sobel test also showed that the rate of the mediator variable (HRP) affecting business performance was 46.0%. Since the results showed that the mediation effect of human resources practices was significant, the main hypothesis developed within the scope of the study was accepted as correct.

IV. CONCLUSION AND DISCUSSION

The fact that technology has progressed and continues to progress at an unprecedented pace drives world businesses to try all approaches to cope with the competition. Managers' attitude of being in search of looking out for the interests of employees, shareholders, customers, and even all business stakeholders forces the business to adopt the practices that look out for the interests of all circles. In this section of the study, which aims to contribute to the literature at this point, the analysis performed was evaluated in detail. Furthermore, in line with the results obtained from the analysis, recommendations are offered to managers and researchers for studies like this and similar studies to be carried out in the future. It is considered that the study, which is the outcome of a detailed analysis, is important with respect to shedding light on studies that may be directly or closely related to the subject.

When the literature is reviewed, there are both studies suggesting that the corporate governance model has an effect on business performance (La porta et al., 1996; CLSA, 2001; La porta et al., 2002; Fremond & Capaul, 2002; Klapper & Love, 2003; Krishnamurti et al., 2003; Durnev & Kim, 2003; Şen, 2013, Burak et al., 2017) and studies suggesting that human resources practices affect business performance (Snell-Dean 1992; Huselid, 1995; Delaney and Huselid, 1996; Delery&Doty, 1996; Welbourne & Andrews, 1996; Ichniowski et al., 1997, Huselid et al., 1997; Harel & Tzafrir, 1999; Guthrie, 2001; Wan et al., 2002; Ahmad& Schroeder, 2003; Chow, 2004; Singh, 2004; Tzafrir, 2006; Kaya, 2006; Genç, 2009; Akın, 2009). In addition to these results, there are also analyses that support a relationship existing between the corporate governance model and human resources practices with empirical studies (Konzelmann et al., 2006; Supangco, 2006; Ayvaz, 2007; Ulusal, 2010; Pelayo-Maciel & Sanchez- Gurierrez, 2013; Martin et al., 2016).

Based on the above-mentioned relationships in the study carried out, a hypothesis was developed and tested to fill a gap regarding the effect of corporate governance principles on business performance through human resources practices in the literature and to create a step for studies to be developed in this direction. The corporate governance approach is a system which envisages the objective and common interest of all parties. The formation of the perception of this common interest consists of the observance of the rights of all parties benefiting from the business, rather than the requests of a single person or group. At this point, for a corporate governance model that protects all beneficiaries, the business should first establish the business ground of an objective human resources approach. The study prepared within this framework was designed by receiving support from the literature. In this context, whether human resources practices have a mediator effect on the relationship between corporate governance principles and business performance was tested. There is a mediator effect if the relationship between the independent variable and the dependent variable is shadowed when another independent variable is added to the model. It can be said that there is a partial mediator effect if the relationship between the independent variable and the dependent variable is weakened after the mediator variable is included in the model, and that there is a full mediator effect if the relationship between the independent and the dependent variables is completely eliminated and there is a relationship only through the mediator variable (Baron and Kenny, 1986). For the determination of the mediator effect, in the first stage, it is observed that the independent variable, corporate governance principles significantly and positively predicted the business performance ($\beta=0.416$ and $p<.001$), and in the second stage, corporate governance principles significantly and positively predicted the human resources practices ($\beta=0.678$ and $p<.001$). In the third stage, when corporate governance principles and the mediator variable human resources practices were included in the model, it was

observed that the effect of corporate governance principles on business performance decreased to 0.225 ($\beta=0.225$ and $p<.05$). This also shows that the human resources practices variable plays a (partial) mediator role. This also means that the mediator variable human resources practices significantly affected the dependent variable (business performance). The Sobel test was also performed for the mediation effect of the human resources practices variable, and the test result was found to be significant ($z=3.95$ and $p<.001$). The Sobel test also showed that the rate of the mediator variable (HRP) affecting business performance was 46.0%. The hypothesis that corporate governance principles have a positive and significant effect on business performance through human resources practices was accepted.

The main hypothesis of the study was designed as a result of the literature review performed at the beginning of the research process, and the interviews and meetings conducted with the officials of the national and international market authorities (such as the OECD research unit, CMB management unit, BIST management and research unit, TKYD (Corporate Governance Association of Turkey) management unit, and the management and research units of various non-governmental organizations) by face-to-face and email.

The main basis of the study was to determine whether the relationship between corporate governance principles and business performance was mediated by human resources practices. The aim here is to show that the business, which intends to increase its performance by creating a positive impression against external stakeholders on the market and sector basis and to make this increase sustainable, can improve its business performance by ensuring internal control, peace, and success first in order to achieve it. Here, by being inspired by the philosophy that the individual who wants to change the world must change himself/herself first, it can be said that the business can integrate with the corporate governance principles to which it tries to adapt in order to increase its image in the eyes of its external stakeholders and to ensure its reliability through its HR practices for internal stakeholders, and thus it can improve its business performance. The concept of institutionalization, which is one of the basic theories on which corporate governance is based, contains the professionalization of the business at all levels, especially the human factor. From this point of view, it can be indicated that all practices to be conducted for the human resource factor in the business will indirectly affect the corporate governance principles. With this study, it was intended to positively change the perspectives of business managers/owners/shareholders on the human factor and the related human resources practices. Human resources practices are the mediator factor with strategic significance in adaptation to corporate governance principles that will bring the business to a long-term performance increase, rather than a cost factor for the business. Each human resources practice should be re-evaluated with this awareness, and these practices should be given the importance they deserve. As a result of the analysis, the hypothesis developed in this direction was accepted as foreseen. Accordingly, human resources practices have a mediation effect between corporate governance principles and business performance. In conclusion, it was accepted that the effect of corporate governance principles on business performance was partially ensured through human resources practices. Information that will constitute a step quality for the studies to be carried out in this field in the literature has been produced with this result.

V. LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE STUDIES

The first limitation of the study is that it was not carried out on a sample selected from all over Turkey. This is important to come to a more generalizable conclusion in this field. Furthermore, only 304 of the questionnaires that were delivered to nearly 1000 managers due to the difficulty of access to managers had usable content and were included in the study.

Another important limitation is that the respondents were from the manager group and therefore had time constraints. Therefore, the preparation of the questions using a language that is as short and understandable as possible in future studies will enable those working in the sector to understand the questions quickly and effectively.

In this study, managers were selected as the study group, and information was produced accordingly. In future studies, it is recommended to carry out a study for the determination of employees' levels of perception of corporate governance principles, perspective on human resource practices, and the effect of these variables on employee performance. Thus, new information on the subject will be produced by comparing the manager group and employee group.

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