



Hacettepe University Graduate School Of Social Sciences

Business Administration

Management and Organizational Behavior

**A STUDY ON COMPETITIVE AND INTERNATIONALIZATION
STRATEGIES OF TURKISH CONSTRUCTION COMPANIES
OPERATING INTERNATIONALLY**

Levan Bolkvadze

Master's Thesis

Ankara, 2017

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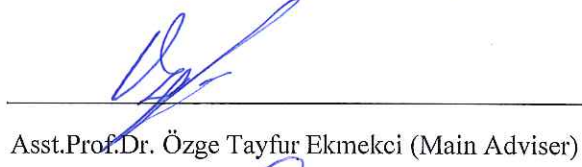
Ankara, 2017

ACCEPTANCE AND APPROVAL

The jury finds that Levan Bolkvadze has on the date of 19.01.2017 successfully passed the defense examination and approves his Master's Thesis titled "A Study on Competitive and Internationalization Strategies of Turkish Construction Companies Operating Internationally".



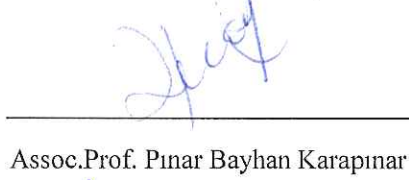
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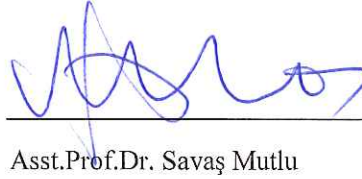
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ETİK BEYAN

Bu alıřmadaki bütn bilgi ve belgeleri akademik kurallar erevesinde elde ettiđimi, grsel, iřitsel ve yazılı tm bilgi ve sonuları bilimsel ahlak kurallarına uygun olarak sunduđumu, kullandđım verilerde herhangi bir tahrifat yapmadđımı, yararlandđım kaynaklara bilimsel normlara uygun olarak atıfta bulunduđumu, tezimin kaynak gsterilen durumlar dıřında zgn olduđunu, Tez Danıřmanının Yrd.Do.Dr. zge Tayfur Ekmekci danıřmanlıđında tarafımdan retilindiđini ve Hacettepe niversitesi Sosyal Bilimler Enstits Tez Yazım Ynergesine gre yazıldıđını beyan ederim.



Levan BOLKVADZE

ACKNOWLEDGEMENTS

I want to express my highest gratitude to Asst.Prof.Dr. Özge TAYFUR, to my thesis supervisor for her tireless work and for her limitless support on each stage of working process. Want to mention her tolerance and brave character, deciding to become my thesis supervisor and leading it professionally. I am very grateful.

I also want to express my special gratitude to the Embassy of Georgia to the Republic of Turkey, to the Ambassador of Georgia Irakli Koplataдзе, to Consul Makvala Kharebava, to counselor Achiko Sudadze and to H. Çağla Mazlum – the regional coordinator of Foreign Economic Relations Board for their support revealed during the practical section of my research. Thank you for helping and supporting me while establishing relations with Turkish construction companies and while making interviews with them. This would be impossible without you.

Of course I want to express my endless thankfulness to my family, to my mother and to my father for their encouragement, for their support and for their chance, without which I wouldn't be able to obtain my degree.

And at last, special thanks from me to my lovely wife, to Natia Chaligava, who was supporting and encouraging me all the time during my dissertation works. Love you and wish you a best of luck in life and in your dissertation too.

ABSTRACT

Bolkvadze, Levan. A Study on Internationalization and Competitive Strategies of Turkish Construction Companies Operating Internationally. Master's thesis, Ankara, 2017.

Technological developments and other rapid changes in the business environment made competition more intense and only the firms having competitive advantage can survive under these conditions. The competition in domestic markets has become one of the main motives for expanding the operations to other countries and markets. Thereby understanding how companies differentiate themselves from their competitors, why and how they expand their operations in international markets has become important issue nowadays. The main objective of this research is to study the competitive and internationalization strategies of Turkish international construction companies in domestic and international markets.

Considering the aims of the study, purposive sampling was used such that only the companies having operations outside of Turkey were included in the study. Data were gathered from 10 international contractors through in-depth interviews. The interview questions were prepared in line with the literature about competitive and internationalization strategies. Data were analyzed using descriptive and content analyses techniques.

Results demonstrated that six of the participant companies follow the differentiation strategy, one of them follows cost leadership strategy, one of them follows cost leadership and differentiation strategies at once and one company follows the focus strategy to differentiate themselves from their competitors in domestic markets. In international markets, however, four of ten companies use differentiation strategy, another four of them uses both differentiation and cost leadership strategies and remaining two companies use all of the competitive strategies (i.e., differentiation, cost leadership and focus strategies) at a time. It is noteworthy to mention that majority of the investigated companies prefer a joint-venture mode for operating on abroad country markets. Looking at the results of this study, contractors are suggested

to make use of cost leadership strategy more and follow it through backward integration.

Key words: construction sector, competitive strategy, internationalization strategy, entry modes.



ÖZET

Bolkvadze, Levan. Uluslararası düzeyde çalışan Türk inşaat şirketlerinin uluslararasılaşma ve rekabetçilik stratejileri üzerine bir çalışma. Yüksek lisans tezi, Ankara, 2017.

İş dünyasındaki teknolojik gelişmeler ve diğer hızlı değişimler rekabeti daha yoğun hale getirmekte ve bu koşullarda sadece rekabetçi avantaja sahip olan firmalar faaliyetlerine devam edebilmektedir. Yerel pazarlardaki rekabet, başka ülke ve pazarlara faaliyetleri genişletmenin en önemli nedenlerinden biri olmuştur. Bu nedenle, günümüzde firmaların kendilerini rakip firmalardan nasıl farklılaştırdıklarını anlamak, uluslararası pazarlarda faaliyetlerini nasıl ve neden genişlettiklerini anlamak önemli bir konu haline gelmiştir. Bu araştırmanın esas amacı, Türk uluslararası inşaat şirketlerinin yerel ve uluslararası piyasalarda kullandıkları rekabetçi ve uluslararasılaşma stratejilerini incelemektir.

Çalışmanın amaçları göz önünde bulundurularak, amaçlı örnekleme yapılmış, bu çerçevede sadece Türkiye dışında da faaliyetleri olan inşaat firmaları çalışmaya dahil edilmiştir. Veriler 10 uluslararası inşaat firmasından derinlemesine görüşme tekniğiyle toplanmıştır. Görüşme soruları rekabet ve uluslararasılaşma stratejileri ile ilgili literatür göz önünde bulundurularak oluşturulmuştur. Elde edilen veriler betimsel ve içerik analizi kullanılarak analiz edilmiştir..

Elde edilen sonuçlara göre, incelenen 10 şirketten altısının rekabet stratejilerinden farklılaştırma stratejisini, birinin maliyet liderliği stratejisini, birinin farklılaştırma ve maliyet liderliği stratejilerinin birlikte ve diğerinin odak stratejini takip ettiği tespit edilmiştir. Uluslararası pazarda ise on şirketin dördünün farklılaşma stratejisini, diğer dördünün farklılaştırma ve maliyet liderliğini bir arada kullandığı ve geri kalan iki şirketin ise bütün rekabet stratejilerini (farklılaşma, maliyet liderliği ve odak strateji) kullandıkları görülmüştür. Ayrıca, araştırılan şirketlerin çoğunluğunun yurt dışı ülke pazarlarında faaliyet göstermek ve bu pazarlara girmek için ortak girişim yöntemini tercih ettiği bulgusundan bahsetmekte fayda vardır. Bu çalışmanın sonuçlarına bakıldığında inşaat şirketlerinin maliyet liderliği stratejisine vurgu yapmaları ve geriye dönük entegrasyon yoluyla takip etmeleri önerilmektedir.

Anahtar kelimeler: İnşaat sektörü, rekabet stratejisi, uluslararasılaşma stratejisi, giriş modları



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INTRODUCTION

In the introduction section, the aim of this research and its scope will be explained. In addition, the importance of this study, that is, why this research is important for the literature and practice will be stated. Afterwards, the main parts of the thesis will be introduced in order to clarify the flow of the thesis.

The main aim of this research is to investigate the competitive and internationalization strategies of Turkish construction companies operating locally and internationally. Within this framework, this thesis is intended to reveal what kind of competitive strategies are followed by Turkish contractors and what are the source of their competitive advantage on local and on international markets. While investigating the competitive strategies, this study focuses exclusively on Porter's (1980) model of Five Competitive Forces and Three Generic Strategies. These models are described in details in the literature review section of this research.

Besides competitive strategies, the study aims to investigate the internationalization strategies. Under the heading of internationalization, country entry modes, internationalization motives and internationalization difficulties were examined. Since there are various theories investigating the internalization process, only the prominent theories in relation to country selection process, motives for internalization, the entry modes to foreign markets and the difficulties arising during this process were investigated. All these theoretical findings were linked to the methodology and results of this thesis.

Competitive and internationalization strategies are widely discussed topics in management field, but not in construction industry. This sector is considered to be one of the most rapidly developing sectors, contributing country economic development and holding a significant percentage of country GDPs. Because of the increasing importance of construction sector in world economy and Turkey's development, the internationalization and competitive strategies of the construction companies were selected as a scope of this thesis.

According to the number of international construction companies, Turkey has been ranked as the second country in the world, after China. Construction business is one

of the most developing business sectors in Turkey as well as in the world. Some of the construction companies are successful, but some of them not. Despite the number of successful companies, there are too many instances where companies start construction works, but afterwards abandon projects before completing it, facing with different problems and facing with bankruptcy. These kinds of failures can be explained by competitive pressures or incorrect management. Existence of mismanagement makes this research important. It is believed that by using the findings of this study, the managers can find the appropriate competitive and internalization strategies considering the strategies of companies similar to them in terms of operations, size etc.

Based on the findings of this study, it aimed to identify the problems in the implementation of competitive and internalization strategies. Following this corollary, suggestions will be made to managers of Turkish construction companies managers as a contribution.

In the following sections, firstly the literature will be reviewed, then the methodology used in the data collection will be presented and lastly the results will be discussed together with its implications.

CHAPTER 1

LITERATURE REVIEW

In this study, the competitive and internationalization strategies of Turkish construction firms are investigated using the existing theories and frameworks in the strategic management literature. Since the major scope of this thesis is to investigate the competitive and internalization strategies of construction firms, the literature about aforementioned strategies is discussed in the following sections. However, brief information about the strategic management process will be presented first in order to provide a more complete picture regarding competitive and internationalization strategies.

Strategic management and the concept of “strategy” in particular have drawn the attention of many practitioners and researchers. Despite the existence of numerous definitions, the majority of them emphasize the competitive advantage as well as the internal and external analysis of the environment. For example Lumpkin, Dess, Eisner and McNamara (2013) conceptualize strategic management as “*a process which involves making an analysis, reaching decisions, and showing actions aiming to create and sustain competitive advantage of organizations*” (p. 17). According to this definition, strategic management seems to have three important components: (1) analysis of strategic goals and environment (i.e., internal and external environment of organizations); (2) making decisions related to competition and (3) implementing some activities (i.e. implementation of plans). Hitt, Hoskisson and Ireland (2007; p.4), on the other hand, define strategic management as an “*integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage*”. Like Miller and Dess (1996), Hitt and colleagues regard strategic management as a process including the analysis of the internal and external environment which strives to determine resources, capabilities and competencies of the organization. Looking at all these definitions one can state that strategic management involves complex managerial activities that include the determination of goals, mission and vision, analysis of internal and external environments, pinpointing the appropriate course of action and controlling the success of these actions.

In categorizing the types of literature, the researchers mention three cascading levels of strategy named as corporate, competitive and business level strategies. According to Beard and Dess (1981), corporate-level strategy is related to the deployment of a firm's resources among the portfolios of industries within which all business firms compete. As Hofer and Schendel (1978) pointed out, corporate-level strategy, in a way, is concerned primarily with answering the question of what set of businesses should the firm be in. Based on corporate level strategies, the organizations determine their competitive strategies which reflect organizations' decisions about who to deal with competition in a given industry. Thus, as Beard and Dess (1981) pointed out, a firm could have a separate business-level strategy for each industry in which it competed. Finally, based on competitive and corporate strategies, organizations determine specific courses of action that will be implemented in each department or division, namely their determined business level/operative level strategies (Miller & Dess, 1996). In the following sections, these strategies are explained briefly.

1.1 CORPORATE LEVEL STRATEGY

Representing the highest level of strategy, corporate level strategy determines the general direction of the organization. In a broad sense, corporate level strategy can be defined as “*a way a company creates value through the configuration and coordination of its multimarket activities*” (Furrer, 2015; as cited in Collis & Montgomery 2005, p. 8). This definition stresses two important issues: The first issue is related to value creation, which is very important for gaining competitive advantage especially for organizations operating in different countries and / or producing different type of product (i.e. organizations facing multi-market activities). The second issue is related to “organizing” the function of management, which involves setting the vision, goals and objectives for each business area and arrangement of corporate hierarchy through the configuration and coordination of activities (Gonzalez-Loureiro, Dabic, & Furrer 2014).

According to Miller and Dess (1996), corporate level strategy generally suggests the two different paths for organizations, being growth or defensiveness. Intending to increase the scale of operations and thereby profits, companies following “growth

strategy” could diversify into a business area or areas, which may or may not be related to the company’s core business (Miller & Dess, 1996). Companies may utilize different growth strategies involving vertical, horizontal and global diversification.

As Miller and Dess (1996) noted, vertically diversified corporations expand the scale of their operations by performing activities related to raw material acquisition and the sale of the final products. More specifically, vertically diversified companies coordinate their upstream and downstream operations either by acquiring the suppliers or retailers, or both. In doing so, companies are able to reduce their costs, and thereby get competitive advantages (Miller & Dess, 1996). For example, construction firms sometimes manufacture the raw materials rather than buying them from suppliers and they even lease and sell these raw materials to other companies. Such vertical diversification activities are assumed to help companies not only to reduce their dependency to suppliers but also to achieve significant cost advantages (Miller & Dess, 1996).

In vertical diversification, firms are buying other firms engaging in similar activities than themselves. However, in horizontal diversification, firms are acquiring other firms to produce products that are not related to its core business or technology. Therefore firms following a horizontal diversification strategy move into more than one industry (Business dictionary online, n.d.) Today, a considerable number of construction firms made investments in the energy, real estate, trade and manufacturing sectors, which are different from the construction industry in terms of technology, skills, abilities and management practices.

Global diversification involves expanding the scale of operations by having a presence in international markets. According to Miller and Dess (1996), global diversification is mostly implemented through the purchase of a company that is already operating in another country (p.254).

In addition to diversification strategies, some companies pursue a growth strategy by forming a strategic alliances and establishing joint ventures with other firms. According to Das and Teng (1998), strategic alliances are voluntary cooperative

inter-firm agreements to create and sustain competitive advantages for the partners (p. 33). In strategic alliances, two or more firms join their forces (e.g., resources, competencies etc.) and perform the business together (Miller & Dess, 1996). In joint ventures none of the company's co-owns the other, but mostly they form a new entity and manage it in accordance. Specifically, a joint venture is formed when "two or more firms pool a portion of their resources within a common legal organization" (Kogut, 1983, p. 319). Companies could gain competitive advantages through joint ventures and strategic alliances because such cooperative initiatives enable them to obtain experience and knowhow as well as to share financial obligations and risks associated with product development and expansion. However, the strategic alliances and joint ventures are not without risks. The conflict between the partners could result in failure of alliances and new ventures.

In contrast with growth strategies, defensive strategies are used by organizations experiencing financial problems, mostly arising from problems in sales, revenue and profit generation. As Miller and Dess (1996) noted, managers may prefer different types of defensive strategies such as retrenchment, divestiture, joint venture and liquidation to return the firm back to the original state, or to leave the market with minimal loss. According to Miller and Dess (1996), "*retrenchment strategy*" also known as "*turnaround strategy*", refers to improving efficiency of a company's operations through cost reductions. According to authors, cost reductions are basically achieved by closing manufacturing plants, reducing the number of workers, lowering salaries, decreasing the number of suppliers and changing the executive management. The divestiture strategy, on the other hand, involves the leaving of unprofitable business unit that may not be compatible with the company's current strategy (Spooner & Kanellos, 2004). Unlike the common misunderstanding, the divestiture strategy does not mean shutting down of the manufacturing facilities, rather it involves the sale of these facilities to other organizations (Spooner & Kanellos, 2004). Although listed as a type of growth strategy, joint venture strategy is also regarded as a defensive strategy through which companies increase their chances of survival by sharing the risks and resources with other companies. The last defensive strategy, liquidation, is regarded as the final choice that companies should select because as Miller and Dess (1996) noted, the liquidation is generally a sign that

the firm would want to end its existence and try to leave the market with minimal loss. According to Miller and Dess (1996), before implementing a liquidation strategy, management usually tries other defensive strategies, yet it becomes unsuccessful. Based on unpromising results, the company has no other choice but to sell its assets to minimize the loss.

1.2. COMPETITIVE STRATEGIES

After determining the corporate strategy namely making decision about what businesses to pursue and in which industries to enter, the next thing that firms have to do is craft a competitive strategy which involves making decisions about how to compete with other firms. Organizations may have different objectives such as achieving high profitability, having a bigger market share and creating a good brand and public image. No matter which objective is or objectives are selected, being successful and crafting the correct competitive strategies are only possible through the development of sound and advanced manufacturing, distribution, marketing and finance systems. To develop these systems, however, depends largely on understanding the competitive forces surrounding the organizations.

1.2.1. Five Competitive Forces

Being one of the prominent researchers in the strategic management field, Michael Porter, defined competitive strategy as “*an attempt to find a position in the industry where the company can best defend itself against competitive forces or can influence them in its favor*” (Porter, 1980, p.4). According to Porter (1980), organizations should consider 5 competitive forces that shape rivalry within the industry to be successful at crafting a correct competitive strategy and finding a competitive position in the market. These forces are namely: 1) Threat of new entrants, 2) Bargaining power of suppliers 3) Bargaining power of buyers, 4) Threat of substitute products or services and 5) Rivalry among the existing firms (Porter, 1980) (see Figure 1).

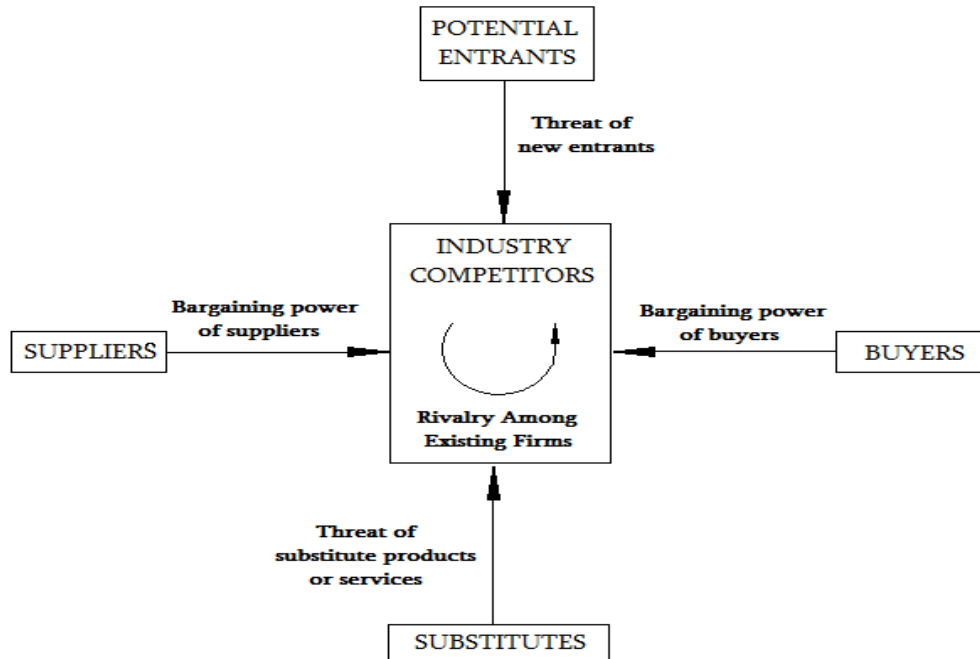


Figure 1.1. Retrieved from Porter (1980). *Competitive Strategy*, Free Press, New York, NY.

1.2.1.1. Threat of Entry

According to Porter (1980), “new entrants” are one of the most important driving forces of industry competition because they can change the industry entirely or at least partially. Newcomers / entrants, try to gain market share by introducing new technology, using new resources and expanding production capacities. In response to the threat of losing market shares, existing firms try to create new barriers to entry or increase barriers to defend themselves (Porter, 1980). Most of the time, firms use six prominent barriers to entry namely economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels and government policies to make the entry of new firms to a given industry difficult, thereby protecting themselves from further competition. However, as Porter (1980) noted, the use of all of the aforementioned barriers are not necessary, even one of them could be strong enough to block the newcomers.

This first barrier to entry is known as “economies of scale”. “Economies of scale refer to the decline in unit costs of a product (or operation, or function that goes into

producing a product) as the absolute volume per period increases” (Porter, 1980, p.7). Typically, large-scale manufacturing which could be attained by making significant amount of capital investments and establishing high technology production facilities, makes it possible to increase the number of products while keeping the production costs almost the same (Porter, 1980). The economies of scale advantage could inhibit the entry of new firms operating in both large scale or small scale. Having invested significant amounts of capital, large scale newcomers could end up with significant losses if they are not able or ready to respond to the existing firms’ defensive reactions. The small scale newcomer, on the other hand, would be faced with cost disadvantages and therefore would not be able to offer competitive price to customers as existing firms can do (Porter, 1980). Although it seems to be peculiar to manufacturing functions, economies of scale could be attained in all business functions or departments such as marketing, sales, purchasing, distribution, research and development. To reduce the adverse impact of economies of scale for newcomers, Porter (1980) suggests newcomers to either enter the market or industry in an integrate way (i.e., forming joint ventures or strategic alliances with other companies) or find ingenious ways to reduce cost disadvantages.

The second barrier to entry is “*product differentiation*” which simply reflects an advantage arising from brand awareness and customer loyalties. Existing companies create brand awareness and loyalty through a diverse set of marketing activities such as advertising, providing after sale services, creating product differentiation (i.e., real or imaginary) or simply being the first in the industry (Porter, 1980, p .9). In other words, several factors such as packaging, taste, quality, warranties, company experience, brand image, price (i.e. offering low price or premium price that reflects high quality for special segment), after-sales services and other marketing activities could create a product differentiation advantage for existing companies. Product differentiation accelerates rivalry among existing firms, not only newcomers. Like economies of scale, the existence of product differentiation could act as a barrier to entry which is difficult to overcome for new entrants (Porter, 1980).

The third barrier to entry is related to financial issues. Sometimes, capital requirements which is “the need to invest sizable amounts of financial resources”

becomes a formidable factor in deterring the market entry” (Porter, 1980, p.9). Newcomers need capital to establish production facilities, purchase raw materials, keep inventories, cover start-up expenses and introduce themselves to customers. In a way, capital becomes a minimum threshold that new entrants have to overcome in order to enter into any industry.

The fourth barrier to entry is again related to finance. Companies, which chose to diversify their operations and enter other industries, have to change their suppliers and manufacturing process entirely. In doing so, newcomer companies could be faced with a significant amount of switching costs. According to Porter (1980), the switching costs typically include expenses related to new equipment, employee training, technical support, and costs arising from quality control of the new supplies, redesign of products and market research (i.e., research conducted to understand customer reaction’s to novel products / services). In some industries, switching costs could become a huge burden on newcomers which force them either to improve their performance or switch the incumbent (Porter, 1980).

Access to distribution channels could be the fifth major barrier for new entrants. According to Porter (1980), existing companies generally have high quality and well-established distribution networks due to the long-term contracts signed with companies giving distribution services or establishment of their own distribution channels. The newcomers could find it difficult to persuade the distribution companies for collaboration, because these companies most of the time do not want to cause damage to their existing business relationships. Even if distribution companies are willing to work with newcomers, they usually request higher prices for their services. Even worse, some distribution channels are exclusive to only one company or group of companies, which makes it difficult for newcomers to distribute their products (Porter, 1980).

The last barrier to entry is related to government restrictions and policies. Governments regulate industries by imposing regulations and setting policies. Licensing, allowances, quality certificates and other regulations could restrict or even prohibit the entry to a particular industry (Porter, 1980). Most of the time, new entrants need extra capital and experienced human resources to meet permission-

related requirements upon facing these kinds of regulations and policies (Porter, 1980).

In the above sections, six major entry barriers were briefly explained. However, it is noteworthy to acknowledge that other factors could also hinder the entry to a particular industry. For example, experience and know-how could also act as a barrier for newcomers. As Porter (1980) noted, experience cannot be obtained through copying from competitors, recruiting employees of those competitors or purchasing sophisticated technologies and equipment. In other words, experience is a thing that can't be purchased, but just earned. Inexperienced companies could be regarded as unreliable, therefore they could lose resources, time and money before they gain the confidence of customers and suppliers.

1.2.1.2. Rivalry among Existing Firms

Even without new entrants, the business environment is highly competitive in some industries due to the number of existing companies. Companies are trying to overcome their competitors' strengths and improve their position in the market by following several strategic approaches such as competing based on price, increasing advertising campaigns, introducing new products and offering new or extended customer services.

As Porter (1980) noted, price competition is one of the easiest but at the same time one of the most dangerous ways of competing with other firms due to its instability and openness to ambiguity. In price competition, competitors can easily notice the price changes and respond to these changes in the same way. The companies having significant cost advantages in the industry could gain competitive advantage by lowering prices. However, in doing so, they could erode the revenues and cause changes in industry demand elasticity (Porter, 1980). Rather than responding to the competition based on price, some companies respond to fierce competition by introducing advertising and promotional campaigns, which aim to raise awareness about products, create product differentiation and increase demand (Porter, 1980). However, such promotional activities could become too costly for companies.

1.2.1.3. Threat of Substitute Products

Companies operating in different industries can become competitors because of the substitutability of the products and services. Therefore, the threat of a substitute product or service is considered as a separate type of competitive force (Porter, 1980). For instance, high fructose corn syrup could be used as a substitute product for sugar. , Similarly, metal-plastic materials could be used in lieu of concrete blocks such as clay brick, wooden doors and windows. Companies are advised to pay attention to the developments in other industries, especially the substitutes manufactured in highly profitable industries which could influence the characteristics of their industry.

1.2.1.4. Bargaining Power of Buyers

Customers have become a key element for obtaining and sustaining competitive advantage. In today's business world, customers demand low-priced yet high quality products or services. Increased customer demand and power accelerates the competition among companies to satisfy these demands (Porter, 1980). Recent years witnessed an increase in bargaining power of customers that makes it as one of the most prominent competitive forces especially in some industries. Several factors are assumed to increase the bargaining power of buyers. Customer have significant amount of power:

- 1) When they purchase large volumes of a product or a significant amount of a discounted product;
- (2) When they purchase raw material, which constitutes a significant part of their costs;
- (3) When they purchase a standardized product / products, which do not have substitutes and are not differentiated (Porter, 1980);
- (4) When they can easily switch the supplier because of low switching costs (Porter, 1980);
- (5) When they are not price sensitive as being a highly profitable company, (Porter, 1980);

(6) When they have a chance to make backwards integration (Porter, 1980).

When a buyer has the power to bargain for price and quality and poses a threat to become a manufacturer of that special product/service, this becomes one of the important competitive forces in the industry. This kind of threat could be ruled out through the forward integration strategy of the bargaining power of suppliers.

1.2.1.5. Bargaining Power of Suppliers

Suppliers have the power to bargain with their customers by threatening them with price increases and quality reductions in raw materials (Porter, 1980). As through the threat of buyers, several circumstances increase the bargaining power of suppliers. Suppliers become powerful: (1) When they are few in the industry and thereby they become dominant; (2) When the substitute products are meager or are not presented at all on the market, thereby the buyers do not have a chance to purchase raw materials from other industries; (3) When the supplied product is important for high quality; (4) When purchasers need product/products with special characteristics, which makes it difficult, if not impossible to change the product and switch suppliers (Porter, 1980).

After discussing the forces that drive industry competition, it seems necessary to do a review about the development of competitive strategy and its specific types.

1.2.2. Three Generic Strategies

According to Porter (1980), in order to gain competitive advantage and to respond to the aforementioned competitive forces, companies could follow three generic strategic approaches named as, overall cost leadership, differentiation and focus strategies. In his formulation of competitive strategies, Porter (1980) assumes that each strategy could be used in isolation, meaning that only one strategy could be selected by the company. However, some researchers (e.g., Wright, 1987) questioned these assumptions and claimed that some of the generic strategies can be successfully used together (Wright 1987). For example, large firms having greater access to resources could combine cost leadership and differentiation strategies, which are seen

to represent two opposite ends of the continuum in competitive positioning (see Figure 1.2 for competitive strategies).

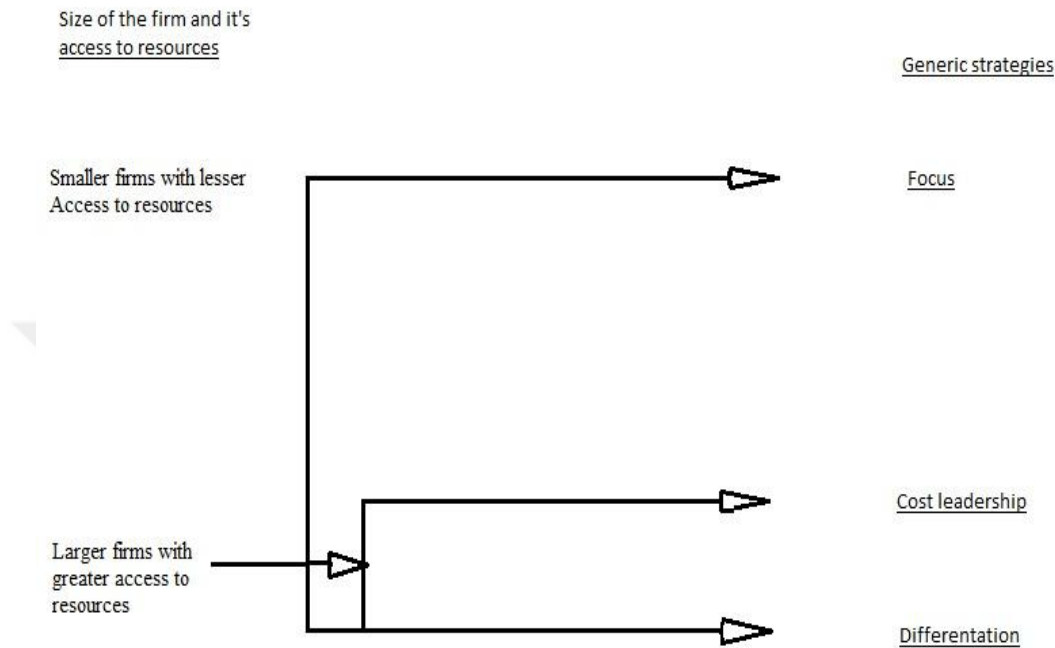


Figure 1.2. Retrieved from Wright, P. (1987). A Refinement of Porter's Strategies. *Strategic Management Journal, Vol. 8, 93-101*

1.2.2.1. Cost Leadership Strategy

As its name implies, cost leadership strategy rests on creating a cost advantage and becoming a low cost producer of the products or services in a particular industry. Basically, cost leadership strategy involves standardizing especially the manufacturing process to lower per-unit cost of production. This strategy requires aggressive construction of efficient-production facilities, attempts to gain cost reductions through know-how and experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in functions and areas like R&D, service, sales force, and advertising (Porter, 1980). Cost reductions often result in price reductions - therefore cost leadership strategy could be used to attract price sensitive customers. However, it is noteworthy to acknowledge that the "cost leadership is equal to price leadership" equation may not be true all the time.

Besides that, unlike common misunderstanding, pursuing low cost strategy does not always mean that the companies are ignoring quality, service and other basic matters.

From the beginning of 1970s till today, the cost leadership strategy has become one of the most prominent and widely implemented strategies to cope with five competitive forces. The firm competing in the low cost position could defend itself against both the powerful buyers and suppliers (Porter 1980). Buyers are not able to demand to lower the prices anymore if the company already offer lower prices compared to other companies in the industry.

However, the low cost strategy is not a panacea for all companies. According to Porter (1980), this strategy requires gaining high market share, easy access to raw materials and a large product line serving the needs of a high number of customer groups and segments. Given the severe constraints imposed on firms, Wright (1987) argues that this strategy is appropriate not for all companies, but just for large companies having easy access to raw materials and having the capability to make large capital investments.

1.2.2.2. Differentiation Strategy

According to Porter (1980), the second generic strategy involves distinguishing the company from its competitors based on the factor called customer value, namely by offering a unique product or service. This strategy can be pursued by creating brand image, offering state-of-the art technology, providing high quality customer service or special design and establishing a well-organized supply chain network. Companies following this strategy are argued to ignore accelerated costs and resulting customer losses arising from differentiating themselves from competitors. Despite the aforementioned side effects, companies aim to gain competitive advantage and exceed industry profitability levels by offering unique products and services. Although Wright (1987) agreed with the arguments of Porter (1980), he stated that the differentiation strategy can be used only by large firms in isolation and also in conjunction with the focus strategy. Accordingly, combining focus and the differentiation strategy will be much more advantageous for the companies for reaching the targeted customers.

However, as in a low cost leadership strategy, pursuing the differentiation strategy is not without cost. Creating unique products or services in the eyes of customers usually requires extensive research, delicate design, high quality materials, or intensive customer support which generally increases costs, thereby the prices. Given the fact that not all customers are able or willing to pay the high price, the market share of the companies following the differentiation strategy could be limited compared to its competitors. Therefore the success of the companies largely depends on the existence of customers who are willing and able to pay higher prices for unique products and services.

1.2.2.3. Focus Strategy

According to Porter (1980), the focus strategy is built around “serving a particular market” rather than the whole market. The basic assumption in this strategy is that serving a portion of the market is sometimes more efficient than serving the entire market, the market composing of all customers. As Porter (1980) points out, unlike other strategies, the “focus strategy does not achieve low cost or differentiation from the perspective of the market as a whole, it does achieve one or both of these positions vis-a-vis its narrow market target” (p. 39).

Typically, companies with focus strategy choose their target markets where the competitors are weaker or where there is no competition at all. In finding the target markets, companies are advised to use a product line or geographic market based segmentation as these segmentation tactics enable them to identify the most profitable, thereby viable target market. Unlike Porter who assumes that this strategy could be used by all types of firms and companies, Wright (1987) claims that the focus strategy is appropriate only for small companies. According to the researcher, if a mid-size or large-scale company chose to follow the focus strategy, it should combine it with differentiation strategy.

Unlike Porter (1980) giving brief information about focus strategy, Wright (1987) explicates the specific types of focus strategy. Specifically, the researcher mentions the cost focus and differentiation focus strategies as two distinct types of focus strategy. These strategies are assumed to emerge when companies combine cost

leadership and differentiation strategy with focus strategy. In the cost leadership strategy, the main emphasis is on low per-unit cost outputs for many buyers in the industry but the major emphasis for the cost focus strategy is on low per-unit cost outputs for a smaller number of buyers (Wright, 1987, p. 97). According to Wright, the cost focus strategy cannot be implemented by mid-size or large companies because their characteristics and operating styles are not compatible with the underlying assumption and aim of focus strategy, which is “serving a small cluster of buyers very well”. Large production volumes, sophisticated marketing activities and high levels of marketing expenditures which are typical of mid-sized and large-scale companies, result in accelerated costs that can only be reduced by producing large volume of products and selling them to the entire market.

As for the differentiation focus strategy, Wright (1987) claims that this strategy can be used by all types of firms regardless of their size. As Wright explains, for “select product market scopes, a predominant intensity in any one or several of the functional supports may be the primary reason for the successful implementation of the differentiation focus strategy” (Wright 1987, p. 97). As Wright stated, predominant functional support intensities can be considered purchasing, inventory, distribution, production and marketing operations.

After giving brief background information about competitive and corporate strategies, the competitive strategies will be discussed for construction firms, which constitute the data of interest in this study. However, before discussing this, it seems necessary to give brief information about the construction sector both in the world and in Turkey.

1.3. INTERNATIONALIZATION STRATEGY

International business and topics related to internalization attracted the attention of many researchers, probably due to the effects of globalization. According to Mintzberg (1987), strategy formulation or making involves changing perspective and/or positions of the organizations (Mintzberg, 1987; cited in Melin, 1992). Internationalization is considered a “process of increasing the involvement in international operations across borders, which results in change in both perspectives

and positions” (Welch & Luostarinen, 1988 cited in Melin, 1992). Therefore, internationalization requires strategic thinking and formulation, thereby regarded as a significant part of strategic management.

“Internationalization is to make investments over the national boundaries in order to utilize new investment opportunities, expand abroad and overcome possible domestic market imperfections” (Gökmen & Temiz, 2014). The decision of internationalizing generally turns out to be a next stage of a company’s on-going development process and according to Chandler (1962), it is considered as a form of diversification. The internationalization directly shapes the scope of the companies’ operations and their worth by affecting the target market, organizing principles (i.e., organizational structure), the nature of managerial work and converging mode (Melin, 1992). The number of authors – Çavuşgil, knight and Reisenberger (2008), Johnson and Turner (2006), Daniels (2004) considers three common ways of internationalizing: Exporting – direct and indirect, Licensing and Franchising, Foreign Direct Investment (FDI) – international business ventures or Mergers and Acquisition (M&A)

The following figure (see figure 1.3) clearly lists the type of internationalization and describes the internationalization stages. The figure also reveals the link between the strategy and structure of multinational corporations (MNC) (Melin, 1992). Accordingly, at the first stages of internationalization strategy, companies generally drive to enter international markets through the business transactions by business networks, trade operations and foreign direct investments. The second and more complicated step involves forming collaboration with various stakeholders such as forming alliances/joint ventures and establishing good relations with government. The second step requires much more time while the initial step (1st step) lasts only several years (Melin, 1992).

Organizational Boundaries Activities	Within organizations - across borders	Between organizations - across borders
Entry Modes	A	B
Transactions	C - Internalizations; transaction costs - Intraorganizational trade; transfer prices - Transfer of technology	D - International trade - International marketing - Foreign direct investments - International business networks
Coordination mechanisms	E - Structural forms - Formal control systems - Informal/social integration and coordination	F - Global strategies - alliances and joint ventures - government relationship

Figure 1.3. Retrieved from Melin, L. (1992). Internationalization as a Strategy Process. *Strategic Management Journal*, Vol. 13, 99-118.

Considering the real life examples and the results of previous studies, Melin (1992) mentions two models related to internalization process and stages. These models are called the product life cycle model (Vernon, 1996) and internationalization process model (Johanson & Vahlne, 1977).

The product life cycle model applies the principles of product life cycle model of a marketing field to the internalization process (Vernon, 1996). At the first stage, named the introduction stage, companies are domestically oriented, meaning that the majority of their operations are still conducted to satisfy the demands of the domestic market. At this stage, companies usually conduct international transactions through exporting and importing activities. Such international activities enable companies to reach economies of scale especially in the manufacturing process. At the second stage, growth stage, companies are faced with increased demand in the international market, thereby engage more exporting and importing activities. Most of the time, an increase in demand directs companies to make a direct investment in international markets. In the third stage – maturity stage, the market reaches the saturation point and the product/products have attained certain standards. Manufacturing activities thus move to countries enabling low-cost production. When making country relocation decisions at this stage, companies consider several factors such as home

and host country development levels, technological readiness of the country's and its political system (McKiernan, 1992). In the final stage – decline stage, companies generally leave both home and host countries due to declining profit margins and sales (Vernon, 1996).

As indicated before, an alternative model is the “Internationalization Process Model” which is suggested by Johnson and Vahlne (1977). As Johanson and Wiedersheim-Paul, (1975) indicated, this model is a more complicated model than the former one (i.e. product life cycle model) as it includes topics other than ways of trading. According to the internalization process model, each company makes its own choice regarding how to “increase its international involvement” (Melin, 1992, p. 103) by gathering information about potential markets, operating styles, and competitive capacity. Based on the information collected, companies develop a business plans for selected countries, namely international markets (Johanson & Vahlne, 1977). According to this model, the main attention is directed to the market, to its resources, and to its know-how level (Melin, 1992). The “psychic distance” (Melin, 1992, p. 103) which implies country differences in language, culture, education level, legislation system and business practices is a very important part of the internationalization process model. As Johanson and Vahlne (1990) suggests, companies generally prefer to choose markets not having wide psychic distance and differences in the above mentioned areas. For this reason, many companies prefer to choose neighboring – regional countries. However, the advocates of the international process model claim that even the remote countries, that is, countries having wide physic distance could become similar as time passes. Therefore, companies are advised not to lose their interest in different countries provided that these countries do not involve insurmountable risks or uncertainty.

Although the majority of the researchers give cites to the “Product Life Cycle Theory” and the “Internalization Process Model”, Abdul-Aziz, Wong and Awil (2008) lists other models or perspectives related to internationalization like the Eclectic Paradigm (Dunning, 2000), Network Approach (Johanson & Mattsson, 1988), Stage Growth Theory (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990; Cavusgil, 1980), Diamond Model (Porter, 1990), International

Entrepreneurship (McDougall, 1989; Oviatt and McDougall, 1994), and Liability of Foreignness (Zaheer, 1995; Zaheer and Mosakowski, 1997). Some of these models are mainly based on countries' inter-trade operations, founding and developing export and import ways, discussing its advantages, disadvantages and difficulties. A significant part of those models describes the transportation of the manufacturing process from country to country, withdrawing management and all kinds of resources. Those models describe the way how to transport the business over the borders, through a country selection process and country entry modes. Construction business appears to be one of those types of businesses and because of this the country selection and entry mode selection processes will be studied in the next parts of this thesis.

1.3.1. Country Selection Process

Despite the voluminous number of articles and books related to internationalization, the information about country selection seems to be inadequate and uninformative. According to Daniels and Radebaugh (2001), there are a limited number of suggestions and regulations about in which country to operate and what kind of resources to invest in those countries. (Daniels & Radebaugh, 2001). For this reason, managers are expected to be talented in the country selection process and take into account a diverse set of factors like economic, political, cultural and geographical conditions of qualifying countries. In addition to that, managers are advised to set flexible geographic strategies because the relations among the countries and economic conditions may not be stable since the future prices, costs, competitor's reactions and technology are hard to forecast (Daniels & Radebaugh, 2001).

When making a country selection, managers use advanced forecasting and surveillance techniques. In these forecasting techniques, however, the focus of attention could vary. For example, Daniels and Radebaugh (2001) advises managers to take into account the opportunities and risks driving from different areas. Wild and Wild (2006), on the other hand, advise managers to keep the costs as low as possible and examine every possibility in country selection. When outlining the four steps in

country selection, Wild and Wild (2006) listed the factors that could be considered during this selection process (see figure 1.4.).



Figure 1.4. Retrieved from Wild, J.J., Wild, K.L. and Han, J.C.Y. (2006). *International Business: The Challenges of Globalization*. Pearson/Prentice Hall

Upon determining the potential countries for investment, managers have to conduct detailed analyses, which could be lengthy, complex and expensive (Daniels & Radebaugh, 2001). As more resources are needed to conduct these analyses, the tendency to observe an “escalation of commitment increases (Daniels & Radebaugh, 2001, p. 448). Such problems could make it difficult to forgo from the investment in a particular country. In some cases, due to the lengthy, complex and expensive analyses, managers tend to lose their interest in investing in a country.

Since it is a major strategic decision, the country selection should be conducted with the collaboration of several departments such as finance, R&D, marketing and human resources management departments (Daniels & Radebaugh, 2001). Although these functional departments provide their opinions about country selection, final decisions are generally made by top management (Daniels & Radebaugh, 2001). If top

management cannot be sure about the “sufficient remittance of profits” (Daniels & Radebaugh, 2001, p. 448), it could delay or forgo from investment plans altogether.

In the sections below I’ll do a review of features which generally have an important effect on international business companies and which are considered to be examined before entering the country. These kinds of features play a key role in the country selection process and often become a reason for negative or positive decision.

1.3.1.1. Opportunities

In the following parts, the factors, (herein called opportunities) that are believed to affect the international companies positively are discussed in details.

1.3.1.1.1. Product Demand in the Host Country

Before proceeding with an economical and financial analysis, managers should analyze the information about the demand for the product or service in the host country and the factors affecting that demand such as country climate, existence of specific bans, culture and religion (Wild & Wild, 2006). If the company can’t enter the market, if it is impossible to find the customer and sell the product, if there are barriers to entry or there is no sufficient demand, doing a further analysis with regards to that country’s selection may become unnecessary.

1.3.1.1.2. Resource Availability

In addition to demand, companies should have information whether the host country has sufficient raw materials and resources needed for the manufacturing process (Wild & Wild, 2006). If the raw materials are not available or not sufficient in the host country, the company may become obligated to import these materials thereby bear the costs such as transportation fees and tariffs associated with importing (Wild & Wild, 2006). Even if a host country has available resources, sometimes companies may need to search for resources that are cheaper in other countries or are not available at their home countries at all (Daniels & Radebaugh, 2001). Because of the resource related concerns, managers may be forced to reduce the number of countries to make an investment in.

One of the most critical resources is “human capital” given the fact that their wages constitute an important part of the expenses in the majority of the industries (Wild & Wild, 2006). Considering the prevailing labor costs and unemployment rates, companies are advised to calculate the approximate labor cost for every country and make comparisons (Daniels & Radebaugh, 2001). However, it is noteworthy to acknowledge that operating in low-wage countries are risky, given the fact that competitors could also follow the same strategy because of unforeseeable exchange rates creating wage pressure.

In addition to the cost of human capital, companies are suggested to consider the knowledge and experience of the human capital when making investment decisions in a particular country. If the host country managers and labor force are not qualified for project requirements, the company may need to devise training programs, redesign the project itself or bring the managers and labor force from home countries (Daniels & Radebaugh, 2001). All these activities require additional financial resources and time (Wild & Wild, 2006), thereby need to be considered before selecting a particular country for investment.

1.3.1.1.3. Cultural Forces

Language, religious beliefs, customs traditions, attitude toward the business and other different factors such as public and religious holidays, attitude towards work days and hours should be taken into consideration while scanning the countries for investment decisions (Wild & Wild, 2006). The underlying reason is that cultural elements may influence sales and the manufacturing process. Daniels and Radebaugh, (2001) emphasize that at the initial stages of internationalization, doing business in a country having a similar language, culture and legal system with the home country could be very convenient for companies and for its managers. Otherwise companies may need to change or adopt their product, service features, manufacturing process and designs in a new way which will be acceptable for the host country (Wild & Wild, 2006). Developing or redesigning the products or services, preparing new packages and scheduling new production process according to host country’s work ethic and conditions require additional financial resources and time.

1.3.1.1.4. Market Size, Economic and Financial Forces

Daniels and Radebaugh (2001) argue that sales volume is perhaps the most important factor that company managers have to analyze during the country selection process. As the authors pointed out, managers are motivated to invest in countries where the sales will be higher than the costs. In evaluating the profitability, the managers can use data about past and current sales and then forecast the volume of sales in host countries (Daniels & Radebaugh, 2001).

Sales volume is not the sole indicator of market size. The factors which are indicators of economic strength could give important insights into market potential. Managers are suggested to consider Gross National Product (GNP), degree of economic freedom, income per capita, economic growth rates, the value of exports and imports, availability and adequacy of distribution channels and commercial infrastructure, demographic trends, level of industrialization, information about major competitors (their names and market shares), market growth rate and consumption capacity in host countries (Wild & Wild, 2006).

Besides the aforementioned economic indicators, managers have to consider the taxing procedures and costs arising from corporate taxes and value added taxes. In practice, managers prefer making investments in countries which have essentially lower taxes rates (Daniels & Radebaugh, 2001). Accordingly, the amount of foreign direct investments may be three times more in countries having even 1 percent lower-tax rates compared to other countries. Although taxing regulations are guiding, governments sometimes reduce tax rates for large-scale projects which carry a specific importance for the country and its economy. Despite these factors, some of the companies are not willing to transfer their manufacturing processes to that kind of low-cost countries or to purchase low-cost raw materials from that kind of markets in order to keep the luxury brand image (Wild & Wild, 2006).

In addition to aforementioned economic and market related factors, financial factors, particularly availability of financial resources in the host country should be given special attention in country selection. When managers study the availability of financial resources and make decisions about from which country (home country

versus host country) to obtain those resources, they examine the interest rates, duration of the loan term and return on investment (Wild & Wild, 2006).

Apart from interest rates and ROI, company managers have to analyze the simplicity of accessing capital markets while planning investments abroad, especially under using FDI method (Daniels & Radebaugh, 2001). According to Daniels and Radebaugh (2001), some companies have a “liquidity preference” which implies having the desire and inclination to have highly liquid assets” like cash and cash equivalents (i.e., significant amount of money in bank accounts, easily marketable securities etc). Companies prefer such liquid financial resources to pay out dividends when needed, cover unforeseen expenses, or make purchases especially when raw material prices are declining (in times of price depressions) (Daniels & Radebaugh, 2001, p.453).

When assessing the countries for potential investment outlets, managers should evaluate the relative stability of exchange rates, the trade balance and the national bank reserves of host countries (Wild & Wild, 2006). As authors noted, managers have to examine if there are any problems or weaknesses concerning exchange rates, inflation rates and budget deficits because such problems and weaknesses may affect revenues adversely and accelerate the amount of costs for both local and international companies.

Although it does not seem to be an economical or financial factor, (Wild & Wild 2006) regarded the country’s image as one of the economic factors which company managers have to analyze during the country selection process. As they noted, companies having a strong brand image generally do not want to put their reputation at stake by having operations in countries with a poor image.

In sum, managers are suggested to evaluate the current demand, the purchasing ability of the general population or special segment, the technological background of the host country upon which managers choose the location and compile their business plan for the host country.

1.3.1.1.5. Easiness and Compatibility of Operations

Managers generally try to find easy ways of operating and making investments in a country. For this reason, they select countries having similar characteristics with the home country (Daniels & Radebaugh, 2001). Geographic proximity, existence of common borders and less border limitations and favorable taxing procedures are major factors that make performing international operations and controlling subsidiaries easier and more cost effective.

1.3.1.1.6. Country Infrastructure

A well-established infrastructure is regarded as an advantage for foreign contractors because good infrastructure, which implies the existence of high quality roads, railway lines, bridges, airports, seaports and telecommunication systems (J.Wild and L.Wild, 2006) could lower the operating costs and import of necessary materials easier (Daniels & Radebaugh, 2001). As part of the infrastructure, the bureaucratic system in the host country is worth for analyzing as well. If the bureaucratic system works without interruption, this could make a particular country attractive for investment (Wild & Wild, 2006). However, if the approval of documents takes time and the requirements for licensing and obtaining other grants are harsh, the country could lose its attractiveness. Therefore, managers should analyze the bureaucratic system in candidate countries in terms of the costs and time needed.

1.3.1.2. Risks

Unpredictability in the host country could be higher than that in the home country because of the relative unfamiliarity of the environment and difficulty to make forecasts (Daniels & Radebaugh, 2001). However, as time passes, companies gain experience in operating countries with different characteristics by closely evaluating customer trends, competitors and government actions. Such experience, in a way, reduces uncertainty regarding company success. As Daniels and Radebaugh (2001) noted, international companies tend to have a “lower survival rate” (Daniels and Radebaugh, 2001, p.452) in international markets, but after gaining necessary experience and becoming aware of environmental factors, the survival rate increases.

This kind of experience leads companies to make reinvestment in already-known countries rather than make new investments in new ones.

1.3.1.2.1. Financial Risk and Uncertainty

There are several financial and accounting related metrics that managers can use to evaluate the riskiness of a project in international markets (Daniels and Radebaugh, 2001). These metrics could be listed as discounted cash flows, economic value added, internal rate of return, accounting rate of return, return on equity and return on investment. However, among these metrics, return on investment (ROI) merits special attention given the fact that it provides important information about the profitability of investment projects.

According to Daniels & Radebaugh (2001), countries are different with respect to the expected rate of investment return. “To calculate an estimated ROI, a company averages the various returns it deems possible for investments” (Daniels & Radebaugh, 2001, p.451). As authors noted, a project may bring different ROI in different countries, which could increase the financial risk of companies, which do not take this fact into account.

Insurance is one of the best ways to reduce the risk and uncertainty rates (Daniels & Radebaugh, 2001). In the construction industry, contractors use insurance for financial obligations and insurances for construction operations and real estates. So as part of the financial risk evaluation process, managers should make a decision whether the calculated or estimated financial risk is acceptable for the company or if the manager should recalculate the ROI by taking into account additional insurance expenses.

1.3.1.2.2. Competitive Risk

Companies try to distinguish themselves from their competitors based on price or offering a unique product / service or become more competitive through finding less competitive markets and countries. Mostly, new entrants (companies entering a particular market recently) try to compete with local companies through new and modern technology through better quality or cheaper resources and large-scale

financial providers (Daniels & Radebaugh, 2001). According to Daniels and Radebaugh (2001), any advantage arising from innovation is of relatively short-duration, yet it is still very useful. In order to gain innovation-based advantages, companies sometimes move to the technologically developed countries and afterwards they compete with other companies at the target market (Daniels & Radebaugh, 2001).

Before gaining know-how and adopting modern manufacturing techniques, companies usually examine the international markets based on technology and other competitive forces in order to identify the threats. According to Wild and Wild (2006), in order to evaluate a particular market, company managers should obtain information about host country competitors such as the number of firms and their market share, their segmentation strategy, quality and price policy, suppliers and distribution channels, loyalty of customers.

1.3.1.2.3. Political Risk

Political risks generally arise from unexpected and unforeseen political changes, which mostly have negative consequences. As Sabangen noted (Sabangen, cited in Wild & Wild, 2006, p. 336), “Stability can attract international business but social unrest can severely disrupt operations and drive out international firms”. Therefore, political risk should be examined very closely. Revolution, war, armed conflict, civil war, terrorism, dictatorship, political instability and government’s constant flux and high-level civil protest could be listed as major political risks international companies may be faced with (Wild & Wild, 2006). As the authors emphasize, the information about political risk can be gathered from political officials of the host country, consultants, embassies, international bankers, reporters etc. Beside the specific information about political risks, companies should consider current political developments between home and the host countries. If governments do not have bilateral diplomatic relationships, it could be impossible for a company to invest in that particular country.

Having discussed the risks and opportunities in international markets in the previous sections, the modes / ways of entering international markets will be discussed in detail.

1.3.2. Country Entry Modes

Foreign market entry mode, also known as entry strategy, is an institutional arrangement for organizing and conducting international business transactions (Andersen, 1997). Entry mode selection is a very important strategic decision (Agarwal & Ramaswami, 1992) which appears to be one of the most heavily researched topics in the international business field. Agarwal and Ramaswami (1992) named the four most common modes for foreign market entry as being exporting, licensing, joint venture and sole venture.

According to Root (1987), being a part of the service industry, export entry mode cannot be accepted as an entry strategy for construction firms. In addition, construction business appears to be based on projects and one needs to take into account some unique contractual entry modes such as the Build-Operate-Transfer (BOT) approach (Chen & Messner, 2009). The typical entry modes applicable in the construction business are: Strategic Alliance, Build-Operate-Transfer (BOT) mode, Joint Ventures (JV) Project, Joint Venture (JV) Company, Sole Venture company, Representative Office, Branch Office, Licensing and Local Agent (Chen & Messner, 2005).

Aforementioned entry modes could be classified under 3 categories: inter-corporate level, corporate level and project level groups (Chen & Messner, 2009). For instance, strategic alliance is considered to be representative of inter corporate level, based on cooperative mode of entry (Chen & Messner, 2009). As authors emphasize, strategic alliance could also be classified under two categories: vertical and horizontal alliances for local, regional and international partners.

Corporate level entry modes consist of investment based – joint venture, solo venture companies and contractual based – local agent and licensing modes (Chen & Messner, 2005). And the last project level strategic entry modes are: joint venture project and Build-Operate-Transfer (BOT) modes (Chen & Messner, 2005). The figure 1.5. summarizes entry modes for construction companies operating abroad.

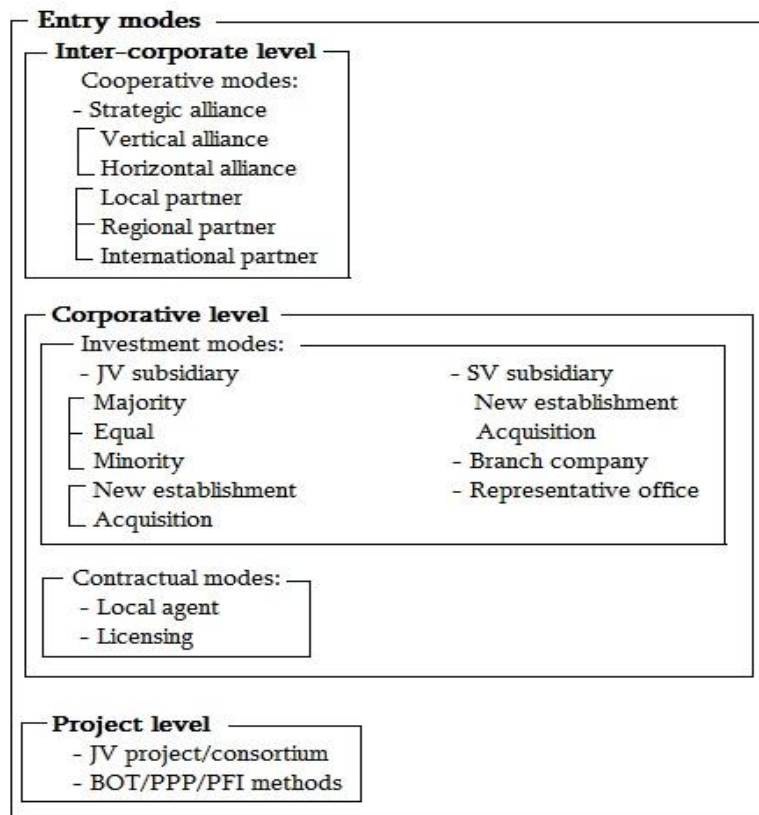


Figure1.5. Retrieved from Chen, C. and Messner, J. (2009). Characterizing entry modes for international construction markets: Paving the way to a selection model. *Engineering, Construction and Architectural Management*. Volume 18, issue 6.

Before giving the details about the aforementioned entry modes, it seems necessary to mention about the model developed by Gunhan and Arditi (2005). Researchers proposed an international expansion model for construction companies, yet this model is applicable for other companies as well. The model consists of two steps. According to Gunhan and Arditi (2005), at the first stage management determines whether internationalization is imminent for the company and whether the company owns the needed resources. At the second step, managers make a comparison of outcomes and expenditures and if the plan turns out profitable, thereafter they choose an entry mode. In the following parts, these entry models are discussed in detail.

1.3.2.1. Strategic Alliance

A strategic alliance (SA) is a “long-term inter-corporate association” based on trust and mutual respect for each participant’s business needs (Badger & Muligan, 1995). This type of association aims to defend and develop the interest of its members that includes customers, governments, suppliers, engineers, financial institutions and different type of unions (Chen & Messner, 2009).

In strategic alliance, parties enter into an agreement to share financial resources, human resources, technology, and profits in order to achieve organizational goals and to support their operations (Badger & Mulligan, 1995). The partner’s operating area which is the envisaged area of business determines the type of strategic alliance, being horizontal versus vertical alliance (Chen & Messner, 2009). If the alliance partners are on the same level of the industry, a horizontal alliance and if the partners are on a different level of the same industry, like the owner and contractor, a vertical alliance is established (Chen & Messner, 2009).

According to literature, there are four steps in every strategic alliance formation. The first step involves “capability study and validation” (Chen & Messner, 2009, p. 5). At this step, one of the partners conducts research and analyzes which company to select for an alliance. The second step, also known as the initiation step, involves relationship formation among the future partners (Chen & Messner, 2009). The third step is considered to be deal making, which includes negotiating the alliance conditions and documenting it in contract or in memorandum of understanding. When all the terms and conditions are discussed and the agreement is made, the alliance starts to operate on the fourth step (Chen & Messner, 2009).

A company wanting to operate in international markets can form the strategic alliance with a local firm. Besides that, two or more companies with a foreign origin can create a strategic alliance or several companies can form an alliance in their own country (Chen & Messner, 2009).

Chen and Messner (2009) describe that each way of strategic alliance has its own advantages and disadvantages. When two foreign companies form the strategic

alliance, they share risks, pool the resources, protect their assets and gain ability to respond quickly to market changes. When the foreign company creates an alliance with local partner, it reduces investment risks, share technology and machinery, enhance global mobility and strengthen global competitiveness. Thanks to the local partner's familiarity with construction codes and regulations, the foreign company does not need to conduct detailed analyses. Since the local company knows the market situation, competitors, suppliers, market demand and labor availability (Badger & Mulligan, 1995) better than foreign companies, the strategic alliance seems to increase the success rate of a company in the international market.

However, as Chen & Messner (2009) noted, a strategic alliance doesn't involve establishing an incorporated subsidiary, meaning that the staff of each partner remains at their own company.

1.3.2.2. Build-Operate-Transfer/Equity Project (BOT)

Although being widely used in the international construction industry, BOT has neither a well-established definition, nor an agreed upon title (Tiong, 1990). Some authors name BOT as a public private partnership (PPP) or a private finance initiative (PFI). In this study BOT will be used to refer to a specific international market entry mode.

International construction firms are mostly requested to provide financial resources for specific projects (Tiong, 1990). In facing such requests, these firms usually prefers BOT entry mode (Chen & Messner, 2009). According to Chen and Messner (2009), BOT is a project based alliance which involves an agreement with the government. In BOT projects, companies benefit from the concession made by government to such an extent that government agrees to let the contractor design and invest in country infrastructure and operate on it from 10 till 30 years. The construction companies obtains revenue from operations and after the expiration of a specified period, the infrastructure remains in the country cost-free or at a contract reflected price. These kinds of projects require high quality technology and involve extremely high costs and a long investment period. The selection of an international contractor is mostly performed by the governments based on project bids (Chen &

Messner, 2009) and the only contractor which complies with the bid terms is able to sign a contract with the government. These kinds of arrangements are usually made for big projects such as oil terminals, pipelines, refineries, power stations, dams, airports, ports and railway lines.

1.3.2.3. Joint Venture Project / Alliance

According to Chen and Messner (2009), a joint venture project or alliance is a very common entry mode and has several titles in business literature: consortium, contractual joint venture, or contractual alliance. This is mainly a project based alliance and is formed for a specific project for a determined period of time by two or more partners (Chen & Messner, 2009). According to Sridharan (1997), two types of joint venture alliances are observed in practice: integrated and nonintegrated. In integrated joint ventures, the staff is gathered by partner organizations for a single alliance project and these partners share responsibilities, loss or profit according to their assigned contract portions (Chen & Messner, 2009). In nonintegrated joint ventures, partners implement all kind of works without forming new staff groups. Partners share their responsibilities and revenues according to their respective contract portion. As Chen and Messner (2009) define, international contractors can form the project based joint venture with local firms with companies from the same region, or with other international contractors.

This mode of strategic alliance is used widely by international contractors. An international construction company could have several advantages through forming a joint venture with a local partner for a single project (Chen & Messner, 2009). The international contractor could save on various expenses by using the local partner's infrastructure and may not have misunderstandings and problems with local law system by using the established form and structure of local company. But on the other hand, if it is too hard to find a suitable partner which acts in line with local politics, they use contemporary construction methods and has an adequate knowhow and technological progress (Chen & Messner, 2009). Schrimmer (1996) mentioned that joint venture project partners sometimes have disagreements and struggles, and they are unwilling to share the liabilities. Such problems are mostly reflected on customers and result in loss of reputation and revenue.

1.3.2.4. Joint Venture Company

In contrast with joint venture project, a Joint Venture Company is neither a short term entity nor formed for single projects (Chen & Messner, 2005). As the authors noted, this type of partnership is established to implement sequential plans, therefore it involves long-term cooperation. A Joint Venture Company is formed when two or more legally separate bodies form a jointly owned entity in which they invest and engage in various decision-making activities” (Geringer, 1991, cited in Chen & Messner, 2009, p.8). If one of the partners in a Joint Venture Company is located outside of the venture’s operating place, the JVC becomes international and it can take the following legal forms, a corporation or a partnership (Geringer & Hebert, 1991). A JVC has three classifications and according to Schirmer (1996) it can be classified as majority JVC, equal JVC or minority JVC accordingly to partners’ entrant equity percentages.

A JV Company is a widely used approach for international contractors all around the world in order to enter new markets and gain their competitive advantages (Chen & Messner, 2009). In the process of forming this entry mode, partners encourage each other by cash, facilities, equipment, materials, intellectual property rights, labor and land-use rights too (Chen & Messner, 2009). The newly formed independent JV Company generally has its own title, brand image and brand face, independent management, staff and code and as usually JV Company partners share their responsibilities and profits as well according to their contract portfolio.

1.3.2.5. Representative Office

“A representative office (RO) is an unincorporated formal presence in the host country to perform noncommercial activities on behalf of the entrant’s head office” (Chen & Messner, 2009, p.7). According to authors, a representative office is characterized as a quick and simple way to create an official presence in an outdoor country and become familiar with their target market. A representative office doesn’t have the power to perform business activities and transactions, rather it is formed to provide market researches, shape business communications, make product promotion or precede negotiations on behalf of head office.

Because of its simplicity and flexibility, a representative office is considered to be superior to other country entry modes (Chen & Messner, 2009). In contrast with joint ventures and other forms of alliances, a representative office does not require major capital investments, doesn't need durable negotiated partnership agreements or does not involve sharing liabilities and responsibilities and splitting revenues. Besides these advantages, start up and regulatory costs may seem extremely high without local partnership and it may take a considerable amount of time to perform the first valuable project (Chen & Messner, 2009). The reason is that a representative office identifies the potential projects in target market but the headquarters, which evaluate those projects, could spent too much time to analyze whether the project is worthwhile or not.

1.3.2.6. Branch Office

A branch office (BO) which is also called branch company, has almost the same features as a representative office but there are still several differences (Chen & Messner, 2009). The authors define a branch office as a very simple and easy type of entry mode which creates a presence in countries abroad and in international markets. According to Chen and Messner (2009), the main difference among these two modes is that a branch office has the ability and permission for business activities and transactions in a host country. For the host country governments, a branch office is perceived like an independent association, which is mostly registered and legally responsible in case of legal disputes. Specifically, when conflict arises, the branch office, not the headquarters, has the main responsibility (Chen & Messner, 2009).

A branch office is a widely used entry mode for especially large-scale international construction companies. Well-known international construction companies are opening up branch offices in several countries and continuing its operations in more than two or three countries at the same time. Some contractors may have more than one branch office in the same region or in the same country.

1.3.2.7. Licensing

Compared to other entry modes listed above, licensing involves small-scale involvement in international markets. In licensing, companies exchange some kind of allowance, sign franchising agreements or transfer specific technology (Chen & Messner, 2009). Contracts give the licensee a right to use its exclusive resources such as patents, trademarks, brand names, technology and managerial skills. In the construction industry, licensing is used to get the permission for using some kind of similar services that the licensor provides in its local country. This method reduces risks substantially. However, it results in lower profit margins compared to other entry modes. Besides the lower profit margins, control of the quality could be problematic in licensing (Schirmer, 1996). That is, if the contractor, in other words licensee cannot provide projects with the desired degree of quality, the licensor's reputation could be impaired.

1.3.2.8. Local Agent

In international business, a local agent seems to be a commonly used method for performing business abroad, as evidenced by the significant amount of international construction projects performed through agents (Chen & Messner, 2009). A local agency is “a contractual arrangement between an entrant and a local agent, where the agent provides specific services for the entrant” (Chen and Messner, 2009, p.8). The entrants prefer to contact local agents in the target market and obtain critical information such as local market conditions with regard to social, legal, economic, political and financial factors, taxes, logistics, property and equipment purchasing, communication infrastructure, and work force. Upon request the agent can also arrange contacts with governments, with local owners or suppliers and can also assist the entrant with visa applications (Chen and Messner, 2009).

According to Schirmer (1996) the local agent mode is a very viable entry mode for contractors. Yet, the use of local agents is more difficult in the construction industry, compared to other manufacturing businesses. The reason for this is that the construction services are more specific and project-based and the agents most of the time demand substantial backup or incentives from contractors.

1.3.2.9. Sole Venture Company

A Sole Venture Company, the last entry mode, is a widely used international contracting form, which is formed through Foreign Direct Investment (FDI) or through the Mergers and Acquisition (M&A) method (Chen and Messner, 2009). In international business literature, these methods are regarded as the quickest way for accessing resources (Chen and Messner, 2009). The acquisition method involves a transaction in which the international contractor buys a local company and takes the ownership on all kind of assets which the acquired company ever had (Miller & Dess 1996). The international contractor increases its flexibility, gain control over processes and eliminates the risk of making agreements with partners having different plans and visions. In contrast to joint ventures, in sole ventures companies do not need to share profits or negotiate with other companies so the establishment of sole ventures usually take less time, yet still requires huge investments (Chen and Messner, 2009).

In the above sections, major topics related to competitive strategies and internalization are discussed. This thesis intends to investigate these topics in the construction industry, therefore in the following sections. First, the information about the construction industry and the prominent strategies used by companies in this industry are discussed.

1.4. CONSTRUCTION INDUSTRY

The construction industry significantly affects a country's national income and presents various opportunities for expanding operations worldwide. Currently, construction companies from both developed and developing countries are taking part in projects all over the world, which makes internationalization prevalent in the industry (Pheng and Hongbin 2004). Governments are supporting the construction industry, given its effect on the welfare of society and its development. As Moavenzadeh (1975) noted, both developing and developed countries are making a significant number of investments in the construction industry in order to develop physical facilities and infrastructure, satisfy economic and social needs and contribute to national goals. The construction industry has a strong impact on most country's

GDP and on employment rates (Pahang and Hongbin 2004). Despite the aforementioned contributions of the industry to society, the construction industry contains risks as well, especially in developing countries because of the fluctuating demand, economic uncertainties and political instability. These fluctuations in the economy make it difficult to make detailed forecasts and to pursue a selected strategy. As indicated before, this study examines the competitive strategies and market entry modes of construction firms. Before making the review of competitive strategies and market entry modes that construction firms use, it seems necessary to provide information about the construction sector from all around the world and especially from Turkey.

1.4.1. Construction Sector in the World

According to Pheng and Hongbin (2004), the international market for construction firms are classified under three categories: 1) construction business in less developed countries (LDC), 2) construction business in newly industrializing countries (NIC) and 3) construction business in advanced industrialized countries (AIC). Mainly African and Asian countries, such as Angola, Congo, Djibouti, Somalia, Uganda, Afghanistan, Bangladesh, Bhutan and Cambodia are listed as LDC. NIC composes of countries from different continents such as South Africa, Mexico, Brazil, China, India, Turkey etc. Advanced industrialized countries (AIC) are regarded as United States, Canada, Japan, Australia, United Kingdom, Italy, Spain and other European countries.

As of 1996, 78% of the international construction sector was held by AIC with 2,530,355 million USD spending, 18% of the market share was held by NIC with 664 349 million USD and only 4% of the international market share was held by LDC with 114 210 million USD spending (Pheng & Hongbin, 2004). Authors claim that in the 2000s, the market share of AIC companies' decreased to 77% while the NIC companies' share increased up to 19% and LDC companies' share however remained the same at 4%. Engineering News-Record data, which is considered to be one of the most prestigious publications of the construction business, indicated that the top 250 largest international construction companies had 521.55 billion USD revenue, 4.1% less than the previous year of 2014 from outside projects and 909.26 billion USD –

4.3% more in contrast with 2013 from domestic projects. The major countries, with the largest number of international contractors were China, USA, India, Indonesia, Canada, Australia and Russia. Among these major countries, China is planning to increase its share on the global market and reach 21% of the market share in 2020.

During the 2007-2008 economic crisis the internationalization strategy was important for construction companies in order to sustain growth and even to survive. During this period, the developing countries hosting many construction projects turned out to be the most profitable markets (Gabriel, 2014). The author indicates that the most attractive countries were African developing countries such as Angola, Mozambique and Morocco. The contractor's attention to these countries was partly due to existence of lower competition in construction market, access to cheap raw material, good bilateral relationships with governments and a high demand for new construction projects.

Apart from African market, the Asian construction market also seems to be the most dynamic construction markets in the world (Gabriel, 2014) (Chua, Wang and Tan 2003). According to the International Monetary Fund, China has the second largest economy in terms of nominal GDP and the construction industry has a major role in it. The Chinese government acts as a stimulator in developing internationalization strategies for Chinese construction companies. Government increases the competitiveness of construction companies by exempting them from taxes and by giving incentives for new technical developments (Gabriel, 2014). According to statistical data, during the first 5 months of 2013 more than 2,494 Chinese construction companies made direct foreign investments in 144 countries, mostly in African countries. The amount of investment reached US\$ 34.3 billion in 2012 and this number grew by 20.3% in 2013 (Gabriel, 2014). A significant amount of FDI in African countries was due to bilateral relationships among Chinese and African country governments. The loan for projects was provided by Chinese Export-Import Banks which are under the control of the Chinese government. The Chinese government still provides loans for large-scale projects considering the contribution of construction industry to Chinese economy (Gabriel, 2014).

The construction industry also seems to be one of the most leading sectors for the European market. Statistical data shows that approximately 9% - 12% of the total GDP comes from construction projects (Velasco, Serra, Pinedo, 2014). An annual publication, the so-called “European Powers of Construction” lists the 50 biggest construction companies from the European Union (EU). According to recent data, French companies make France the leading country in the construction area in terms of sales volume and market capitalization (Velasco, Serra, Pinedo, 2014). According to the report of Velasco, Benito and Serra, (2014), 3 large French companies reached 85.789 million € in sales and 40.808 million € in market capitalization. The second country having the largest share in construction business was Spain with 63.147 million € sales revenue. 6 Companies in Spain were listed in the top 50 construction firms. The third country was the UK with 45.694 million € revenue and at the same time this country was presented with the largest number of companies in the top 50 with 13 contractors (Velasco, Serra, Pinedo, 2014). According to these statistics, the top 10 countries in the construction business were: France, Spain, UK, Sweden, Austria, Netherlands, Germany, Italy, Turkey and Portugal.

The construction sector is one of the major industries, characterized by high amounts of investments. In the EU, the total investment in construction during 2011 amounted to 1.34 trillion €, decreased to 1.33 trillion € in 2012 and 1.27 trillion € in 2013 (Velasco, Benito, Serra, 2013). But according to recent figures, investments increased to 1.37 trillion € in 2014 (see figure 1.6) and on a country level, Germany, France and the UK construction markets were in leading positions with 54% of the total construction investments in the European Union (Velasco, Benito, Serra, 2014).

Construction Investment in 2014 (€bn)

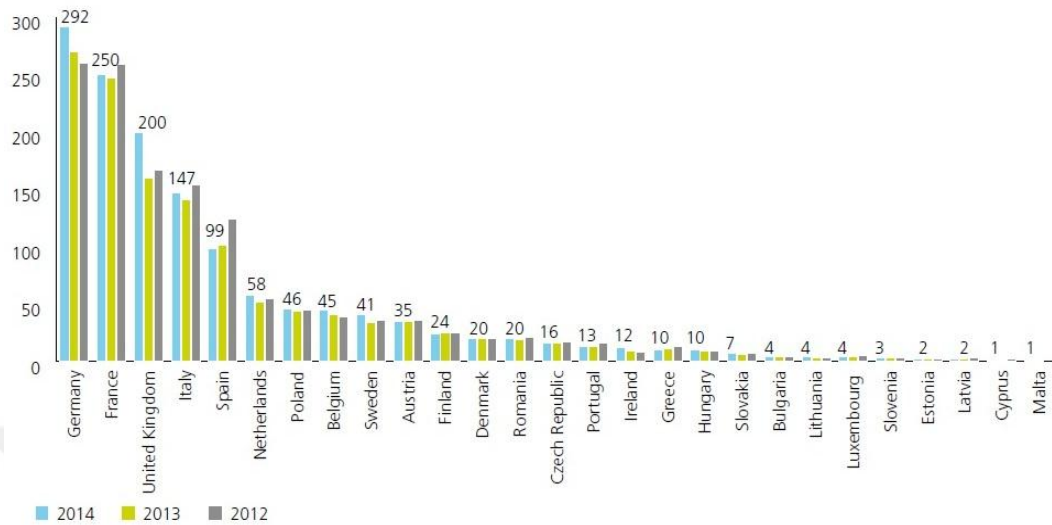


Figure 1.6. Velasco, M., Serra, M.A. and Pinedo, B.F. (2014). European Powers of Construction. *Delloite. June 2015.*

According to Velasco, Benito and Serra (2014), European Construction Companies were successful because of their diversification and internationalization strategies. Authors categorized these companies in two groups: a) construction groups and b) construction conglomerates. The difference between construction groups and conglomerates is based on company's diversification strategy. While construction groups focus only on construction projects, construction conglomerates diversify their portfolios to include both domestic and international projects. International contractors, mainly presented from France, Germany and Spain are interested in European country markets, in American, Asia-Pacific region and in African markets (see figure 1.7). During 2014, 50% of international sales were recorded in Europe, 30% in the American market, 15% in Asia-Oceania and 5% in African countries.

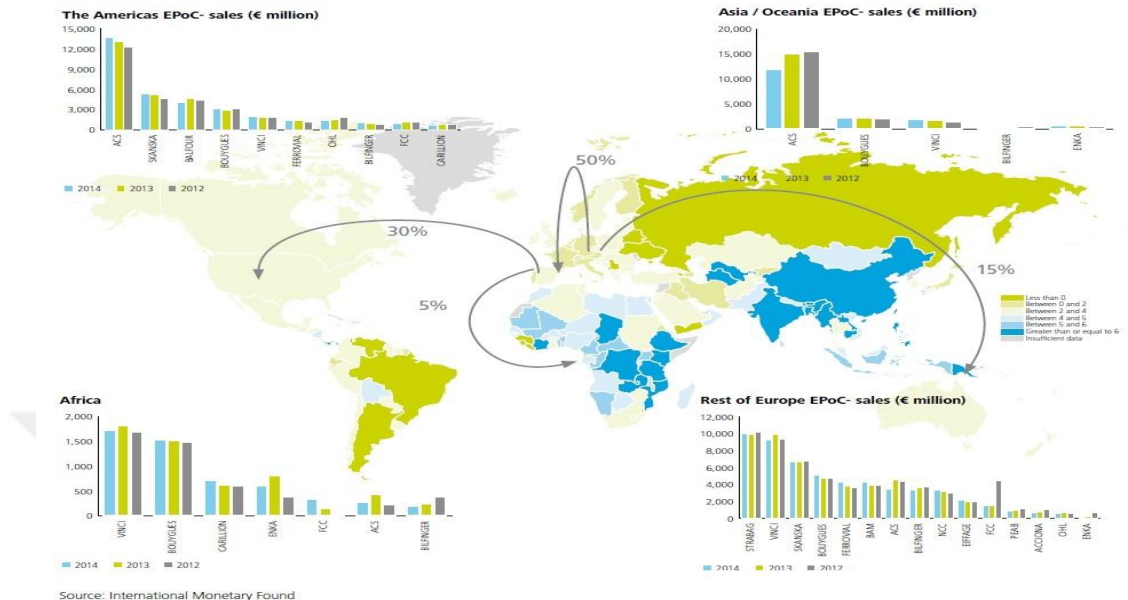


Figure 1.7. Velasco, M., Serra, M.A. and Pinedo, B.F. (2014). European Powers of Construction. *Delloite. June 2015.*

As the authors describe, due to small local consumer markets, the internationalization strategy seems to be essential for Austrian, Swedish and Dutch construction companies for development and augmentation. Among the top 25 global contractors, China has the primary position with 7 construction companies, followed by France and Japan with 4 firms and afterwards by USA and South Korea with two firms.

1.4.2. Construction Sector in Turkey

Thanks to the investments in infrastructure, the construction industry seems to be one of the major, fundamental and driving forces for the Turkish economy and for generating employment (Gökmen & Temiz, 2013). As the authors define, Turkish construction companies started to prosper in the late 1950s and after twenty years, that is the 1970's, they started to expand their operations to international markets, especially in the Commonwealth of Independent States (CWIS), the Middle East, North Africa and Far East regions. Several factors made internationalization easier for Turkish companies. Good political relations with other countries and Turkey's unique location (i.e., acting as a bridge between Europe and Asia) ease Turkish construction companies' entry to international markets. Besides, Turkish companies'

competent human resources, know-how and adaptability to new developments and technologies are claimed to give important advantages in international markets. (Gökmen & Temiz, 2013).

Thanks to the aforementioned advantages, the performance of Turkish construction firms became remarkable in the last 10 years. As Gökmen and Temiz (2013) reported, in 2002 Turkish contractors performed 128 projects in 32 countries with a value of 2.4 billion USD. Between 2002 and 2012, the number of projects increased to 576 in 49 countries with a value of 60 billion USD. The increased presence in international markets was due to a domestic financial crisis and decline in the number of domestic construction projects / investments. The construction firms, facing with price reductions in the domestic market, diverted their interest to international projects.

In 2001, because of the financial crisis in Turkey, purchasing power and the demand for real estate was decreased. The market condition improved a little in 2004 as evidenced by 14.4% growth rate in the construction sector. But in 2008, because of the adverse conditions in the world economy, especially the economic crisis in USA, the growth rate of construction firms fell again. After 2010, the construction industry in Turkey once again gathered momentum with an 18.4% growth rate, the sales volume reached 6.4% of Turkey's GDP in 2012, and further increased to 20% of GDP in 2013 (Gökmen & Temiz, 2013).

In recent years, the competitive advantage of Turkish constructing firms was derived mostly from international markets. The firms changed their focus "from labor intensive and small scale projects to technology oriented and large scale projects" (Gökmen & Temiz, 2013, p 16). The distribution of construction projects according to countries are listed in the Table given below.

As seen from the table 1.1, Turkish companies mostly had operations in Libya. However, almost all of them stopped their operations and transferred their assets from Libya due to political stability and war. Nowadays, Turkish companies mostly operate in Arabic and Turkish Republics.

Table 1.1 Gökmen and Temiz (2013) construction projects according to countries

1972 - 2012			2012		
<u>Country</u>	<u>Value (USD)</u>	<u>Share (%)</u>	<u>Country</u>	<u>Value (USD)</u>	<u>Share (%)</u>
Russian Federation	40.892	16.8	Turkmenistan	4.885	18.4
Turkmenistan	31.247	12.9	Iraq	4.384	16.5
Libya	27.766	11.4	Russian Federation	3.64	13.7
Iraq	17.112	7	Saudi Arabia	2.245	8.4
Kazakhstan	16.517	6.8	Iran	1.855	7
Qatar	12.241	5	Ethiopia	1.699	6.4
Saudi Arabia	12.161	5	Arab Emirates	1.288	4.8
Arab Emirates	8.446	3.5	Qatar	892	3.4
Algeria	6.478	2.7	Morocco	860	3.2
Romania	6.14	2.5	Others	4.845	18.3
Other	63.729	26.3	Total	26.61	100
Total	242.7	100			

According to Gökmen and Temiz (2013), the majority of international construction projects of Turkish firms are related to infrastructure development. Accordingly 15.5% of completed projects were highways, tunnels and bridges, 13.3% were housing, 9.3% - airports, 9% - recreational facilities and 7.7% - railroads. When selecting countries for operations, Turkish companies consider mostly the cultural differences, political stability, legal and language proximity, attractiveness of host market, tax and custom characteristics, accessing domestic labor force and etc. (Gökmen & Temiz 2013).

1.5. INTERNATIONALIZATION OF TURKISH CONSTRUCTION COMPANIES

As already mentioned, international construction sector appears to be an important part of the global economy. Han and Diekman (2001) listed four main reasons, which motivates the construction companies to engage in internationalization and accelerated the process of becoming global. The first reason is the creation of the General Agreement on Tariffs and Trade (GATT), now called World Trade Organization (WTO). This arrangement opened the domestic markets to companies of signatory countries (Han & Diekman, 2001). The second reason is related to the developments of regional trade blocs. Thanks to regional trade blocs, neighboring countries perform free business transactions, including construction-related projects. This made it easy to enter international markets in the construction industry. The third reason for increased internalization in the construction industry was standardization. Standardization of processes and quality established general rules and regulations for construction companies which enabled them to overcome entry barriers in international markets. The fourth and last factor is the rapid developments in the telecommunication and transportation industries (Han & Diekman, 2001) which made the world smaller and easier to spread information. Forces such as diminishing domestic markets, dismantling of trade and foreign direct investment barriers, emergence of regional markets, and the desire for higher profit have driven more and more contractors to enter global markets (Chen & Messner, 2005).

As Root (1994) emphasize, construction firms commonly use three rules to choose a country entry strategy: naive rule, pragmatic rule and strategy rule. The naive rule implies using the same entry strategy to all country markets (Root, 1994). The pragmatic rule, according to the author considers entering in the country market with the best compliance entry mode. And the strategy rule reflects strategy planning challenge for company managers – entering each country with the “right” entry mode (Root, 1994).

In the above pages, there was made a literature review about competitive and internationalization strategies and gave brief information about the construction sector in Turkey and the world. Because of the changing trends of the construction

sector, the latest data about Turkish construction services are provided in the following paragraphs.

According to Turkish Contractors Association's (TCA) 2014 data, after the 1999 – 2001 crisis, international companies regained their strength and began to develop. The major factors that give them a hand were economic stability, declined exchange rates and long-term loans with lower interest rates. The development process was stopped during the 2008 – 2009 world economic crisis, but afterwards the growth rate was doubled in 2010 and continues to increase till now. From the below table 1.2 and figure 1.8 you can see the distribution and the chart of data of the construction sector and the GDP growth rates in Turkey.

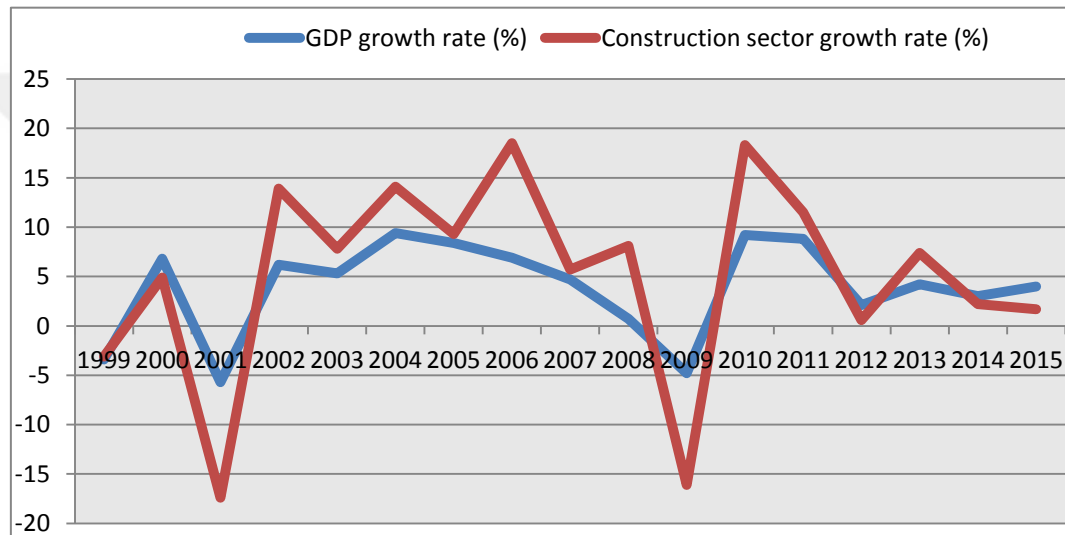
Table 1.2. Construction Sector Growth rate

Retrieved from http://www.tmb.org.tr/doc/file/YDMH_April_2016.pdf

Year	GDP growth rate (%)	Construction sector growth rate (%)
1999	-3.4	-3.1
2000	6.8	4.9
2001	-5.7	-17.4
2002	6.2	13.9
2003	5.3	7.8
2004	9.4	14.1
2005	8.4	9.3
2006	6.9	18.5
2007	4.7	5.7
2008	0.7	8.1
2009	-4.8	-16.1
2010	9.2	18.3
2011	8.8	11.5
2012	2.12	0.6

2013	4.2	7.4
2014	3.0	2.2
2015	4.0	1.7

Figure 1.8. Construction Sector Growth Rate



The development of Turkish contractor services is also proved by the data of “Engineering News Record”. In 2014 Turkey was holding the second position after China numbering a total of 43 companies on the international market. It should be mentioned that country government forecasts and plans to hold the first position in the above mentioned recordings for the 2023 year, on the 100th anniversary of the State creation.

Besides the industry growth rates, it seems necessary to provide the up to date information about annual international contracting services, its shares according to countries and the nature of works of Turkish international construction companies (see figures 1.9; 1.10; 1.11).

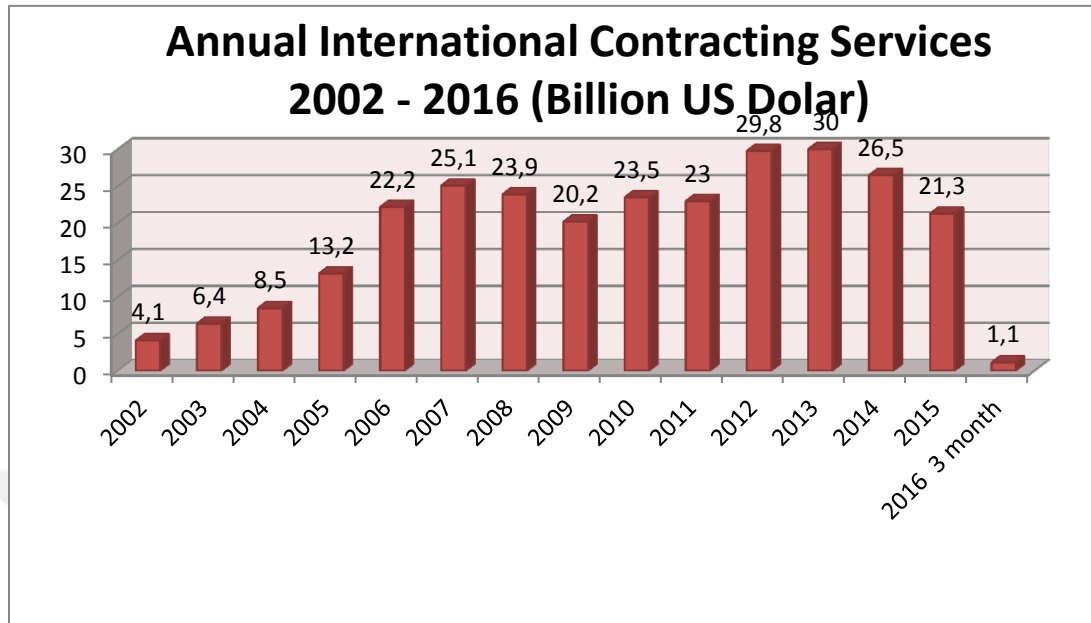


Figure 1.9. Annual International Contracting Services.

Source: http://www.tmb.org.tr/doc/file/YDMH_April_2016.pdf

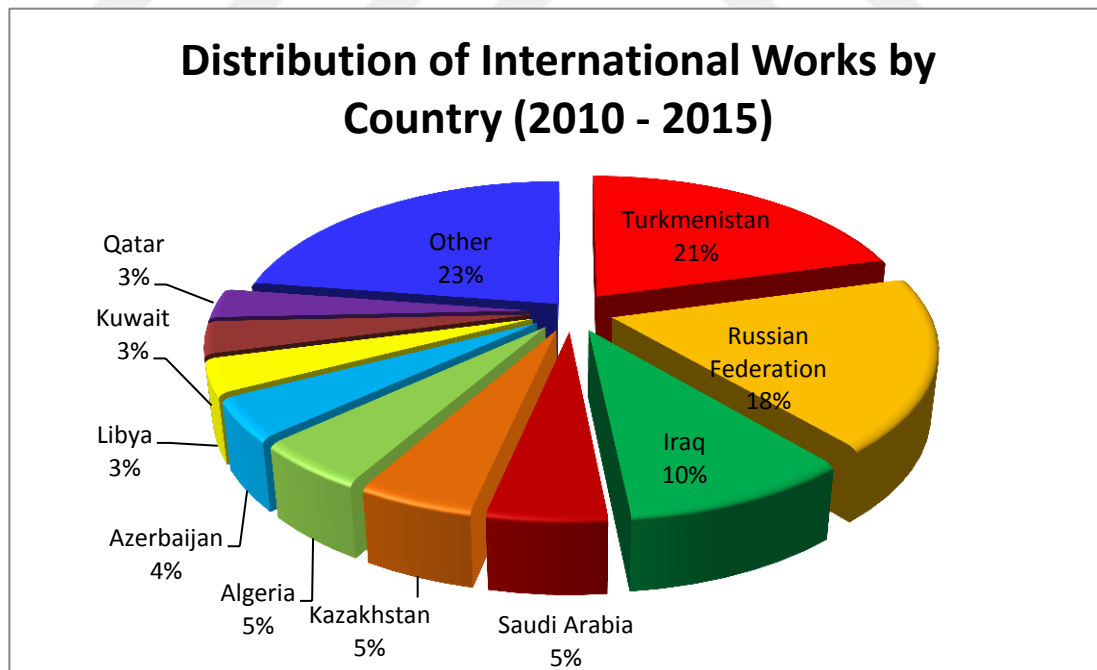


Figure: 1.10. Distribution of international works by country (2010 - 2015)

Source: http://www.tmb.org.tr/doc/file/YDMH_April_2016.pdf

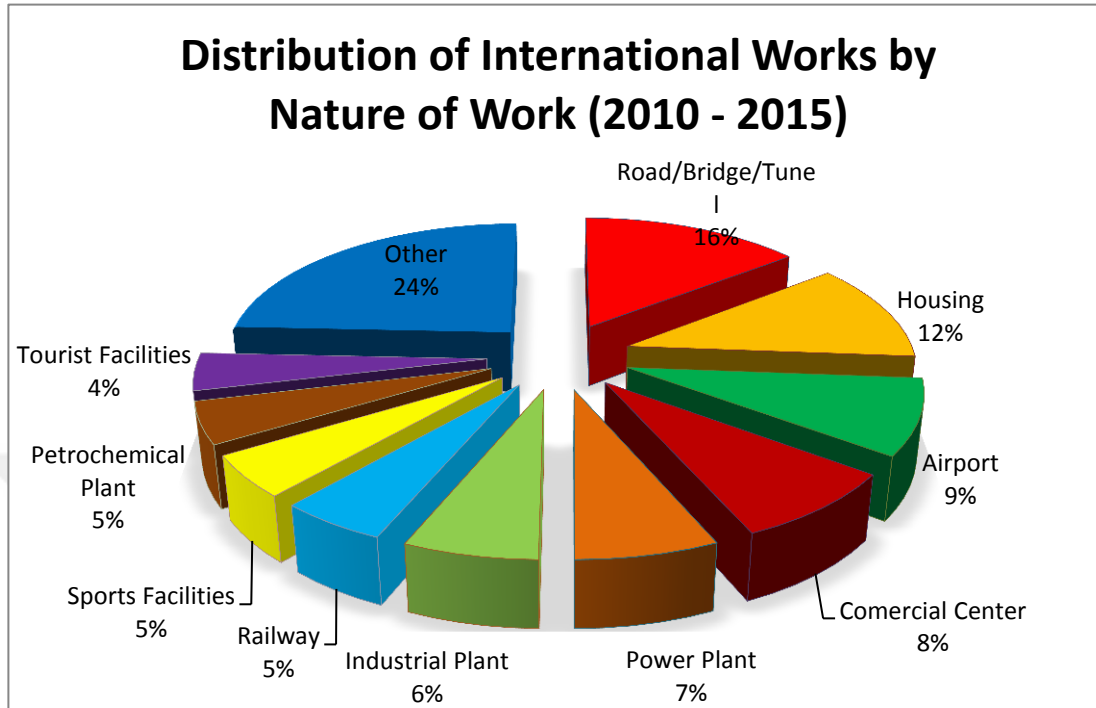


Figure 1.11. Distribution of International Works by Nature of Work.

Source: http://www.tmb.org.tr/doc/file/YDMH_April_2016.pdf

In the above pages we presented the tendencies of international Turkish contractor companies over the last few years, focusing on its type and nature of work as well as the tendencies according to country markets. Furthermore, to get a complete submission about this industry the entire list of Turkish contractor's accomplished projects according to countries with its total costs is reflected in the table 1.3.

Table1.3. Abroad Projects and their Costs.

Country	Number of Projects	Project Cost (USD)	Share (%)
Russian Federation	1939	64.781.172.931	19.9%
Turkmenistan	983	48.141.629.393	14.8%
Libya	601	29.177.248.500	9%
Iraq	957	23.577.659.835	7.2%
Kazakhstan	475	21.036.939.859	6.5%
Saudi Arabia	303	17.027.799.862	5.2%
Algeria	267	12.226.060.795	3.8%
Qatar	120	11.592.535.084	3.6%

Azerbaijan	363	11.105.817.048	3.4%
Arab Emirates	106	8.994.218.940	2.8%
Kuwait	29	5.927.193.921	1.8%
Afghanistan	609	5.543.603.277	1.7%
Ukraine	162	5.085.034.515	1.6%
Oman	46	4.824.461.151	1.5%
Iran	45	3.858.346.967	1.2%
Morocco	50	3.610.161.390	1.1%
Georgia	199	3.544.005.926	1.1%
Romania	171	3.512.339.548	1.1%
Pakistan	47	2.794.602.277	0.9%
Other	1283	39.074.568.800	11.8%
Total	8755	325.435.400.019	100%

Source: http://www.tmb.org.tr/doc/file/YDMH_April_2016.pdf

The above statistical data makes it clear that Turkish contractors are of the most competitive in the world. Due to the topic of this thesis one should name and also do a review of basic factors that made local companies successful in international markets, factors that differentiate Turkish companies from other country contractors and also those that indicates weaknesses and should be improved in future. Ozorhon and Demirkesen (2014) have made the SWOT analysis in this regard on Turkish construction companies which operate abroad and we will share this information with the reader.

1.5.1. Strengths

In their research Ozorhon and Demirkesen (2014) proved that the main opportunities of Turkish companies are the highly competitive low cost offers on international bids and the high productivity of the Turkish work force. As the authors prove, Turkish companies use the least-cost raw materials which make their offers attractive and acceptable. They also prefer to send their most competent, reliable and diligent workers abroad, to make it possible to complete the job effectively and efficiently in time. Studies also show that the educational level of Turkish engineers is high and the

absence of a language barrier among workers and head engineers at the construction site seems another great advantage.

According to the authors, in the 1980's Turkish contractors gathered vast knowledge and experience of construction works, the use of technology, foreign relationships and the main issue, how to operate internationally from foreign construction companies operating in local markets in accordance with local companies. This experience and knowledge became the guide and accumulated strengths for Turkish companies in the international construction industry. Ozorhon and Demirkesen (2014) also claim that establishing good relations with foreign customers was of great benefit to Turkish companies in future projects.

1.5.2. Weaknesses

Besides the above stated positive factors, there were and still are several weaknesses that prevent Turkish companies from accessing foreign markets. For example, the family-owned organizational structure of Turkish companies became the main obstacle in risk evaluation issues (Ozorhon & Demirkesen, 2014). As mentioned above, war and hostile actions in Libya became the reason for all Turkish contractors to loose shares and abandon that market with great losses. Accordingly, the lack of risk management and inconsideration of establishing joint ventures or partnerships seems the main weaknesses of Turkish contractors (Ozorhon and Demirkesen, 2014). As Ozorhon and Demirkesen (2014) emphasise, some of the strengths seem to be weaknesses for international Turkish companies at the same time. For example, the skilled workforce does not have language barriers within the staff, but generally they have this problem in society. Adaptation problems occurs with environmental conditions such as a difference in time, weather conditions, food and water, problems with culture, apparent visa obstacles and this is not a small list of weaknesses.

Operating abroad, especially in such complicated industries like the construction sector requires several sets of managerial operations. According to Ozorhon and Demirkesen (2014) Turkish companies have problems with other issues as well: mobilization and coordination is one of the weak aspects of Turkish companies, delays from customs seriously impede the construction processes and local government bureaucracy with ee letters of guarantee also hamper the manufacturing

process. As Ozorhon and Demirkesen (2014, p.3) outline, “Turkey doesn’t have any Engineering Procurement Construction (EPC) firms” and as a result “Turkish contractors are not good enough in Engineering design and project management so they cannot compete in large scale projects” (Ozorhon & Demirkesen, 2014; p.3). Besides, the Turkish materials, which Turkish contractors use in abroad operations does not fit in with some countries’ quality requirements or with bid providers and they don’t have the ability to compete and take part in the high leveled construction markets.

1.5.3. Opportunities

The greatest opportunity for all kinds of businesses and for the construction business as well is the government and its support. According to Ozorhon & Demirkesen (2014), in the 1980’s the Turkish government signed a trade agreement with the Soviet Union and as a result Turkish companies gained a great chance to enter into the Soviet Union’s huge market. Turkish contractors benefit from this opportunity today as well and the Russian market continues to be one of the biggest foreign markets for Turkish companies (Directory of Turkish Contractors, 2014). But because of recent negative developments, referring to the shooting down of a Russian aircraft by Turkish Air Forces in November of 2015, the relationship between Turkish and Russian governments have changed and it might have a negative effect on the construction industry too. Besides the good political and country bilateral relationships, Turkish contractors have an opportunity to get extra funds from government in order to widen the country’s economy and to get involved in the international business world through operating abroad (Ozorhon & Demirkesen, 2014).

Besides the government support, Turkish contractors had used and continue using geographical proximity, religious similarity and cultural resemblance as major opportunities to show business performance in Azerbaijan, Iran, Iraq, Middle East and Arabian countries (Ozorhon & Demirkesen, 2014). As the authors emphasize, these factors and opportunities make Turkish companies successful in attracting customers, clients and suppliers too. Especially the geographical closeness was the reason for some of international Turkish contractors to execute restoration works after

the Iran – Iraq war in the 1980's (Ozorhon & Demirkesen, 2014). This opportunity and ability turned into a huge income and profit for Turkish companies and its home country economy.

1.5.4. Threats

After doing the review on several authors who have studied the Turkish construction sector, it became apparent through the information obtained from the Directory of Turkish Contractors (2014), that the main reason for Turkish companies becoming international, seems to be the turbulent domestic market and at the same time this factor appears to be the biggest threat (Ozorhon & Demirkesen, 2014). The financial crisis in Turkey in the 2000's had a negative influence on construction companies. A significant number of companies halted the whole cycle of projects, investments were abolished and the industry experienced a sharp recession.

Almost all Turkish construction companies are quality-oriented and try to be competitive in this regard, but the disastrous demolition results of the Izmit earthquake in 1999 seriously tarnished the image and the name of Turkish contractors in the domestic market as well as abroad. These kinds of occasions always effects badly on construction companies and threatens its future success and, because of its nature, they are also very difficult to forecast.

1.6. RESEARCH QUESTION

In the first section of this thesis, in the literature review part, competitive strategies, internationalization strategies, internationalization motives and difficulties, and country entry modes were reviewed. In the framework of aforementioned factors, there were analyzed local and international construction markets.

In the context of this thesis, qualitative research is considered to be appropriate. The Detailed discussion about this method of research will be presented in the following parts of the research, but before that, it seems necessary to state the following research questions:

1. Which competitive strategies are used by Turkish construction companies on local/domestic and on international markets?
2. What are the basic motives of becoming international firm?

3. What kind of difficulties does international Turkish contractors face while internationalization process?
4. Which type of entry modes are used by international Turkish contractors?



CHAPTER 2

METHOD

As indicated before, the aim of this research is to investigate the competitive and internationalization strategies of Turkish construction firms by using existing theories as frame of reference. For this purpose, the qualitative research techniques were applied. In the following sections, the details about data collection and analysis framework are explained in detail.

First of all, the nature of qualitative research and data collection methods peculiar to this type of research are discussed. Secondly, data collection methods used in this study are mentioned together with reasons for its choice. Thirdly, details about the data collection process, the issues about ethics and reliability are explained. Fourthly, the specific information about population and sample are provided and lastly, the coding scheme that is used in the analysis of the data is provided to make the results section more understandable.

2.1. DATA COLLECTION METHOD

This study aims to investigate the competitive and internalization strategies of the firms by taking into account the specific forces affecting only the construction sector. Since the strategies are largely shaped by the industrial and environmental factors, it is decided to use qualitative research methods, which is known to provide rich descriptions of the social world and to enable a better analysis of the constraints of daily life compared to quantitative methods (Denzin & Lincon, 2000). Due to the fact that this research makes use of qualitative research, the following sections provide only the details about qualitative research methodology.

2.2. QUALITATIVE RESEARCH

There are voluminous numbers of definitions of qualitative research methodology and data collection methods associated with it. For example, Golafshani (2003) defines it as “*a naturalistic approach that seeks to understand phenomena in context – specific settings, such as real world setting*” (p. 600). According to Kvale (1996), the qualitative research seeks to describe the meanings of central themes in the real lives

of its subjects. Accordingly, the main task in qualitative research is to understand the meaning of what the study subject says. Like Kvale (1996), McNamara (1999) claims that qualitative research is particularly useful for getting the story behind a participant's experiences.

Considering the nature of qualitative research, many academics have explicated the roles of qualitative researchers and underline the advantages and disadvantages of this research method. For example, (Golafshani, 2003) there is an assumption that qualitative researchers seek illumination, understanding and extrapolation unlike quantitative researchers, who seek causal determination, prediction and generalization of the findings. According to Patton (1990), qualitative researcher tries not to affect or influence rather he/she tries to understand and show the reality related to research question or topic (Patton, 1990). For this reason, qualitative researchers are involved in ongoing processes of the real world, make recordings and strive to demonstrate the credibility of gathered data or information (Patton, 1990).

The most common and dominant types of data collection methods used in qualitative studies are observation and interviews (Golafshani, 2003). In this study, interview technique is used to gather information considering its advantages regarding the possibility of probing the answers of the respondent and gathering detailed information about contextual factors (McNamara, 1999). In the following chapter, the characteristics of interview techniques are discussed briefly.

2.2.1. Interview Types and Technical Issues

Interview is one of the most commonly used data collection techniques, especially in studies using qualitative research methodology (Myers & Newman, 2007). Three types of interview techniques are cited in the literature namely, structured interview, semi structured interview and in-depth interview. These techniques differ from each other with respect to their assumptions and technicalities regarding the data collection process.

Structured interviews involve the use of structured questionnaires, which includes predetermined questions and answer choices. In structured interviews, interviewers are trained to ask questions in a standardized manner (Britten, 1995). This type of

interview is characterized with close-ended questions, where the respondent has to choose one of the given estimated answers on each question. In contrast with a structured interview, “semi structured interviews are conducted on the basis of a loose structure, consisting of open-ended questions that define the topic / area to be explored. However, the interviewer or interviewee may diverge from the questions and ask additional questions or give answers in order to pursue an idea in more detail (Britten, 1995. p. 251). In-depth interviews, on the other hand, involve conducting detailed interviews with a small number of respondents to uncover their perspectives on a particular idea, program, or situation” (Boyce & Neale, 2006. p. 3).

According to Boyce and Neale (2006), in-depth interviews are useful if the researcher is looking for detailed information about a person’s or a group’s thoughts, behaviors or experience. The main advantage of this technique is that it gives more detailed information than any other kind of interview techniques (Boyce and Neale, 2006). It is also known that respondents feel themselves much more comfortable during this kind of interview process, especially when they are retelling their past experiences or unveiling an opinion (Boyce and Neale, 2006).

In this study, the in-depth and semi-structured interview techniques are preferred to gather detailed information about the strategies of construction firms. Before starting the data collection, questions were prepared considering the findings and theories cited in the literature. However, in face-to-face meetings conducted with middle and top-level managers of Turkish construction firms, additional questions were asked in case the answers need further clarification. As in-depth interviews, respondents answered the questions without considering the predetermined answer choices and they were given a chance to ask questions to the interviewer.

Questions were prepared by the researcher considering the themes constructed from the relevant literature. The questions were examined by two academics who were knowledgeable about strategic management to ensure content and construct validity. In the first set of questions, three questions were asked to get information about the history and operations of the companies (see Appendix for the questions). Following the advice of Creswell and Miller (2000) the information obtained from the websites and annual reports of companies was compared with the information gathered from

interviews in order to ensure the internal validity of the findings. However, in line with the premises of an in-depth interview, additional company-specific questions were asked to clarify the answers of the participants and get a more complete picture about the companies.

In the second set of questions, several questions about competitive strategies were asked. In the first question, participants were asked to answer the question related to competitive factor(s) that differentiate themselves from other companies in the domestic market (“Which factors differentiate your company from your competitors and give you an advantage in the domestic market? This open-ended question intended to identify the bases of competition in the Turkish construction market. The second question was again related to competitive factors, yet this time intended to identify the bases of competition in international markets (Which factors give your company a competitive advantage in operations outside Turkey? These two-open ended questions aimed to give us information about the competitive strategy that was implemented by the company on domestic and on international markets. As indicated in later sections, the answers were analyzed through pattern matching techniques, which involves the comparisons of expected pattern (i.e., the pattern deduced from theory) with that of observed patterns (i.e., pattern deduced from the data). Although this technique is thought to enable an in-depth analysis of the competitive strategies, additional close-ended questions were asked to verify the findings and specifically to establish whether pattern comparisons were supported. Major factors (i.e., price, cost, quality, target customer group, after-sale service, high quality human resources, having high quality technology and equipment, corporate image, openness to innovation and change) in Porter’s Competitive Strategy Framework were identified. Participants were firstly asked whether those factors gave them competitive advantage in international factors and secondly they were asked regarding their level of agreement about that factor’s contribution to competitive advantage. For example, the participants were asked to indicate whether price gives them competitive advantage with Yes / No and then they were asked about their level of agreement with the item “I think price is effective at gaining competitive advantage over your competitors”. Although asking close-ended questions seems to be at odds with the philosophy and assumptions of qualitative research, they were added to interview in

order to clarify the answers and ensure internal validity by means of data triangulation.

The third sets of questions were related to internationalization. Through open-ended questions, information about

- the motives (the reasons for becoming international)
- advantages and disadvantages of internationalization,
- the obstacles and difficulties faced in international markets
- the factors affecting country selection
- the modes used to enter foreign market and the reasons for selection this mode.

Apart from the aforementioned topics, the questions about human resource management, financial management and controlling were asked to explore the operating style of Turkish construction companies in foreign markets. To the knowledge of the author, there is a limited amount of research in the literature addressing specific issues about these areas.

As indicated before, the interview questions were prepared considering the theories and the findings of previous studies and examined by two academics. Before starting the data collections, the questions were submitted to Hacettepe University's Ethic Commission and got the commission's approval regarding ethics (see appendix for the Ethic Commission's decision). The copy of the letter of approval was shown to all participants prior to interviews. All of the participants signed the informed consent, which gives information about the aims and scope of the study together with their rights (i.e., right to withdraw from the study, anonymity of their answers and company's name)

2.3. RELIABILITY AND VALIDITY

The reliability and validity of the findings was assessed considering the suggestions cited in the literature. Before mentioning how issues of reliability and validity were addressed, the meaning of reliability and validity and the methods for assessment were briefly discussed in the following parts.

Some researchers claim that it is not appropriate to evaluate the reliability and validity of qualitative research with the same perspective used in quantitative research. For example Golafshani (2003), claims that qualitative research should be examined through its own quality. According to Stenbacka (2001) “quality concept in qualitative study” involves the evaluation of the quality of understanding the meanings and contexts” (p. 551). Although qualitative and quantitative research should be judged based on different bases and criteria, as Patton (1990) noted, a qualitative researcher should still pay attention to reliability and validity while designing the study, analyzing the results and making conclusions regarding the quality of the research. Lincoln and Guba (1985) have listed the number of criteria that ensure the quality of research without directly giving reference to reliability and validity. These criteria are: credibility, neutrality, confirmability, consistency, dependability, applicability and transferability.

Moreover, Miles and Huberman (1994) have listed ten norms that qualitative research should meet. If the norms have not been satisfied, the reliability of the findings is assumed to be adversely affected. Research questions are distinct and compatible with the study design.

1. The importance and roles of the researcher are described in details.
2. Conclusions are derived from the data in terms of sources and time.
3. The study includes an analytical review of basic theories.
4. The full spectrum of parameters is considered during data collection.
5. If the study requires the existence of multiple researchers, these researchers act in accordance with the research guidelines (i.e., research implementation / methodology guideline). Research results are examined by other persons for cross-validation purposes.
6. Data quality is checked through rigorous inspection procedures.
7. The reports of other observers are available for examination.
8. Consent letters and counterpart reviews are available.

LeCompte and Goetz (1982) have also listed the strategies in order to ensure the reliability in qualitative researches. The first strategy involves providing data in a consistent way without inserting any comments or interpretations of the researcher

(LeCompte and Goetz, 1982). In this study, this strategy is implemented by giving the answers' of respondents without any alterations and disguising the names of the companies. The respondents' answers were given with direct quotations, without any editing of grammar and lexical errors. It is noteworthy to mention that all answers were initially in Turkish, due to the fact that interviews were conducted with respondents who have Turkish nationality. The answers were translated into English using a direct translation technique and presented with direct quotations. After direct quotations were presented, the researcher expressed his personal opinions and comments.

According to LeCompte and Goetz (1982), the second strategy involves incorporating the opinions of other researchers in order to increase the number of people finding the research reliable in terms of data collection, and analysis. The second strategy is also implemented in this thesis to such an extent that the thesis supervisor is involved in every phase of the research

The third strategy cited by LeCompte and Goetz (1982) involves triangulation, meaning that data gathered from one data-collection method should be verified with the data gathered from other data collection methods. For instance, the data obtained from interviews should be verified with observation data (or other reliable information sources). In this study, the interview data was validated by examining the websites and annual reports of the companies, the trustworthy publications such as ENR (Engineering News Record) and the Foreign Economic Relations Board of Turkey (DEIK)

The fourth strategy suggests the involvement of another researcher in data analysis. Such an involvement is assumed to be useful for confirming the conclusions derived from the data (LeCompte and Goetz, 1982). This strategy is also implemented by the active participation of the thesis advisor in data analysis process. The thesis advisor examined the themes and patterns that were used in content analysis.

The last strategy of LeCompte and Goetz (1982) involves constructing the conceptual framework of the study, which would guide the data collection and analysis. This

strategy is also taken into account in this study by constructing the study plan and clarifying the patterns and themes that would be used in data analysis.

For reliability, several strategies and guidelines are suggested to ensure the validity of the qualitative research. In contrast with reliability, validity focuses not on the practical issues, but on the whole picture of the study. According to Yildirim and Şimşek (2006), the researcher has to create a unifying and holistic picture of the research question. Kirk and Miller (1986) claim that, if the case or results are presented in real, impartial and unbiased way by the researcher, the concerns about validity could be addressed. The different researchers suggested different guidelines for addressing the validity in qualitative research. Through acknowledging the value of each suggestion, the advice and suggestions of Creswell and Miller (2000) are used as a framework for assessing and ensuring the validity of the findings in this thesis study.

By considering the works of various researchers (e.g., Altheide and Johnson; 1994; Denzin & Lincoln, 2000), Creswell and Miller (2000) outlined different techniques that could be used to validate the qualitative data. The researchers following a post-positivist or systematic paradigm assume that qualitative research consists of rigorous methods and systematic forms of inquiry, thereby they suggest triangulation, member checking and an audit trail. Accordingly, researchers search for convergence among multiple and different sources of information to form themes or categories in a study (Creswell & Miller, 2000). Triangulation could be made across data sources (i.e., participants), theories, data collection methods (i.e., interviews, observation, documents etc) and among different investigators (Denzin, 1978). In this study, triangulation was made for participants and data collection methods. Data were collected from different respondents, and the correctness of the data was checked by comparing it with the data obtained from company reports, company websites and third-party publications (i.e., publications of professional or state institutions). In addition to triangulation, the researchers having a post-positivist paradigm could use member checking technique to ensure validity. Member checking involves showing data and interpretations to the participants so that they can confirm the credibility of the information and narrative account. In this study, some participants were asked to

examine the narrative to ensure the internal validity. In line with the post-positivist paradigm, an audit trail technique was used to ensure the credibility of the findings. In this technique, third parties (i.e., Individuals external to the research) were asked to examine the narrative account. Their examination is assumed to contribute to the validation of the data.

As indicated above, various techniques and strategies were used to establish the reliability and validity of the data. Ensuring the credibility of the findings was the main concern of this study. It is noteworthy to acknowledge that despite all these strategies, it is not possible to be sure about the validity and reliability due to the nature of qualitative data.

2.4. PARTICIPANTS

The scope of this thesis is limited to the internationalization and competitive strategies of construction firms. Therefore, the sample composes of firms operating in both Turkey and other countries. In order to ensure the representativeness, 43 Turkish companies listed among the top 250 international contractors in “Engineering News Record” were identified. This report is used as a frame of reference since it is accepted as one of the most reliable sources about the construction industry. In line with the Engineering News Record, the Turkish Contractors Association (TCA) also lists these 43 companies among the world’s top 250 contractors in 2015, which makes the selection of these companies appropriate. The representatives of these companies were tried to be reached through e-mail and telephone. Despite all attempts to maximize the number of participant companies, data were obtained from only 10 companies, constituting a 23% response rate. Although the response rate is below the initial expectations, collected data still enabled an in-depth analysis of the research questions. Sample size was judged to be adequate since the data reached to saturation, meaning that additional data did not provide new insights about the research topic.

In the following parts, the details about participants were given in order to ensure the credibility of the data sources.

2.4.1. First Company Profile

The first company is a large-scale holding company which has investments and operations in the energy, facilities and management foreign trade sectors in addition to the construction sector. Being established in 2007, the company is headquartered in Dubai although it operates mostly in the Turkish Azerbaijan construction sector. According to Engineering News Record Magazine's report released in 2015, the company was placed as the 157th biggest contractor and the 197th prominent designer among the top 250 international contractors. In its list of accomplished and ongoing projects are the Baku Flame Towers Project, Heydar Aliev Center Project, Shahdag Tourism Complex Project, Bilkent Integrated Health Campus Project (1,2 Billion Euro project), Baku Premium Villas Project and the Baku Palace.

The data from this company was collected through an in-depth interview with the company Country Co-ordinator on March 2nd, 2016.

2.4.2. Second Company Profile

Like the first company, the second company is also a large-scale firm. Unlike the first company, this company was originally founded in Turkey and has more experience since being established in 1982. In its 35-year worldwide experience, the company completed many turnkey projects all around the world for numerous ministries, governments, international companies, charity organizations and the United Nations. The company operated in countries in the Middle East, Asia, Europe, Africa, South America and Australia where it completed a variety of projects (i.e., general contracting projects, oil and gas projects, built worker residential cities, labor camps, military camps, emergency accommodation units, steel workshops, warehouses, aircraft hangars, administrative buildings, hotels and holiday villages, hospitals, health centers, schools and GSM cabin projects). Besides being a constructor, the company is also one of the largest manufacturers and distributors of panelized prefabricated buildings, modular units such as accommodation containers and heavy steel structures. It is noteworthy to mention that these products constitute a large portion of the company's raw materials for its construction works. Due to the workload, face to face interviews could not be held. However, data were gathered

from the public relation director through questionnaires. The director answered the interview questions in detail in a written format.

2.4.3. Third Company Profile

The third company is again a very large-scale holding company which operates in the construction, real-estate, tourism and art industries. The company was established in Turkey in 1995 and started its operations in both local and international markets. The majority of international construction projects (approximately 95%) were performed in Turkmenistan. Of those completed projects, the most significant ones are: Independence Monument, 10th year Monument, Neutrality Monument, Monument to the Constitution of Turkmenistan, Television Tower, State Archives of Turkmenistan, Cultural Heritage Center, Building of Tax Ministry, Building of Culture Ministry, Ministry of Defense Emergency Center, Military Academy Buildings Complex and the Avaza Convention Center. The most remarkable project is the Ashgabat International Airport with a 2 Billion 253 Million USD value. Besides Turkmenistan, the company operates in Russia and in Uzbekistan and is the owner of 133 completed projects since its establishment. The company has been ranked as 62nd on the ENR Top International Contractors list of 2015. Like the second company, the data were collected from this company via questionnaires. The manager of the planning department answered the interview questions in detail in writing.

2.4.4. Forth Company Profile

In addition to the construction industry, the fourth company operates in a variety of industries, such as the energy (i.e., hydroelectric and wind energy production), real estate, finance (i.e., brokerage services), tourism, manufacturing (i.e., pipe manufacturing) and trade (i.e. import and export) industries. In the construction industry, the company usually prefers turnkey operations and did their first international project in 1995. Since its establishment (i.e., 1993), the company completed more than 60 projects involving the renovation and construction of industrial plants, residence complexes, hotels and office buildings in different countries such as Afghanistan, Azerbaijan, Belarus, Djibouti, Georgia, Germany, Iraq, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Romania, Russia, Tajikistan,

Turkmenistan and Uzbekistan. The company served both public institutions (i.e., US Army and different country governments and ministries) and private multinational brand companies, like Coca Cola and Pepsi Cola, The company has been ranked 233rd on the ENR Top International Contractors list of 2015. The data from this company was collected through an in-depth interview with one of the company's top officials.

2.4.5. Fifth Company Profile

Like the other four participants of this study, the fifth company is also a large-scale holding company. Beside the construction sector, the company operates in the construction supply, education, furniture, retailing, paper and printing, real estate management, tourism, insurance, catering, security and airport services and energy industries. The company was established in 1969 in Turkey and since 1995 operating in the international market in the following countries: Afghanistan, Albania, Azerbaijan, Chechnya, U.A.E, Bosnia, Georgia, Croatia, Iraq, Kazakhstan, TRNC, Egypt, Russia, Turkmenistan, Tunisia and the Ukraine. In the construction industry, this company engages projects involving renovation and construction of apartments, malls, commercial buildings, healthcare facilities, education facilities and campuses, sport and recreational facilities, hotels and holiday villages, military facilities, power plants and industrial facilities, transportation structures and roads, pre-engineered buildings, urban infrastructure, pipelines and water supply facilities and religious buildings. The company has been ranked as 248th on the ENR Top International Contractors list of 2015, but it was in the 217th place in 2014. The data from this company was collected through face to face interviews with a company business development director on the 24th of May, 2016.

2.4.6. Sixth Company Profile

The sixth company, which was established in 1974, firstly provided engineering and consultant services for industrial type buildings. The company started to operate in the construction industry in 1987 and since this date, the company has completed projects related to the construction of energy and power plants, cement plants, iron and steel plants, sugar plants; airport & military facilities, industrial buildings, hotels

and tourism complexes, educational buildings, sports complexes, and residential buildings. The first international construction project was completed in Tunisia in 2007. Since then, the company prefers to carry out its international construction projects only in Tunisia. Data were collected from this company through face to face interviews with the human resource director, which took place on May, 12th, 2016.

2.4.7. Seventh Company Profile

The seventh company started its operation in 1930 in the textile industry. It transformed itself however, into a holding company operating in different sectors including the energy, telecom, textile, construction, finance and mining sectors. Its presence in the construction business started in 1996 in both local and international markets. Up to date, the company has completed many notable projects in several countries such as Turkmenistan, Iraq, Dubai FZE, Qatar, Libya, Kazakhstan, Russia, Ukraine, Saudi Arabia, Georgia and Kosovo. Among these projects, the most prominent ones were related to the construction of infrastructure projects like the International Türkmenbaşy Seaport project, which total value is around 15 Billion USD and is the largest seaport project at the Caspian Sea. This company has been ranked among the world's top contractors since 2006, but in 2015 it couldn't take part among the top 250 companies. The data of this study were collected through an in-depth interview, which was held on the 15th of June, 2016 with the Planning engineer working at the technical department.

2.4.8. Eighth Company Profile

The eighth company differs from other participating companies with respect to its operating area. Unlike other companies operating in different industries, this company operates only in the construction industry. Although it has only recently been established (2008) and started its international operations fairly recently (i.e., 2011), the company obtained considerable wide-market shares and know-how in the construction business through its operation in domestic and international markets such as Iraq, Azerbaijan, Kazakhstan and the United Arab Emirates. Currently the company carries out a wide range of environmental, industrial and energy projects in aforementioned countries. In 2014, the company was ranked in the 215th place and in

2015 it was ranked in the 230th place among the top 250 contractors, as compiled by Engineering News Record. The in-depth interview with local and international planning managers was conducted on the 17th of June, 2016.

2.4.9. Ninth Company Profile

The ninth company was established in 1966 and in addition to the construction sector it operates in the real-estate, investment, insurance, energy, defense, trading and the tourism sectors. The company has more than 40 subsidiaries and many affiliated partnerships worldwide. In the construction area, the company carries out different infrastructure and transportation projects such as the construction of tunnels, bridges, industrial facilities, business and commercial centers, hotels, luxury housing units, buildings, satellite towns, power plants and dams. This company started its international operations in 1990 and since then operates in Central Asia, North Africa and Gulf Country regions, also in Russia, in Poland and in Georgia. This company is named among the 150 top international contractors in the list published by Engineering New Record in 2015. Because of the company manager's busy schedule and lack of time, we couldn't perform a face to face interview. However, the Director of Business Development Department sent us a written document including the answers to the interview questions on the 20th of June, 2016.

2.4.10. Tenth Company Profile

Although it is now a large-scale holding company, the tenth company initially started its operations in the construction industry in 1960s. At first, the company engaged in the construction of ports, quays and docks. The international construction projects started in 1983 in countries such as Saudi Arabia, Kazakhstan, Afghanistan, Uzbekistan, Jordan, Qatar, Georgia, Ukraine, Romania, Dubai, Libya and Northern Iraq. Since its establishment, the company has engaged in several projects involving the construction of Hydroelectric Power Plants (HEPP), roads, marinas, residences and industrial plants. One of the most notable projects performed by this company is the Gebze – Izmir Motorway, where it appears as an investor and as an EPC contractor in the group. The total value of the company's share in this project is 6.8 billion USD. In the list of the World's top 225 international contractors, this company

has been placed among the 85th – 120th positions since 2007. Face to face interviews could not be conducted. Instead, the Director of the Business Development Department provided the detailed answers of the interview questions via electronic messaging.



CHAPTER 3

RESULTS

In this study, both the content and narrative analysis was used to analyze the interview accounts. Within the framework of a narrative analysis, the answers of respondents were given without any alterations and then these answers were interpreted using the theories cited in the literature. In addition, data were classified and reanalyzed using the NVIVO software program which is used to visualize and quantify the qualitative data.

The use of NVIVO requires researchers to develop a code system or schema. There are several definitions and explanations about the meaning of the code. For example, according to Miles and Huberman (1994, p.56), a code is “*an abbreviation or symbol applied to a segment of words – most often a sentence or paragraph of transcribed field notes – in order to classify the words*”. Accordingly, codes have a function of categorization and they arise from questions, hypotheses or from important themes. Before starting the content analysis with NVIVO, the code schema was prepared using the keywords cited in the literature (see the code schema below). However, new codes were added to this schema while examining the answers of the respondents in narrative analysis.

- Competitive Strategies of the firms on the domestic market
 - Cost leadership
 - Accessibility to cheap raw materials
 - Availability of cheap financial resources
 - Cost reduction/minimization
 - Overhead control
 - Price sensitivity
 - Tight cost control
 - Differentiation
 - After sale-services and warranty offered
 - Brand image
 - Customer value

- Discipline
- Experience
- Fast performance
- Highly qualified and experienced human resources
- Holding advantage
- Innovation
- Risk taking
- State of the art construction tech
- Turnkey projects
- Unique product service
 - Design of the product
 - High quality product/service
- Focus
- Competitive strategies of the firms on international market
 - Cost leadership
 - Accessibility to cheap raw materials
 - Availability of cheap financial resources
 - Cost reduction/minimization
 - Overhead control
 - Price sensitivity
 - Tight cost control
 - Differentiation
 - After sale-services and warranty offered
 - Brand image
 - Customer value
 - Discipline
 - Experience
 - Fast performance
 - Highly qualified and experienced human resources
 - Holding advantage
 - Innovation

- Risk taking
- State of the art construction technology
- Turnkey projects
- Unique product service
 - Design of the product
 - High quality product/service
- Focus
- Internationalization
 - Entry Modes
 - Bidding
 - BOT project
 - Branch office
 - Joint Venture
 - Company
 - Project
 - Local agent
 - Representative office
 - Sole venture company ~ FDI
 - Strategic alliance
 - Internalization motives
 - Competition in the home market
 - Contribution to home country
 - Desire of international experience
 - Financial motives
 - Growth motive
 - Increasing brand awareness
 - Increasing market share motive
 - Learning from other countries
 - Risk diversification and reduction motive
 - Internationalization difficulties
 - Economic & Financial factors
 - Economy

- Country export and import values
- Economic freedom
- Economic stability
- GDP
- GNP
- Income per capita
- Level of industrialization
- Financial factors
 - Company financial sources
 - Competitor's financial resources
 - Country financial stability
 - Country tax rates
 - Exchange rates
 - Home country financial sources
 - Host country banking system
 - Banking system rating
 - Interest rates
 - Loan policy
 - Host country financial sources
- Geographical factors
- Governmental, political and legal factors
 - Country structure
 - Custom system
 - Escalations
 - Armed conflicts
 - Civil protest
 - Terrorism
 - Government initiatives
 - Inter-governmental relations
 - Law and legislation system
 - Political stability
 - Quotas

- Infrastructure related factors
 - Telecommunication system
 - Transportation infrastructure
- Market related factors
 - Competitiveness
 - Demand size
 - Market consumption capacity
 - Market growth rate
 - Market share
- Resource related factors
 - Financial resources
 - Human resources
 - Raw materials
 - Raw material quality
 - Resource cheapness
- Social, demographic & cultural factors
 - Country education level
 - Culture
 - Language
 - Middle class size
 - Population
 - Religion
- Strategies for overcoming difficulties
 - Consulting
 - Local partnership
- Partnership advantages
 - Partner's familiarity
 - Partner's financial responsibility
 - Risk sharing
- Partnership disadvantages
 - Multiple interface
 - Performance differences

- Undistributed responsibilities

Before presenting the classified and reanalyzed data from NVIVO it seems necessary to provide answers of respondents given without any alterations and translated in word to word from Turkish to English.

3.1. COMPANY GENERAL PROFILES

L.B: When was your company found and how long have you been taking place on Turkish market?

Company was found in 2007 and it operates 9 years on Turkish construction market (Interview script from 1st company-DH).

Our company was found in 1987 and operates already 30 years on local and on international market (Interview script from 2nd company-DR).

We operate already 21 years, since 1995 (Interview script from 3rd company-PM).

We perform construction works 24 years, since 1993 (Interview script from 4th company-ZF)

Our company was found in 1969, we operate in construction sector 48 years (Interview script from 5th company-TP).

The holding was found in 1975, but we started construction works in 1987 (Interview script from 6th company-EK)

The holding was found in 1930 and it entered in construction industry in 1996 (Interview script from 7th company-CE)

Our company was found in 2008 (Interview script from 8th company-LT)

Our company was found in 1966 and its operates already 50 years (Interview script from 9th company-NR)

Our company was found in 1963 year and it performs construction works already 53 years (Interview script from 10th company-YS)

Considering that we investigated just international contractors we could find out from the above answers that not only long established, but also newly established Turkish companies are operating in abroad markets as well.

L.B. When did you start international performance and in which countries?

DH: We started international works from the very beginning, in 2007, in Azerbaijan.

DR: International performance was started in 1998 and first country was Uzbekistan.

PM: We started international works from the very beginning, in 1995, in Turkmenistan.

ZF: We started international works in 1995 in Russia.

TP: Our company started international works in 1995 in Kazakhstan, Afghanistan, Turkmenistan, Russia, Iraq and Azerbaijan.

EK: We started international works in 2007 in Tunis. We built there cement factory. Besides we have branch offices in Moscow, in Africa countries in purpose of development but these offices are not performing construction works at a present time.

CE: We started in Turkmenistan at the same year of company foundation and afterwards in Georgia, in Uzbekistan, in Iraq and the last country where the company entered was Libya – two years ago. We are only international company operating there.

LT: We started abroad performances in 2011 in Iraq and in general we have worked in Azerbaijan, in Kazakhstan.

NR: International performance was started in 1990 in Saudi Arabia, Uzbekistan, Turkmenistan, Russia, Georgia, and United Arab Emirates.

YS: We entered abroad markets in 1983, first country was Saudi Arabia.

Considering the company histories and above answers, we can conclude that some of the companies started operating in local markets and entered into an international one later, but some of the companies started domestic and abroad business activities simultaneously after establishment. The significant part of the above investigated

companies entered the international market in the 90's, which could have been caused by the Turkish economic crisis.

L.B. Considering Turkish construction sector, please evaluate the dimension of your construction works.

DH: We are very large scale company, according to Turkish construction sector.

DR: Considering Turkish construction sector, we are large company.

PM: We have very little frequency of construction works in Turkey.

ZF: The value of our local construction works is medium.

TP: Our value of our local construction works is big.

EK: We are a big company on Turkish market.

CE: Considering our construction work values on local market, probably we are a little company. Generally we are foreign market orientated company.

LT: The volume of our company works on Turkish construction market is very big.

NR: Our construction work volume for Turkish construction market is very big.

YS: Our construction work volume according to Turkish construction market is big.

The above answers and company history clearly reflects the Turkish companies' international and local market shares and in this regard they can be divided in three parts: 1) Companies which work on local and on international market with equal values. 2) Foreign market-oriented companies with small local market shares and 3) Local market-oriented companies with small international market shares.

3.2. COMPANY COMPETITIVENESS

L.B. What differentiates your company from competitors in the domestic market and what factors give benefits to your business?

DH: These factors are: experience, respectability and the trade group company's work force.

From the above answer and also from the company history we can conclude that this company use differentiation and cost leadership strategies. Since mentioning holding member trade groups, the company focus on raw material purchasing, storage, delivery and custom questions, which give the company the power to reduce costs and to follow a cost leadership strategy. Together with trade groups, the company manager underlines company experience and company respectability which makes us to believe that it follows a differentiation strategy.

DR: Being a general construction company and an industrial company at the same time. Besides construction business, our company is an owner of largest prefabricated steel factory in Turkey.

Being an industrial company, manufacturing one of the most important raw materials is emphasized by this company several times and accordingly it attaches great importance to that approach. This is an example of the backward integration strategy used by this company through manufacturing its basic raw materials. Accordingly the raw materials costs are low for him and it competes on a local market through a cost leadership strategy.

PM: We work as an investor on local market.

We can find out from this answer that this company uses its own financial resources in order to operate on local market unlike with other firms, which take loans from abroad/local financial institutions or following bid contracts. Accordingly we can conclude that this company tries to follow low cost strategy, because it doesn't pays bank loan interest amounts, but it takes great risks.

ZF: Factors which give benefit to our company are: quality, discipline, and fast performance.

Quality, fast performance and discipline are the characteristics through which the company tries to differentiate itself from other companies and accordingly we can conclude that it follows a differentiation strategy.

TP: These factors are quality, company image and brand value.

This company also follows the differentiation strategy and mostly underlines its image, its brand value and awareness. The company also differs itself through high quality work which also gains more power to its brand image.

EK: First of all our staff and employees. Unlike other Turkish companies and unlike general trend in construction business, our staff work very long period with us and we rarely change them or release them. Generally blue-collar work force and even white-collar personnel are project based and after completing it they are dismissed, but not in our company. We keep them and their experience is an advantage for us, especially whit-collar and technical personnel.

Besides we are a group company and we have a power to complete EPC (Engineering, Procurement, and Construction) projects and turnkey projects. We have an ability to start from design and projecting, afterwards perform all kind of construction activities and bring it till working conditions and provide guaranties of course.

From this company history we know that basically it builds industrial facilities. Other construction works and other segments, for example housing, infrastructure and commercial buildings are not in their sphere of interest. Accordingly we can conclude that this company use the focus strategy and operates on a special segment. Besides, this company is orientated to turnkey projects, completing all works from the beginning till the end, starting from projecting to– finishing with key delivery. This company offers low prices compared with several companies with split jobs and increased summarized profit fees. Accordingly, we can conclude that this company uses the cost leadership strategy in its segment. As it was discussed in literature, Wright (1987) who made the critics of Porter's (1980) three generic strategies, states that strategies could be used in isolation or in combination, and the company's

practical example confirms Wright's approach and it uses the focus and the cost leadership strategies simultaneously.

CE: Because of small work values on local market it would not be wright to answer on this question.

Considering that the seventh company evaluated itself and its performance values as a little company on the local market, it didn't name the factors with which it tries to overcome competitors on the domestic market.

LT: We don't compromise the quality of our work, accordingly we work just once with one particular employer.

From this company history we know that it is a newly established firm, and despite its youth it has accumulated a lot of experience on the domestic, as well as on the international markets. The most determinant factor that this company underlines is quality, through which this company tries to compete in the local market and follows the differentiation strategy.

NR: The reliability of our company, seriousness, financial capability, performance of technological projects and skilled work force – these are the main factors that gain competitive advantage to our company on local market.

From the company history we know that it was founded a long time ago and that it has accumulated vast experience in this field. Besides the experience, the company developed and earned a solid reputation over the years and the company manager underlines the characteristics which gives this firm a competitive advantage - reliability, seriousness and financial capability. These are the factors that develop trust among the customers and the company use them to differentiate itself from other companies. The company also undertakes technological projects in order to show that it follows new trends and contemporary innovations of this century. It is obvious that this company follows the differentiation strategy.

YS: I think that experience is a most valuable factor that gains competitiveness to our company on local market.

Like the previous one, this company was also established a very long time ago and it also has gained many years of experience. As we can see, this experience is underlined as the biggest advantage in this company's competitive approach, through which the company differentiates itself from other firms.

L.B. What differentiates your company from competitors in international market and what factors give benefits to your business?

DH: Ability of making economic and quick solution, work force, holding wide market share and the trade force of group firms.

This company uses the same competitive strategies in markets abroad as well. It is trying to reduce its costs through its trading groups which we emphasized in the above discussion and the company differentiates itself by having a superior work force and experienced, competent staff.

DR: Awareness in raw materials brings us forward on international market too. Likewise we have capacity to found and open our company offices in the each part of world.

In the above answer, this company mentioned that they are manufacturers of their own raw materials and these raw materials seem to be well-known in international markets too. They talk about the awareness of these raw materials and this is an additional advantage for the company through which the company tries to follow the low cost strategy. Besides that, the respondent emphasized that the company has an ability to open branch offices in interested countries and in this way they differentiate themselves from competitors.

PM: We proceed our works as a local company.

This answer clearly reflects that this company strongly differentiates itself from other international companies in markets abroad, but unfortunately because of the inability

to conduct a face-to-face interview we couldn't get more information about this question.

ZF: I would name quality and performance speed again, also job safety and reliability.

Based on this answer we can emphasize that the differentiation strategy is used by this company in markets abroad as well. It differs itself from other companies through its quality, performance abilities and by underlining its high employee safety level.

TP: Quality and price are major factors that gain competitiveness to our company in abroad markets, sometimes simultaneously both of them, but sometimes through making an accent just on one of them.

As we have mentioned in the above paragraph which was connected to this firm, it uses the differentiation strategy in local markets, but unlike other companies it uses another approach on international markets. Differentiation and cost leadership strategies are used by this company simultaneously in international markets. This practical example fits in with the theoretical approach, which was described in a literature review that the companies are able to use several competitive strategies simultaneously. . We are able to come to this conclusion from the above answer where the respondent outlines quality and price as the company's main competitive advantages. As we have already mentioned, to compete with price in the construction business is possible, provided it is under low cost conditions.

EK: First – because of being Group Company, our costs are low. For example employers sometimes have to sign contract with number of companies because of several services. Each from these companies involves their profit in contract and accordingly the project cost increases. But we don't work like that, we proceed all activities as one whole company and our costs seems low and low cost is an advantage. Second – our quality: Our works has a higher quality in our sector than Far East, South East and Asian country construction companies and this is our advantage.

As was depicted from the company's previous answer and explained by us, this company uses the mix of strategies against its rivals on the local market. It follows the same strategies in the international market too. This company builds just industrial plants and performs its functions on turnkey project level by completing all works independently.

CE: Ability of risk taking – we are able to operate in risky geographic areas and deal with job, where other companies don't enter. As I have already said, we operate in Libya and in Iraq as well. Except us there were thirteen (13) companies which participated in power plant bid contest, but we offered cheapest price and we won it. Unlike with our rivals we can finish works in time and we are characterized with stability.

From the above answer we can see that this company has an ability to operate in the most risky areas. As it was defined in the literature, because of martial law, all kind of construction activities was stopped in Libya and each Turkish contractor, beside its market shares and large scale activities, abandoned that country. Unlike with other firms, this company entered its market two years ago and operates with low cost offers. Accordingly we can conclude that the company uses the differentiation and the cost leadership strategies combined.

LT: I would mention the same factors in abroad market too.

As it was mentioned in the above question review, this company follows a high quality standard and tries to differentiate itself from competitors in this regard. This company follows the same strategy on international markets too.

NR: I guess we follow the same factors on abroad markets too: reliability, financial capability, competitive force, seriousness.

This company uses its vast experience, knowledge and brand value in order to compete on the international market too. Its seriousness, reliability and financial capabilities differentiate the company from rivals and make it superior in international competition.

YS: On international market we compete through our experience and through quality affordable price offerings.

Like the previous ninth company, this one also uses its vast experience and knowledge in order to compete in the international market. This factor directly points to the company following the differentiation strategy. Besides the experience, the company has mentioned its quality and affordable prices, which means that along with the differentiation strategy the company also follows the low cost strategy through offering good quality with competitive prices.

L.B. Does a price gain a competitive advantage to your company?

DR: It would be better not to answer on this question. Price depends on project scope and its location.

As we have discussed in the literature, the geographical factors have an effect on the construction business and this answer proves, that in some locations, because of several difficulties and long range related disadvantages, this company can't provide competitive prices.

ZF: Yes it does – I agree. If we keep our costs at the lowest levels, our prices will keep on low level too in given proposals. We try to make planned moves, which keeps our costs low and in this case low costs causes low bid prices.

As we have already mentioned, this company is orientated to the differentiation strategy but the respondent's answer clearly describes that their prices is directly dependent on costs and accordingly they try their best to reduce costs and reduce prices in that way. Because of following the bidding contests, companies try to win through the low price offers. This company is one of them and accordingly it always tries to lower the costs in order to decrease the price.

TP: Yes it does – I strongly agree. But there are projects which give competitive advantage to us in price and which not. If the employer doesn't demand high quality we can purchase materials with lower quality,

decrease costs in this way and offer low price accordingly for the bid. But if the employer demands high quality, these two factors are directly proportional and our bid prices increase proportionally. We can low down price, this doesn't mean that we are frippery construction company and we can gain competitive advantage, but not under our costs.

This is already a second company which mentions that while following the bidding contest, the price is a significant factor in order to win and, to make a competitive offer, prices should be low. Unlike the first company, this one mentions that besides low costs, quality decreasing is also needed for lower prices, which sometimes is affordable in the international construction industry.

EK: Not on domestic market. As a company, which complies with all legislations we have big amount of taxes and fixed taxes because of country tax policy. But on international market it is one of our advantages.

Like other companies, this company also underlines that companies should have low costs in order to have a competitive price on the international market. This company, because of having a turnkey project implementation capacity, has the power of competing with low costs and thus follows its strategy in the international market.

CE: Yes it does, as I already mentioned.

As we can understand from this company's answers, it follows the differentiation and the cost leadership strategies. Due to low costs, it has an ability to offer lower prices and accordingly the price gains a competitive advantage for this company.

LT: No, it doesn't, because we don't perform cheap works, we perform high quality works.

Like other contractors, this one also mentions that in the construction industry, low quality equals to low costs and both of them at once equals a low price. From the previous answers of this company, it was clear that it focus on high quality and under these circumstances price can't be the source of competitive advantage for this company.

Beside these answers, a significant part of respondents clearly and shortly expressed that price is a source of their competitiveness.

L.B. Does cost gain a competitive advantage to your company?

ZF: Yes it does – I agree. As I said low costs cause low prices and this is very important while following bid contest. For example if employer has two options among 45 million and 50 million values proposals, if the quality and conditions are the same, he will choose 45 million value proposal of course.

As already mentioned, some companies are more orientated to quality and other important factors than cost. This company is among those and their summarized costs are competitive only if their bid proposals meet all conditions stipulated. Meanwhile, the costs are at a competitive interval.

TP: No it doesn't – I strongly disagree. We are a big company and in our main office we have 80 employees and accordingly our fixed costs are high.. There are firms with little main offices and staff is just 10 men. In bid proposals they put 10 men salary wages, but we put 80 employee salaries. This means that our costs are higher and it doesn't give company advantage.

From the above answer we can establish that construction companies with a high number of staff members have high fixed costs because of employee salaries. Accordingly, as can be seen from the above answer, such companies can't compete with a low cost strategy.

CE: Yes, it does – considering our management personal. In General it is hard to decrease costs through work force or through equipment, because every company will hire equipment from the same supplier with equal conditions. But under exact management conditions, which is flexible and which make correct decisions, it is possible to decrease costs.

While discussing how lower costs are reached, the company manager describes that general raw materials, technology and equipment can be the same, having the same price and quality. In accordance, these matters are not a source of their cost

leadership. This company underlines its qualified, flexible and experienced management as its strongest competitive advantage. It seems that all the movements and activities are planned or forecasted well beforehand and management's decisions make the company preferential.

LT: Yes, it does. We always control our costs. We have a project management office separately from headquarters office in Ankara and the main point of this separating is project controlling – construction site control in regard with costs and cash flows.

In the above paragraphs it is emphasized that this company follows the differentiation strategy with high quality performance and we have also mentioned that high quality equals high costs. The above answer reflects that companies which are represented at the high quality segment USA or Dubai market for example, try to reduce costs for that special segment and compete with decreased costs among that segment rivals. This company has developed special offices in order to manage those processes.

As we can see, almost all companies have given a positive answer to this question. It means that the construction industry is a field of pressured competition through price and that there are different ways through which companies can try to gain priority over their rivals.

L.B. Does a quality gain a competitive advantage to your company?

TP: Yes it does – I strongly agree. Our company has a brand name and brand value. We use qualitative raw materials and it gains a competitive advantage to our company.

EK: Absolutely

CE: Of course, quality is also very important for us, because besides the price it is the most valuable factor, according which the employer chose us. We stay at host country market even after delivering the project and after finishing its guaranty period and this is one of our competitive advantages.

LT: Certainly, this is a thing we don't compromise.

The above answers clearly reflect that no matter what kind of strategies are implemented by construction companies, they unanimously define that they try to be quality orientated companies. Quality is a benchmark and starting point for all of them and without necessary quality levels they can't operate on the international market.

L.B. Does target customer group gain a competitive advantage for your company?

ZF: Yes it does – I agree. Our construction business is more focused on abroad activities. We don't built and sell real estate in Turkey and more frequently we participate in abroad bidding contests for example for US government – Ministry of Defense, for NATO, for Coca-Cola, for Pepsi. This is our segment, our customer group.

From the above answer we can conclude that a firmly established good and reliable relationship exists between this company and the US Government and its headquarters, and is thus a guarantee for future construction cases for the firm. This good relationship is a source of new jobs for the company and it thus gives this company a competitive advantage compared to other companies.

TP: No it doesn't – I strongly disagree. We don't have a special customer group. We provide all kind of construction works and none of the customer groups gain a competitive advantage to our company.

Unlike other companies, this one holds equal market shares on the domestic as on the international markets. As it seems from the answer, this company participates in bids and also follows its own development plan through the construction and sales method. Accordingly it doesn't separate a special customer group for whom it works for.

EK: We perform construction works as for private sector as for public, accordingly we don't define any kind of customer group in our segment.

Despite the respondent's note that they don't have any customer group, according to the company history we know that this firm mainly built industrial facilities and this

already is a group of customers. This company probably doesn't allocate other customer groups to its public or private sector and accordingly it doesn't give an additional competitive advantage to them.

CE: We don't have any group of customers actually.

Like some other construction companies, this one also operates at each type of the construction sector. It doesn't have any customer group and it doesn't gain an additional competitive advantage.

LT: Till now, we were focused on energy company projects and offers from energy sector. This kind of orientation was gaining us competitive advantage.

From the company history we know that this company during its first years of existence was performing industrial projects, but afterwards it decided to enter into the building sector and nowadays it performs housing type works. As the respondents have mentioned during the interview, the main reason for this was the aim of the company managers to increase company income and profit. As the same respondent have mentioned, the selling margin for housing type buildings is twice as high as industrial ones, but competition is fierce and accordingly they have lost this type of advantage.

The last two firms have also mentioned that their target customer group is an advantage for them. We can consider that during the years of their work, they have consolidated their place among their likely large number of customers through their quality, experience and reliability, and now they use their loyalty to be competitive and on a higher level than their rivals.

L.B. Does after-sales service gain a competitive advantage for your company?

DH: Yes it does – I agree

DR: Yes it does – I agree

PM: Yes it does – I strongly agree

ZF: Yes it does – I agree but not for after sales service. We have a guaranty period after project delivery and we perform all kind of services through our human resources during the guaranty period.

TP: Yes it does – I strongly agree. We are a Holding company and there are number of companies under our name. We have an insurance firm, real estate firm, security firm. After delivering the project our companies offer services to customers, we provide security services, we provide maintenance works for electricity, for water systems and etc. accordingly this services give us competitive advantage.

EK: Because of not making sales, we don't provide after sales services. We accomplish turnkey projects and that's all.

CE: Not after sales services, but repairing services provided in guaranty period gain a competitive advantage to us.

LT: We don't provide after sales services. We just have one group, which provides management works after infrastructure projects, but it doesn't gain a competitive advantage to us.

NR: Yes it does.

YS: No, it doesn't

According to the above answers we can conclude that a significant majority of companies provides after-services, some of them provide after-sales services and some of them post-delivery services during warranty periods, considering that they don't perform sales. Based on this information we can conclude that through after-service operations construction firms can obtain competitive advantage and they follow this superiority.

L.B. Does training and expertise of human resource gain a competitive advantage for your company?

The absolute majority of investigated companies gave short and sharp positive answers to this question and thus we can evaluate all companies and their human

resource politics together. The construction business is a matter of experience and knowledge. As can be seen from the above answers, all of the researched companies place a strong focus on its staff, on their experience and their knowledge. They hire highly competent employees and continue their training, as stated in the answers to question. So we can conclude that companies do try to gain competitive advantage over rivals through its staff and their retraining.

L.B. Do modern vehicles, techniques and technologies gain a competitive advantage for your company?

CE: Not very much. In general we have application method of techniques in construction industry and accordingly all contractors hire or purchase technique from the same suppliers and it doesn't make any of them more competitive.

LT: Not very much, because all of the companies in general use the same technique.

Similarly with human resource policy questions, the majority of investigated companies gave short positive answers on this question except the above-stated companies. Equipment and machinery is a means of competitive advantage for most companies but not for all. The above highlighted companies state similarly that vehicles or technique suppliers are mainly the same, with the same quality standards and price offerings and it doesn't give additional benefit to a company's competitive policy. Other companies probably consider that it can motivate the contractor themselves in order to renew its techno park and to become competitive in this regard.

L.B. Does a company image gain a competitive advantage to your company?

Like previous answers, the answers given by all companies were also positively similar and it clearly reflects that image, brand name and company reputation has a significant influence on the competitiveness of the construction industry and all the companies discussed above places great emphasis on this aspect. Some of them try to

reflect their reputation through quality while others highlight their service, design, ability of risk taking, qualified personnel etc.

L.B. Does innovations and openness to change gain a competitive advantage to your company?

EK: Yes it does – I strongly agree. Under engineering and consulting perspective, our company conducts modelling and design services in drawing 3D programs. These are modern programs and it needs modern technologies too. Our staff, which work with these programs and technologies, were trained in order to be high levelled and high skilled. Besides modelling programs, our company purchases latest office programs and retrains its staff. We always welcome innovations and this is a part of our advantages.

CE: Yes of course, if there is some kind of innovations or developments on industry, we follow it: new technologies for example, or the methods which reduces production time. We always follow this kind of changes and it gains competitive advantage over rivals.

LT: Not very much, because we all the time use the same techniques or technologies.

The significant majority of respondent companies answered very shortly in a positive way. Just the above-stated companies gave a little bit of detailed information about these issues and only one company stated the negative answer. It obviously defines that technology and innovation have a significant impact on the construction companies' competitiveness. As it is defined from the EK company answer, they periodically renew the company's office technical and technological base along with software provision and it helps company to be dominant among rivals in the construction industry. The negative answer which was stated by the company LT can be explained by the fact that it is a newly established firm which owns the latest technologies and innovations which doesn't need renovation.

3.3. INTERNATIONALIZATION

L.B. What are the advantages and disadvantages of being international company?

DH: There are not disadvantages and advantages are as follows:

- *Differentiating of competitive fields*
- *Recognition on the national market*
- *Recognition on international financial market*

As we have defined in literature review, companies try to decrease its risks through entering new national and international markets. This company is a clear example of this statement. It tries to reimburse local market losses through entering international ones, tries to decrease risks and additionally gains a strong company image in the local market due to its internationalization. A strong and international company image is also highly esteemed by international financial markets and the company gains a bigger opportunity to attract financial resources or investments from them.

DR: Advantages:

- *Gaining the image of company which is able to perform works worldwide*
- *Contribute country's export on serious dimensions*
- *Contribute Turkey economy*

Disadvantages:

- *Obligation of reaching special quality standards in order to operate on international market, doesn't give us a hand to be competitive through price in several projects.*

Like the first company, the second one also names the ability to operate worldwide as an advantage. These answers and the literature basis allow us to say that construction companies try to decrease risks and escape from local market problems through entering other country markets. Besides, this company mentions that the Turkish Construction Company's international existence assists the country economy.

As we have discussed in our literature, entering new country markets is connected with additional costs and extra work. As it is mentioned in the company answer, additional expenses due to rising quality is named as a disadvantage, because quality augmentation proportionally means rising costs and prices. Accordingly, companies lose competitiveness in this regard.

PM: The advantage of being international company is to be independent from country economy fluctuation, caused by local politics.

The above-mentioned company clearly expresses dissatisfaction of country inner politics, which directly affects a country's economy and the construction sector of course. The internationalization strategy is obviously used by this company as a means of escaping from local market problems.

ZF: Advantages:

- 1) Ability to perform construction works all around the world*
- 2) It means quality itself*
- 3) Assist country budget and*
- 4) Gaining international awareness.*

Disadvantage:

- 1) Remoteness*
- 2) Time difference*
- 3) Lack of offers from developed countries*
- 4) Non-qualified staff in developing countries.*

Like the first companies, this company also names the same positive factors which are gained through internationalization: Risk reduction, increased experience and knowledge in quality issues, country economic support and a better image for the company.

Probably because of more experience, this company states more negative factors of internationalization than the other ones, mainly underlining practical problems. Besides practical difficulties, the company underlines that, in developed countries the frequency of construction works and the demand is lower than in developing

countries. The country status itself becomes the cause of those practical problems and as it was explained in our literature, companies always take these issues into consideration.

TP: We don't have big disadvantages. If performing works in Russia, all white-colour personnel have to know Russian language, English language and also the personnel's lack of international work experience can be named as a disadvantage.

The biggest advantage is increased number of clients. On Turkish market few number of organizations offer bid contracts, but on international market that numbers are multiplied and we have an ability to build relations with a wider market. We have worked in USA, in Turkmenistan, in Iraq, in Afghanistan and in Russia, before crashing the plane, unfortunately. Wide market is an advantage and on the other hand staff gets an experience too.

As with the other company's answers, this company raise the advantages prominently while also talking about internationalization. The main advantages are considered to be an extended market, increased client numbers, a higher number of proposals and accordingly an increase in profit. Unlike other companies, according to above answer, this company does not try to decrease local market risks or gain competitiveness through internationalization, it just increases its working volumes and also gets experience and knowledge for their staff.

Besides these huge advantages, the respondent mentions the current government policy amongst the disadvantages and names it as a major reason of losing international market shares. Besides this macro factor, the respondent also considers their personnel's insufficient experience and language barriers amongst the disadvantages.

EK: Working internationally gets economic advantages first of all. During the local market crisis, when the markets are shrinking, when the opportunity to profit decreases, international markets ensure business. In 2008-2009 while Turkish economy crisis, we conducted huge cement factory

project in Tunis and we've been through of that difficult situation. Besides to be an international company is an additional advantage for company image.

There are not much disadvantages, there are just economical risks and currency-related risks. Turkish money is not a stable one and sometimes we experience losses in exchange operations.

Like other companies, this one follows an identical course of internationalization. Refunding of local market losses through entering the international market, lowering down of risks and gaining a strong company image in the local market due to its internationalization, is the same strategy that we have already faced in other company answers. It should be mentioned that this company performed only one project abroad during the time Turkey experienced an economic crisis.

Besides these advantages, different disadvantages that we have not faced in the other company's answers are mentioned, such as the host country's economic risks and also the currency-related risks. From this answer one can conclude that because of the unstable Turkish economy, companies sometimes lose money in money transfers or while making payments.

CE: Among advantages there is geographical flexibility on the first stage. Because of having experience on different countries, we can enter other countries more easily and if a specific geographic area will be risky we can change our course. Purchasing raw materials from different markets with a fewer price is an advantage also, which guarantees cost reducing.

Like other companies, this one also places emphasis in advantages. From the above answer we can conclude that mainly reduced risks, extended market shares and the ability of cost decreasing are considered advantages of internationalization by this company. The respondent define that after performing business activities in specific areas, it becomes easier to enter in other new, previously untapped countries. The respondent also mentions that a new market equals new relationships with new suppliers that can be an incentive for the company in competitive battles.

LT: I will name financial factors as the first advantage. Also I would like to mention that there is too high pressure in regard with competitiveness on Turkish construction sector. Accordingly entering abroad markets, like Russia, Middle East, give wider market to us and more opportunities to our company. As a disadvantage I would name the host country's unfamiliar and unknown conditions, through which we face with several risks.

Like other companies, this one also emphasise the financial and competitive risk reductions and a wider market share. Like other international Turkish contractors, this one also tries to reduce its risks and attempts to escape from local market competition through entering other country markets where there are more suppliers and less competitive companies. Besides these advantages, the respondent defines entering new country markets as a risky decision too, because a host country's unfamiliar market and several unforeseeable factors can be very problematic for the company.

NR: The biggest advantage of performing on international market is to escape from limited Turkish market and as a disadvantage I would name the risky political situation in different countries.

By considering the many years operating and all the years of experience by this company, we could assume that this company can see disadvantages in unexpected factors, and a risky political situation is among them. It can't be predicted by any economic formula and the Turkish contractors pay considerable attention to it. As an advantage, this company names just the wider market share which is a source of increased amounts of work, increased income and profit, company development and growing.

YS: We haven't faced with considerable negative factors and as an advantage I would name expansion of company's vision and performing furthermore new works on wider markets of abroad countries.

Similar to the previous company, at the cost of experience this company also can't see any negatives in internationalization and the main advantage for it is the wider market share, increased income, raised profit and a developed company.

L.B. What was a reason of your international performance?

DH: Competition in Turkey and desire of international experience.

As already mentioned above, this company tries to decrease the risks in the local market and avoid existing competitiveness on the local market.

DR: Desire of company augmentation, wish to reach international level and be multinational company.

Some of the companies, this one amongst them, names company growth as a major reason for activities abroad, raising its working volumes and increasing its market shares and profits.

PM: Our company has been operating abroad since its establishment and with the help of established good relations company continues its activities in this direction.

In contrast with the other ones, this company expressly stated that its international performance and bilateral country relationships were major factors that encouraged this process.

ZF: The reason was to get knowledge about world construction sector and support our country.

In this case we see that the company wanted to grow itself not only in revenue at hand, but according to its experience, knowledge and to examine new superior approaches to construction systems and implement it in its country.

TP: We became international because this is our job.

According to this company's history, it became an international company after a long period of performance on the local market. For the present time it has clearly outlined its strategy and approach to be among international companies.

EK: Because of Turkish economy crisis.

As we have mentioned above, this company, like others, followed the international strategy in order to decrease its risks.

CE: Wider business opportunities and the lack of construction works in that specific geographic area.

Like other contractors, this one also tried to escape from competition and enter in that country's market where the competition pressure was not that high. In this way the company tried to widen its market share and to improve its financial situation.

LT: I would name the same – entering in wider and new markets. As I already mentioned, local market is very crowded and competitive pressure is too high.

As a company manager has defined in a previous answer, the most important goal of becoming an international company was to escape from local market competition. The same idea is described in this answer together with the company growing and developing.

NR: We wanted to use our capability of performing business activities abroad.

From the company's history we know that this company owns a wide share of the local market. It was performing business activities in Turkey since 1966, thus a period of 24 years and it performed its first project abroad in 1990. Accordingly the company accumulated experience in the local market, exhausted its possibilities and afterwards decided to enter markets abroad in order to grow.

YS: The essential reasons were limited area and limited opportunities of Turkish construction market and its strong competition.

Like the previous company this one also followed the same plan. Similarly it was operating for a very long time in the local market and essentially these were among the first Turkish construction companies which started operating internationally. Besides this factor, the company also mentioned the strong local competition and a

desire to break away from this pressure, as a reason of becoming an international contractor.

L.B. Which factors do you consider while choosing the country you will operate outside of Turkey? Why these factors?

DH: ● Country economy and country structure

- *Resource sufficiency*
- *The absence of company's same activity areas*
- *Stable politic structure*

We consider these factors because of company future and unwillingness to fall in economic problems.

As we have discussed in the literature review, companies do detailed research before entering international markets and this answer proves in practice our theoretical thesis. Under important factors, this company underlines foreign country structure, political stability and its economy, market resources and the level of construction industry development. These factors are investigated in order to avoid future economic risks from foreign activities that already seem to be a problem in local markets and the internationalization strategy is a way to either bail out or to demarcate from them.

DR: The first areas of our interest are countries having frequent natural disasters and wars as well. Accordingly we choose countries, in which there is a chance to occur projects related to our sector.

From this company's history we can ascertain that it mainly performs after war and after disaster restoration works, and thus it doesn't pay much attention to foreign countries' economic and political situations, or the host country construction industry. In addition this company can be considered to be among the risk taker companies.

PM: ● Ability of establishing good relations

- *We prefer countries, which have a culture of doing the same job*

As already mentioned in the literature review and in the other company's answers, good bilateral relations and the level of the construction industry development in foreign countries are among the important factors.

ZF: Transportation infrastructure, communication infrastructure, local work force, geographical conditions.

All the above mentioned factors are discussed in the literature review in detail. These are very important means in order to perform construction work and this company place emphasis on them in order to transport easily needed raw materials. They also emphasize the importance of considering the geographical conditions, the ability to communicate with related people and to obtain information about the local work force – whether they are satisfactory or not.

TP: We consider the country economy, host country construction market, loan ratings, relations and the value of investment.

Bilateral relations, the country's economy and its construction industry are investigated by this company as well. In advance, because of using international financial markets and in order to avoid difficult financial complications, this company also investigates the foreign country's banking system since it is considering itself as the investment value.

EK: The country should be evaluated from international financial world as a guarantor, country based banks should have letter of credit services, should provide guarantees, because the values of projects which we perform is about 400-500 million dollars. Middle African countries are not rated respectively under this framework. There should not be hostilities, territorial conflicts, civil wars or any type of war and country should have stably political situation. We prefer high leveled countries in terms of materials and in terms of human resources. Shipping and transportation should be easy in terms of time and cost, we use this service frequently and we try to do it under most affordable price. Country bureaucratic system should be high leveled to conduct operations in high speed.

A stable political situation, the host country's human resources, education and skill level, transportation, infrastructure and the affordability of transport services are highlighted by all the investigated construction companies and by this one too. In addition, the sixth company named a country's bureaucratic system among its investigated questions in order to avoid construction activity obstructions in the future. Like the previous one, this company also place strong emphasis on the foreign country's banking system. They try to avoid any financial risks and in this regard they investigate the foreign country's banking system's ratings and the provided guarantee services.

CE: The potential of that country market and the need for the country. We search and enter in markets, if there is an opportunities and if the country needs construction performance.

Unlike other companies, this firm investigates not the country, but the country's markets during the initial stages. The company becomes interested in a country only after it finds that there is a significant demand and the market potential for growth.

LT: First of all not being totally different countries. If you would take a look to the country list, where we have worked, you will find just nearby and familiar countries Azerbaijan, Iraq, Kazakhstan. We don't go in Columbia for example. Closeness makes logistic issues easier too.

According to this response we can conclude that this company pays a great deal of attention to the geographical, logistical and cultural factors. It prefers to operate in neighboring countries or nearby countries which are close to their home country. Close proximity in terms of distance and culture are also important. In general, the above mentioned countries have a very similar culture which is based on the same religion and accordingly this company finds it easier to perform business activities in those countries.

NR: We consider country remoteness, its stability in financial and politic issues and safety.

Despite the work experience, established relationships, knowledge and information, as we can see from above answer, this company also makes risk evaluations before entering or reentering a specific country's market. Among the evaluated risks the main ones are the political and financial risks. As a practical issue, geographical factors such as remoteness is investigated and estimated.

YS: We pay attention on country's financial resources, local opportunities, projects of future period, country security and safety and mobilization opportunities.

As we have defined in the literature review each company conduct a detailed analysis of the host country's markets and the information gathered through this practical work proves this. The financial situation and political stability of the host countries seems to be evaluated by all the companies that we have questioned, including the last. Identifying local opportunities and mobilization opportunities are among the important factors that a company needs to research to simplify and ease business operations in the host country.

L.B. which mode did you use for starting works in abroad countries?

DH: Founding joint venture partnership with other company.

DR: We have used different types of entry modes according to host country laws and terms. We have used as partnership mode through joint ventures, as FDI mode too through performing all kind of works by ourselves. We have also used branch office and subsidiary modes.

PM: We prefer doing all works ourselves through FDI

ZF: Our company has always followed bid methods through performing all works by ourselves and delivering the whole project.

TP: We always try to follow the bid modes. The central place of our financial storage is Turkey and while operating abroad we demand transferring money on our Turkish account. Difference was in Iraq, they don't make money transfers and we had to transport cash. We take an

advance payment and give the employer an advance payment guarantee letter and afterwards we take progress payments. But it differs according to contract type and the model of payment written in it.

EK: We prefer bid partnerships. We run works with them faster and comfortably. It should be mentioned that they come with offer and accordingly they take all responsibilities on financings.

CE: In General we provide turnkey projects and we do it all by our own, starting from design, finishing with project delivery. But we also have used partnership methods in Uzbekistan for example.

LT: We established a partnership with local firms – joint ventures. We found a partnership in Azerbaijan for example and we performed heavy works with them. During the partnership both of companies shared its own liabilities – financial as an investor and work volumes.

NR: We choose establishing joint ventures with local companies and operating through partnerships.

YS: We have conducted construction activities through local partnerships and we also have participated in projects with prepared financial sources.

From the above answers we can conclude that the Turkish construction companies use various modes of entering a foreign country market. The most commonly used mode is through the bidding method whereby companies try to reduce risks to zero level. Following the tender announcements, companies investigate all the project related questions. First of all, the project itself - the raw materials, work force and construction activities that must be implemented in exact details and to organize its time schedules. Considering all these factors, they offer their own price. The company which will fulfill all the required terms and conditions as well as offer the best price will be announced as a winner and sign the contract. Under these circumstances, the bid announcer undertakes all kinds of financial responsibilities and the contractor becomes responsible just for the construction works. Therefore there

are not any kind of financial risks for the construction company, or any risks related to sales.

As the exception, only one company uses a Branch Office mode. This strategy can be explained by the fact that this company follows restoration offers and it needs to be very mobile for a timely response and for organizing rapidly.

Besides the bidding system, we also encounter the use of the Joint Venture mode. The only companies which use this strategy are generally newly established and newly internationalized. Accordingly company managers choose this method in order to reduce risks and to operate with a partner for whom this market appears familiar.

L.B. What are the negative and positive factors which you have faced during joint ventures?

DH: Positive: Partner's strength on local market and its familiarity.

Negative: Cultural differences.

DR: Respondent didn't answer on this question.

PM: We didn't use partnerships.

ZF: We have not used partnership methods.

TP: Respondent didn't answer on this question.

EK: While operating abroad through bid partnership, as already said, partners are financially responsible this is an advantage. As a disadvantage I can say that our company is loading all works, and time by time as a result we do not get earnings. On the other hand if the bid provider is more than one company, accordingly we remain responsible for more than one firm and we have to provide reports for more than one person.

CE: The main advantage was to get support from local construction companies, through using its experience in a particular matter and to win the bids in that way. However multiple interfaces can be named as a

disadvantage and also partner's dominance which made us dependent on them.

LT: Corruption and significant amount of expenses in this regard is a big difficulty in Azerbaijan, however there were several advantages, which came from partnership: Government protocols were resolved much more easier – taxes payments, progress payment approvals and money transferring were conducted faster, all kind of needed permissions was taken in time. As a disadvantage: performing works under two conductors. Sometimes we wanted to take initiative, but we couldn't take any decision without other party's agreement, sometimes there was disagreement and this was making us slower. Also I would mention different cultures, different working styles, and different operating modes. There were differences even on soft level – we used different programing systems and different documentation writing standards.

NR: The biggest advantage is risk sharing and differences of opinion can be named as a disadvantage while business performance.

YS: Risk sharing is a great advantage and sometimes the misunderstandings which occur during work process can be named as a disadvantage.

From the above answers we can conclude that establishing partnership with local firms is one of the most popular styles of operating for international Turkish contractors and resulting from their answers we can do a small review of its positive and negative aspects. Risk sharing and the fact that the host country's local partners' are familiar with their markets are mentioned several times by these companies as one of the most important advantages. The local partner's financial strength is named as an additional advantage through which Turkish contractors find it easier to operate, conduct business operations with, and to insure risks.

In the above answer, the sixth company manager enumerated several positive and negative factors about bidding systems too. The biggest advantage of bidding contracts seems to be the partner's financial liability. Under the current rules all kinds

of financial questions in this case should be organized by the bid announcer. The only liability which a contractor carries is to perform the construction works. This advantage can be considered as a disadvantage at the same time because the company takes all responsibilities – quality, time fitting, guarantees etc.

L.B. Did your company take invitation/offer for international partnership?

The above question was answered in a positive way by the absolute majority of investigated companies and according to this trend one can conclude that Turkish contractors are very attractive for international partnerships, they have a significant image and they can be considered as an established brand. More information about this topic can be gathered from the following question answers.

*L.B. When? From which country? From public or from private company?
What kind of project it was? Did your company agreed? Yes/No – why?*

DH: From Algeria, private company, roadway project, contract was signed, but there was a disagreement because of trade problems.

DR: Because of contract confidentiality we can't give you more information.

PM: It was a water treatment project from japan in 2014. Negotiations steel continues.

ZF: Respondent didn't answer on this question, answer was obvious.

TP: Respondent didn't answer on this question.

EK: From African countries, from Algeria, Sudan and from European countries as well. Offer providers are as public and as private organizations. Sometimes we accept, sometimes not. The basic reason for rejecting was country condition, difficult political and military situations. We accepted Tunis project and we negotiate now for Algeria project.

CE: We took it from Turkmenistan, Kyrgyzstan, Uzbekistan, Georgia. They were generally energy facilities and suggested as from private, as from public organizations.

LT: We took it from Azerbaijan, from Turkmenistan, from Kirgizstan, from Iraq, from Kazakhstan. Yes we made an agreement on part of them and we completed those projects. However for example we were going to take part in Kazakhstan Expo 2016 project in Astana, moreover we started construction works, but afterwards itself the project was canceled because of host management decision and we leaved it.

NR: We take partnership offers constantly since 1990 as for international, as for local infrastructure and superstructure projects.

YS: During our 50 year experience, we took number of proposals from several countries and for several projects. For now we continue negotiations for Australia, Qatar and Congo projects.

After evaluating the above answers we can come to the following conclusions: Due to the fact that Turkey is a country with a strong economy and appears as one of the leaders in this industry in the region, developing countries and mainly North African countries try to establish partnerships with Turkish international contractors and attract investments from them. It should also be mentioned that offered projects are generally of an infrastructure nature. This question was a matter of interest to the researcher in order to obtain more information about developing construction markets, trends and growing demand. However, it gives information about which countries can be a potential hub of activity for Turkish construction services in the future.

L.B. What were main difficulties in internationalization process?

DH: Legal and practical factors – language, culture.

The larger part of the investigated companies, as you can see from this and from the following answers, consider legal factors, practical factors, culture and language to be among the main difficulties, as it was defined in the literature review.

DR: ● Financial capability

- *Recruitment of foreign employees*

- *Implementation of certain quality standards*
- *Implementation of certain Housing Stabilization Fund (HSF) standards*

Besides legal and practical difficulties, this company named difficulties as related to financial sources, local market workforce and several quality standards. As considered in the literature, while working abroad, companies are faced with problems due to an unfamiliar market.

PM: Legal and practice derived factors – language and culture.

ZF: Essentially practice factors, language and culture. It seems very difficult to enter abroad country market, afterwards manage or perform all works by on your own. Several researches and studies should be conducted before entering new market and new country. You have to find a person, or a group of people – partner, which will show you the way and will support you, provide information about materials, about host country government regulations, bureaucratic systems and law basis, work permits and documents like visa.

The above company names several problems that they apparently have faced during international operations, such as government systems, regulations, bureaucratic resolutions, laws, visas, work permits as well as material related difficulties. According to one of the company managers, the most practical ways to overcome this problem is through partnerships with local contractors.

TP: Legal derived factors, practice factors and culture.

EK: In general there were practical problems caused by culture, by language. Raw materials and its quality was problem sometimes, it was difficult to find them, or it was too expensive.

The same legal and practical problems are defined in the above answers as well. Along with practical difficulties, both of the above companies have defined resource related difficulties. In general it was raw material price and raw material quality

related complications. We have made a detailed discussion on those kinds of issues in literature review and the practical example is consistent with it.

CE: Each country has its own structure and its own bureaucratic systems, accordingly these issues always have been an obstacle for us and protracted in time. Besides, language and cultural differences was some time difficult to overcome. Because of remoteness there were sometimes logistic problems.

We have already met with the difficulties that are mentioned in this answer and a repeated discussion won't give us any other additional information or knowledge.

LT: In regard with law and legislation factors, local bureaucracy was always a difficulty in each country. Sometimes we couldn't guess their expectations or the essence of the problem. On the other hand, language, culture and religion were not problems because of proximity, as we already mentioned. But any way there were differences on cultural base. In Azerbaijan people like glitter-golden things, but in Arab countries people like natural surfaces for example. Because of culture we didn't want to work with Arab workers, because they aren't hard workers, despite of our demand they were very lazy. Accordingly we had to hire other work force with our similar culture – Muslim people for example, which don't consume alcohol and which is accustomed with host country climate. There were problems with raw materials and its quality too. During our works we have used as local materials, as imported ones from Turkey. However Arab countries are following USA or English quality standards, which criterions are too high and accordingly we couldn't offer them Turkish raw materials except Turkish marble and ceramic. Those abroad raw materials are expensive and their usage was raising our costs.

On the other hand we have faced with banking problems and differences in banking systems on country level. For example Turkish bank guarantee checks are not confirmed there and I had to use intermediary banks through an additional cost.

The above answer was one of the most informative answers during this research that gave us very detailed information including very petty details that we have not predicted. Company manager have named the same general difficulties that was mentioned by others too: raw materials, its quality and price, law and legislation problems as well as local bureaucracy. But, besides those, the respondent defined that the culture was changing from country to country, meaning that demand was different in different countries and the company had to follow them. During the interview the respondent have also discussed worker related problems that the contractor or manager may face while doing construction works. The solution from the above discussion may be that the contractor should choose their own way of action.

NR: in general we had practical problems: language, culture and problems related to raw materials.

YS: We have faced as with legislation and low difficulties, also with practical problems like language and culture.

The above answers also explain the general difficulties on a basic level that was already discussed in the above paragraphs and its further overview doesn't have particular value.

L.B. What kind of strategy was implemented by company in order to overcome these difficulties?

DH: Forming the partnership with local company.

DR: ● Taking qualified advice services and sending qualified administrative staff to host country.

● Taking government support

PM: Customer-centric business strategy has always helped us to overcome these problems.

ZF Our company used host country sources, relations and little partnerships to overcome that kind of problems.

TP: We took a professional support and trainings from strategic planning and consulting company. Turkmenistan glass factory planning was conducted by that type of company, which showed us difficulties, risks, operational opportunities and problems. We take professional help and advices.

EK: We establish partnerships with host country based little companies. Because they know the country, they know the raw material prices – the lowest and the highest as well and they help us to purchase the cheapest one. They know what time is needed for raw material transportation, so we establish connection with local, but with little companies. Accordingly we offer work to local companies, to local labor force and we decide little kind problems in that way. For example if we can't send a raw material over the border for 1 month, local companies can do it in two days. This kind of connection afterwards terns in to strong friendly relationships with locals and this is an additional benefit.

CE: We tried to respect country own law systems, culture and to become adapted because of our flexibility.

LT: In general we were getting support from local partners. If we couldn't perform work because of host country specific climate or standards, we were making connections with local people, who had experience and knew how to overcome those difficulties.

NR: We took support from host country origin personal and also used consulting company services.

YS: Respondent didn't answer this question

The above answers clearly intersect two main ways of deciding the aforementioned difficulties/problems. These two strategies are: 1) establishing partnerships with local companies or 2) to take professional advice from consulting services. In the sixth company's answer there is a perfect description of all kinds of problems, ways of its resolving it and additional benefits from those kinds of partnerships. As for

consulting companies, they implement planning procedures, learn target country's markets and provide all related information to companies and they get payments for these services.

3.4. HUMAN RESOURCES AND TECHNICAL MANAGEMENT

L.B. Did you make a transfer of human resources from Turkey for international works?

All the companies' answers were similar in a positive way to this question and thus we can conclude that in general, for international operational requirements, Turkish contractors use a work force and employees of Turkish origin, which are brought in from Turkey to the countries abroad.

L.B. Was this transfer on laborer level or on manager level? Have you used different method in different countries?

DH: All kind of employee was send.

DR: It was on management level. Yes, we used different method in different countries.

PM: We have used same method in each country – we have sent as workers as executives.

ZF: Employees which we send were as workers as managers. Besides local and Turkish personal, we used other foreign country personal too.

TP: We perform project based works abroad and accordingly sent both of them, managers and workers too. Among white-collar employee there can be project director, project coordinator. They go and work there until completing the project. Among blue-collar personnel there can be named technicians, craftsmen; it depends on project itself. Government systems is not important in this regard, main importance for company is that transferred employees were skilled, to have information about host country, to know English language and host country tax systems.

EK: Because of different material reasons, there were different options. In the abroad country, where we performed construction activities, local human resource was very expansive. Besides, host country labor ministry and social institution systems were more complicated. Accordingly we sent both type of employees.

CE: We have sent as workers, as managers, in order to perform construction works better and in order to supervise all activities.

LT: In general we have sent just manager level employees. Because of working through partnerships, the work force is generally managed with local firms. Following to our company policy, we just perform coordination and management works abroad. However I would like to inform you that in Arab countries there is a 10% quota for foreign work force.

NR: We have sent both of them, as managers, as work force. We have faced some differences in some countries due to host country specific legislation system.

YS: We have sent managers and workers in each country without any exception.

The answers to this question look very similar, but there are differences though. All the investigated companies have sent their management level employees to foreign countries but some of them have not sent the work force, which is called blue-collar employees by construction companies. It appears from the above answers that the reason for this is first of all a trust issue, as company's trusts its own managers, its workers, their skills and knowledge. The second reason as it appears from the above answer, is expenses. In some countries the local workforce is too expensive according to some companies' answers and Turkish contractors prefer their own employees due to low costs. In contrast with other investigated contractors, the DR and the LT companies stated that they use only management level employees, because the workforce for abroad activities is organized by the local partner company and Turkish contractors disclaim its responsibility. The forth company stated that besides local

and Turkish employees it also uses other foreign workforce. Presumably the reason can be the low cost of those workers and this is an additional advantage for the contractor.

L.B. Have you made a transfer of vehicles, techniques or technologies for your international works from Turkey?

DH: In general we solve the problem with local purchasing.

In contrast with the stated companies below, this company performs construction works by supporting it with local heavy equipment. This choice can't be caused by the country's high-leveled techno park, or its low cost because other construction companies which performed construction works in Azerbaijan (the first company operated just in this country) used a transfer of vehicles and heavy equipment there. Unfortunately, because of the inability to obtain a detailed interview we couldn't get more information about this question from this company.

DR: Yes we did in Iraq, Kazakhstan, Georgia, Azerbaijan, etc.

PM: Yes, in Turkmenistan.

ZF: Yes we sent in Djibouti, in Iraq, in Yemen and in TRNC.

TP: Yes we have sent it in Russia, in Iraq, in Afghanistan, in Turkmenistan and in Azerbaijan.

EK: We tried to use vehicles and techniques from host country market, but sometimes we couldn't find it. There was a serious difference between the host country economy and Turkish economy. Accordingly we had to transfer several type of machinery from Turkey - mobile and fixed cranes for example. Afterwards we couldn't get them back and we had to leave that technique there and sell it.

CE: We have used different approaches in different countries. In general we use local techno parks, but the lack of high level techniques sometimes was

becoming a reason for transferring, for example in Iraq, in Georgia, in Turkmenistan.

LT: We have sent just very critical type technique – a piling machine for example. On the other hand, we use local technique park and we hire machinery from local suppliers.

NR: Yes we have sent vehicles in Saudi Arabia, in Georgia, in Algeria, in United Arab Emirates, in Turkmenistan, in Uzbekistan and in Russia.

YS: Yes we have sent vehicles in Saudi Arabia, in Qatar, in Congo.

Unlike the first company, other companies use technical and vehicle transfers in the country where the construction works are performed. The main reason for this transfer, as it is described in the company answers, is a low level of a country's economy and the resulting absence of appropriate high leveled technical equipment. Some of the companies tried to overcome this with local equipment, but they still had to transfer specific machinery like cranes and piling machines. For additional information, these are key appointments for performing work on a construction site.

L.B. what kind of difficulties did you face while human resource and technique transfers?

DH: Visa, residence permit, work permit.

DR: Local permits, enforcement of country based local laws and rules.

PM: Visa problems originating from the country jurisdiction.

ZF: In such issues we had high cost problems, incompetence and language problems.

TP: The main obstacle was country entry barriers.

EK: We had just law based difficulties. According to our government system, we had to follow number of procedures in order to transfer an employee abroad. This procedure takes longer for non-contract employees

with social security institutions. There were problems with visa; all employees couldn't take them, besides our passport fees too high. There was time problem while transferring vehicles, it extended very long, at costs was very high.

CE: In general there were procedural difficulties. For example once we had to transfer chemical substance and because of its big quantity, we had got a special permit which was a matter of time. Also in one country (respondent didn't say in which) we have to follow local law which was setting quota, defining that we had to hire 60% of workforce from local country citizens. Accordingly we couldn't use our own workforce in desired amount and we had to balance the number of local and Turkish workers.

LT: We didn't face big problems or difficulties in this regard. The main issue while technology transfer was to combine them with host country conditions.

NR: We had several problems just with host country legislation system.

YS: The problem was to find appropriate personal and their motivation too.

It is apparent from these answers that construction companies, while transferring human resources, technical equipment or vehicles, generally face similar practical or bureaucratic difficulties, like visas, several kinds of permits, high fees, delays, transportation and logistics difficulties etc. It is obvious that international countries try to protect its workforce from foreign ones through several regulations and quotas. Thus, besides the advantages like workforce cost efficiency, companies are faced with several known complications.

3.5. FINANCING

L.B. Where do you find financial sources for international works? Why?

DH: The projects are itself financial sources. Capital risk is not advised in general.

This company, because of it being a newly established one, essentially tries to minimize its financial risks. From the above answer we can define that this company takes financial guarantees from employers, performs construction services and gets guaranteed payments for it.

DR: From Turkish banks.

As we have already mentioned, this company follows after-war and after-disaster restoration works. Inherently, because of the host country's difficult situation, the company can't take guaranteed financial resources from their home country's financial markets. Accordingly the company tries to decrease financial risks and escape from a credit line cancellation risk from the host country's financial market during performances and prefers using the Turkish financial market.

PM: Our activities in abroad countries are financed with host country's own sources. In case of investment, we use our private resources.

From the above answer we can conclude that this company does not have financial difficulties or complications. It can use its own resources and enter the country on behalf of the investor or if it needs additional resources, it takes it from the host country's financial market.

ZF: We are not managing financial resources, bids are itself guaranties of financing. After winning in bid contest, periodically come payments along with the performance.

Like the first contractor, this company also tries to minimize its risks and follows just the bid's financial sources.

TP: We use company private resources or loans sometimes.

As with the above stated second company, this company also cannot be characterized by having financial complications and has the power to use its own resources, or bank loans.

EK: We have very high credit ratings from Turkish and from foreign banks because of international company image. Besides we have our own financial sources and we don't have any kind of problems with it.

Like its two predecessors, this company is also characterized by having sustainable financial condition.

CE: The bid projects are itself sources of financial resources and we got payments through advance or progress payments from employers.

LT: In general we take financial resources from banks as loans.

NR: We try to invest company financial resources, gained from other projects.

YS: We are interested just in financially guaranteed projects. Accordingly we don't face any kind of difficulties in this regard.

From the above stated answers we can conclude that Turkish contractors follow different ways of financing. The three most common ways of financing is via loans, equity financing and the bid contract payments. Companies which try to reduce risks use bid contract payments and the ones with powerful resources follow loans as an equity financing option.

L.B. what kind of problems did you face while finding financial sources?

DH: Respondent didn't answer on this question.

DR: We can't respond this question due to company private information.

PM: Host country economy makes effect on our financings.

Because of using the host country's financial sources, changes to the market and economy have an effect on its financing too and thus it has an impact on the company's financial resources.

ZF: Respondent didn't answer on this question. The answer was obvious from the previous question.

TP: Sometimes we face low credit ratings in host countries. Also Chinese companies are entering abroad country markets with large finance resources.

Amongst the critical financing difficulties, similar to the previous company this one mentions the host country's financial market features and its complications. It also underlined the competitive (dis)advantage of the country's same level rivals, referring to Chinese companies that are entering the foreign country markets with big financial resources and Turkish companies find it difficult to compete with them.

EK: We didn't have any kind of problem in these issues.

CE: We experienced times, when the employer couldn't take financing guaranties and accordingly we had to take loans. We prefer to take them from international markets.

From this answer we can conclude that, while actively engaged in international operations, unexpected and unforeseen complications connected to financing may occur. Employers may refuse to give payment or lose the ability to pay. Accordingly, bid contracts can be named risky in this regard. In order to avoid this kind of complications, companies should demand bank guarantee letters to obtain accurate information about the employer's financial condition and its stability.

LT: In general these were banking procedures which need a significant time period to evaluate the project, its type, evaluating risks and issues like these.

It appears that companies which don't have financial difficulties and can easily make loan taking decisions are just faced with banking protracted procedures, which they name amongst difficulties while finding finances.

NR: Host country risk conditions make a negative effect sometimes on these issues.

In contrast with other companies, this one tries to fund its own future projects through reinvesting past projects profit. This kind of performance can be named as using company owned resources which is considered to be among the risky choices and the host country's economic conditions definitely has an effect on it.

YS: Respondent answered this question with previous one.

It seems that this company has analyzed all kind of financial risks over its long period of existence. It tries to avoid them at once and demand all kind of guarantees before starting works.

3.6. CONTROL

L.B. How does your company control international works in regard with time and quality?

DH: Related project managers and country coordinators control projects constantly according to time, quality and financial viewpoints.

According to this answer we can conclude that this company manages to control issues with the help of the internal structure, through measuring construction work quality, time compliance and usage of resources.

DR: Our company is an owner of ISO9001 quality certificate. Besides, in the scope of OHSAS 18001 (Occupational Health and Safety Management Systems), ISO 14001 and ISO 27001 certification management systems we provide documentation basis for control of time, quality, occupational health and safety, procurement savings and development issues.

It is obvious that this is a high quality company and besides its internal structures it is an owner of various high-level internationally recognized quality certifications. In order to become the owner of those certificates, a company has to pass a list of quality regulations and satisfy the mentioned international quality institution requirements. Having these certificates in itself explains the way how the company controls its works.

PM: We use standards and tools appropriated for this sector by providing the necessary workforce for these activities.

Like the first company, this one also uses only the internal structure of controlling.

ZF: Quality control is performed through our certificate systems. We also evaluate it through received appreciation letters.

According to company history, it is the owner of the following quality certificates: BSI-9001, BSI-18001, BSI-14001, ISO-9001:2008. Besides these certificates it also uses its own internal structure and measures its own works through appropriate methods.

TP: We use quality management procedures and produce relevant documents like SAP, ERP, BUZZSAW.

Like the first and the fifth companies, this one also uses just its own internal structure of controlling quality and timing through several types of systems and measurement document producing systems. SAP (System analyses and Program networking) and ERP (Enterprise Resource Planning) are software systems specially engineered for small and mid-size businesses. These programs can be used by organizations that have different offices in diverse locations. BUZZSAW is data management software that as a service helps to enable Building Information Modeling (BIM) workflows. It includes tools for documentation, modeling, and data management.

EK: We have our own quality department and we are able to control our quality ourselves, without using different international quality establishments. Quality department personal is high qualified professionals and each of them has highest level quality education and training certificates. While transferring personal for abroad construction activities, quality department personal are among them too. We conduct project planning and time management is one part of it, also we plan human resources, accounting, financing, purchasing and etc. Project managers monitor data monthly if the ongoing process matches with planed one and we discuss it on large scale meetings.

CE: We have our own quality departments which produce several kinds of documents in order to present them to employer. We sent managers from this department in abroad countries to supervise our constructions processes on the site. After evaluating performed works, they fulfill several documents, provide them to employers and this last one signs it. We also have project department in order to control the project due to time and due to spent resources by making monthly reports about work progress. If there are delays, managers make forecast about its effect on the whole project and if needed increases the number of workforce.

As with the majority of investigated Turkish contractors, these companies also prefer to use its own internal control structure to estimate its works. Besides, these companies highlight their high leveled quality managers, their education and professionalism, which evaluate activities in the office the same as the conditions on site.

LT: This is a main job of project management office. The quality and planning departments perform controlling issues; they conduct reports while work process and these reports afterwards are overviewed in the main office.

NR: We have special departments in order to conduct control works and examine works according to quality and time.

Companies presented in the above paragraphs note that they have special departments and they provide works connected with controls. We have seen this kind of approach in other companies too and we can say that it is the most common method that Turkish contractors choose.

YS: There are conducted various types of control works in each week, in each month, in every three months and in each year.

This company speaks about control through time schedule reports, which is also an accepted practice in the construction industry.

L.B. How do you measure the effectiveness and efficiency of your activities?

DH: Through captured data and through audits held in the beginning of activities, during the activities and after finishing the activities.

Effectiveness and efficiency generally is achieved through finishing work in a planned schedule with considered resources, without exceeding. The first company runs the related investigations to collect data during the works and after finishing it, to compare them with the stipulated ones.

DR: We measure effectiveness and efficiency of our works in the same way, in the scope of above stated standards.

The second company, as already mentioned, follows international quality standards and as it is mentioned in this answer, they measure these matters in that way.

PM: We collect data which will be necessary for these measurements and compose reports.

ZF: They are measured through comparison of used time and cost with planned one.

TP: In the same way, we produce relevant documents.

EK: We also possess performance monitoring process, we make process maps and after completing projects we make comparison of used materials and resources to planned one. Biggest accent is made on expected and gained profit amounts.

CE: In general we evaluate used resources from project budget and its compliance with a planned one. We also compare time schedules and gained profits.

LT: In the same way as time and quality control. We have construction management criterions: men-hour-product; amount of wasted materials; progress and plan compliance; time, quality and budget control systems; and we measure our effectiveness or efficiency through these factors.

NR: Respondent answered this question with the previous one.

YS: We make follow-up tables and evaluate our works and effectiveness in that way.

All of the above mentioned companies, like the first one, also follow the inner method – collecting data during works and after completing the project they produce relevant documents in order to compare them with the planned one. They compare used resources, spent time and gained profit.

L.B. In general do you find your company successful both in national and in international activities?

DH: Yes I do. Our employer feedbacks about the work we have completed shows that we have finished job in time and with maximum efficiency. The desire of working with us in other international and local businesses, allows finding ourselves successful. Due to started new projects and increasing business volume we think that we are successful.

In terms of construction industry trends, DH is considered as a newly established company with a lack of experience in international markets, but besides this, it is named among the worlds' largest construction companies and the company measures itself and its success according to it growing work values and relationships.

DR: Yes. Our company was named in the list of world's top 250 international contractors in 2013 and in 2015 by ENR. Likewise, according to Turkey Exporters council, our company takes place among Turkey's top 1000 exporters each year.

This company is evaluating its success relying on international and local ratings and besides its construction work values and ethics, it evaluates its support business' share in this success.

PM: Since its establishment our company constantly increases the business volume through completing works in a timely manner and providing confidence to employers.

The evaluation of its performances is done by this company through focusing on business volume, its quality and obtained image.

ZF: Yes we do. We work about 25 years on construction sector and we have completed many different scope projects in time. After accomplishing projects our company was getting new invitations from the same employers and we were winning new bids.

This company also evaluates its success through work values, through quality and with years of experience.

TP: No, I don't. I think that company management and employee are weak. We don't have high skilled employees, experienced on international construction industry.

The manager of this company evaluates its company very skeptically. It is obvious that they want to perform more projects, enter into more countries but inexperienced personnel do not allow them to do so as yet.

EK: I do not think that we have a very solid background due to country's instable policy. Besides we have very intense economic crises, which effects on all kind of investments unfortunately. Considering our existence since 1975 and completed projects we cans say that we are successful company, but not very successful.

This company manager starts evaluating the company's success from a country's basis and on the background of hard economic fluctuations it underlines their long period of existence as a measure of success.

CE: Yes, because essentially in difficult geographic areas we could perform all works in time, in planned resources through reaching demanded quality levels and we are one of the most competitive company on world's construction industry.

This company considers itself successful based on their own research results and characteristics that really shows that the company provides results in an effective

way. Unlike other companies, this one distinctively highlights that it performs construction works in risky geographical areas, which adds an additional competitive advantage to the firm.

LT: Yes I do, we have not abandoned our construction sites ever. Each project, that we have started, we have completed them till last-details.

It happens often in the construction industry that companies abandon their construction sites and leave it ownerless. The reason for this in general occurs due to financial difficulties and bankruptcy, or when a company does not have the power or resources anymore to finish the works. It happens really very often in the construction industry and this company finds itself successful because they have not had a similar case.

NR: Yes we do, because all the projects that we have completed are eligible and qualified.

While evaluating themselves, this company's manager placed great emphasis on the quality of completed projects. We have seen this kind of assessment. in other companies too, and we can consider it as an adopted form.

YS: Yes, We have completed different kind of projects in several countries; we have established very good and successful partnerships in a very short time period and we managed all this because of being one of the most prominent companies in Turkey.

This company focuses on the whole set of characteristics while self-assessing - working in different regions and in different countries; the complexity of works; forming good relationships, partnerships and its preservation; quickness and flexibility. All these characteristics are really very important and the fact that this company considers them, and not only this one, could mean that they evaluate itself in the correct way.

CHAPTER 4

DISCUSSION

This study examined the competitive and internationalization strategies of construction firms, which could give important insights about the functioning of the industry. In the preceding chapters, first the literature about strategies and the general information about construction sector in the world and in Turkey were presented. After that, the details about the methodology together with the results were discussed. In this section, the aforementioned results will be discussed in light of existing literature and considering the characteristics of the construction industry.

4.1. REVIEW OF THE FINDINGS ABOUT COMPETITIVE STRATEGIES

As explained in literature review, competitive strategies are categorized under three strategies: cost leadership, differentiation and focus strategies. Results of this study revealed that construction firms could use different strategies in domestic and international markets. Majority of the participant companies use differentiation strategy on domestic market. As you can see from the below graphic, six companies with coded names PM, NR, ZF, YS, LT and TP use differentiation strategy. One company (coded as DH) use integrated strategy by utilizing differentiation and cost leadership strategies at the same time. There seems to be only one company (coded as EK), which follow cost leadership strategy on domestic market. The answers of one company (coded as CE) could not associated with any of the competitive strategy based on the patterns that were mentioned in the methodology part (see figure 4.1 for the competitive strategies in domestic market.

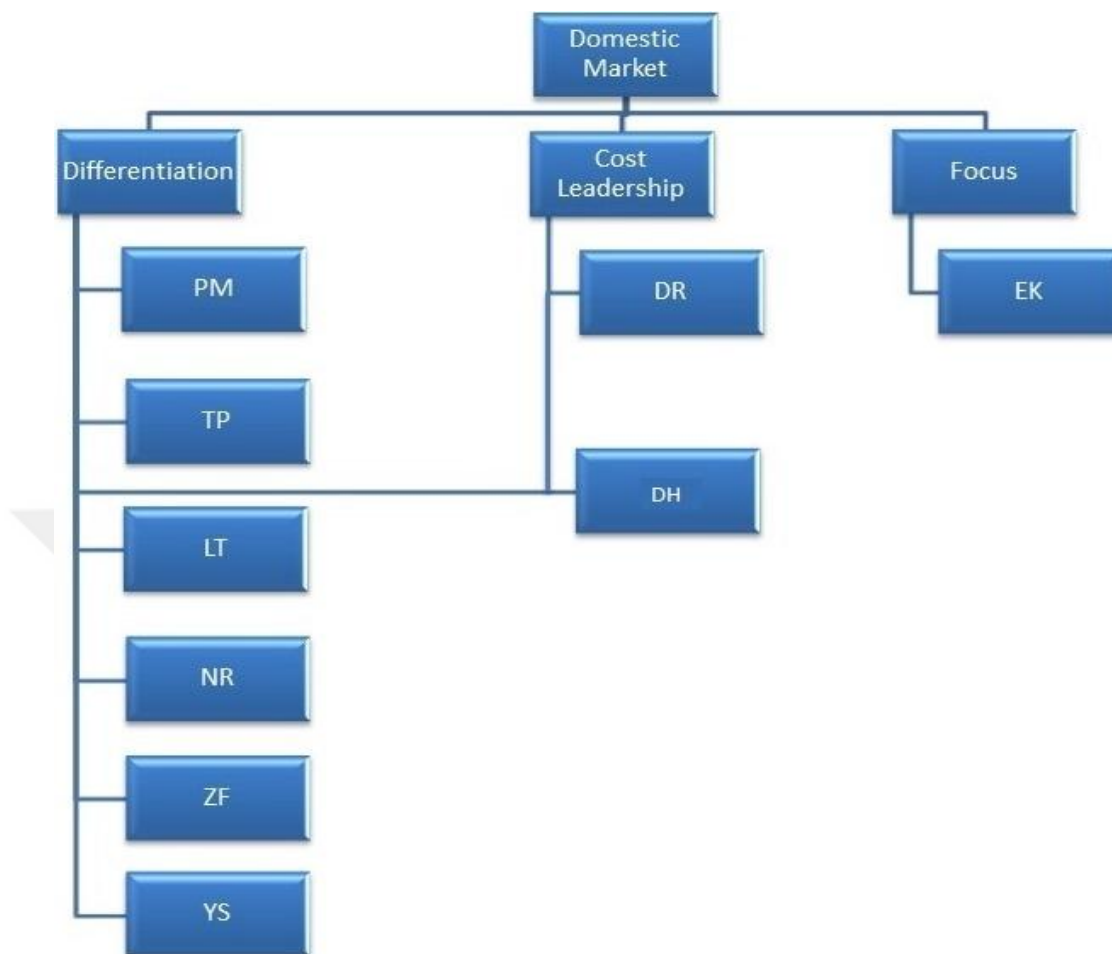


Figure 4.1. Firms according to their competitive strategies on domestic market.

Although many companies follow differentiation strategy, they implement it in different ways. For example, TP tries to compete on local market through its image, brand value and with product's quality while LT uses quality to differentiate itself from others in the domestic market. In addition to quality, NR names reliability, financial capability, experience and performance in technological projects as sources of its competitiveness. Quality, discipline and fast performance are listed as means of differentiation for the company ZF. And YS, another company following differentiation strategy names experience and quality as a means of differentiation.

DR, which seems to follow cost-leadership strategy uses backward integration strategy by producing steel for its construction projects. Company produces one of the most important raw materials to reduce its costs, thereby have cost advantage over competitors.

The company with the coded name EK uses the focus strategy. As we have mentioned it in the result section of this thesis, this company constructs only industrial facilities. Considering the construction industry, such a focus seems to be very rare and unexpected; however, the company seems to find construction of industrial facilities very profitable.

The last company with the coded name DH uses two types of strategies – differentiation and cost leadership at once on local market. It seems that this company differentiates itself and competes through experience and respectability and for using cost leadership strategy it uses the work force of its trade-group companies. As it is indicated before, this company is a large scale holding company, which composes of subsidiaries manufacturing raw materials needed for construction projects and subsidiaries giving custom, storage and distribution services that could be necessary for administrative purposes.

In, the below chart, the competitive factors that are used by participants companies in domestic market are summarized (see Figure 4.2). The chart was drawn using NVivo qualitative data analysis program. The factors are shown in rectangles with varying sizes. The size of rectangle represents the frequency of each competitive factor, meaning that the factor in bigger rectangles are mentioned more than the others. Accordingly, companies following differentiation strategy mostly try to create unique product or service. Companies, however, differs with respect to how they define “unique product”. For PM company, offering unique product could be done by having special architectural design, which is thought to differentiate the company from its competitors. For another company (i.e., coded as TP), unique product could be offered to customers by using special construction materials and constructing building in most appropriate or desirable locations. Another company using differentiation, conceptualizes unique product in a quite different way. This company offers sales- related such as security and real estate services. Despite the differences with respect to understanding of unique product, majority of the participant companies seem to offer distinguished construction projects by adding special features (i.e., special heating systems, solar energy systems, fire prevention system):

The second factor that companies use to differentiate themselves from their competitors is brand image, namely reputation. After these two prominent factors, participants companies listed high qualified workforce and after sales services/warranty as differentiating factor. The next mostly used means of differentiation, as it seems from the chart are innovation, experience, holding advantage, discipline, fast performance and the delivery of turnkey projects.

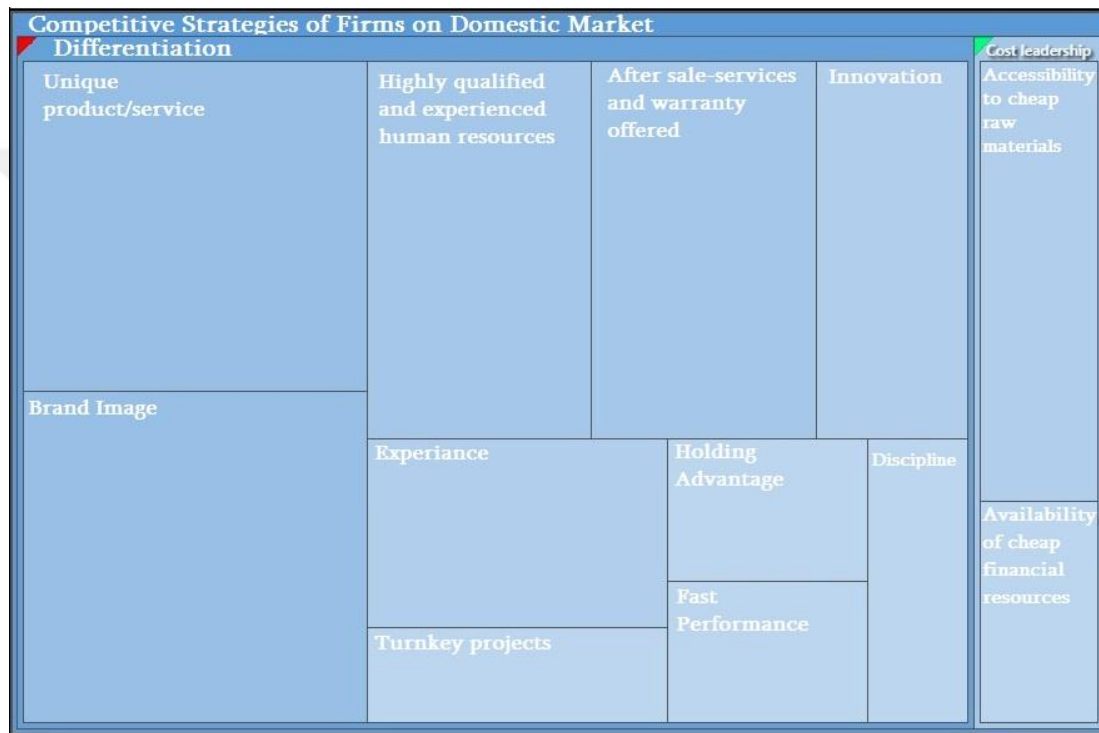


Figure 4.2.Competitive strategies of firms on domestic market.

Note: The above tree map is created through the help of program Nvivo 11. The characteristics of bigger boxes are more than fever box characteristics.

As can be seen from the chart, the companies following cost leadership strategy seem to implement it through access to low priced /low cost raw materials and access to low cost financial resources. Some companies have an access to low-priced raw material because of their backward integration strategy and their size. Some companies are able to find necessary capital with lowest cost by transferring the profits obtained from other projects.

In the preceding paragraphs, the competitive strategies in domestic market are discussed. However, the results show differences in domestic and international markets regarding the choice of competitive strategies. There are companies, which follow same strategies in both domestic and international markets, but there are companies which follow totally different strategies in these two markets.

As it can be seen from the below figure 4.3, companies with the coded names PM, ZF, LT and NR follow differentiation strategy on international market too, but all other companies follow different strategies on international market. Companies with the coded names DH, TP, CE and YS have chosen two strategies – differentiation and cost leadership strategies at once and the companies with coded names EK and DR follow three strategies at the same time.

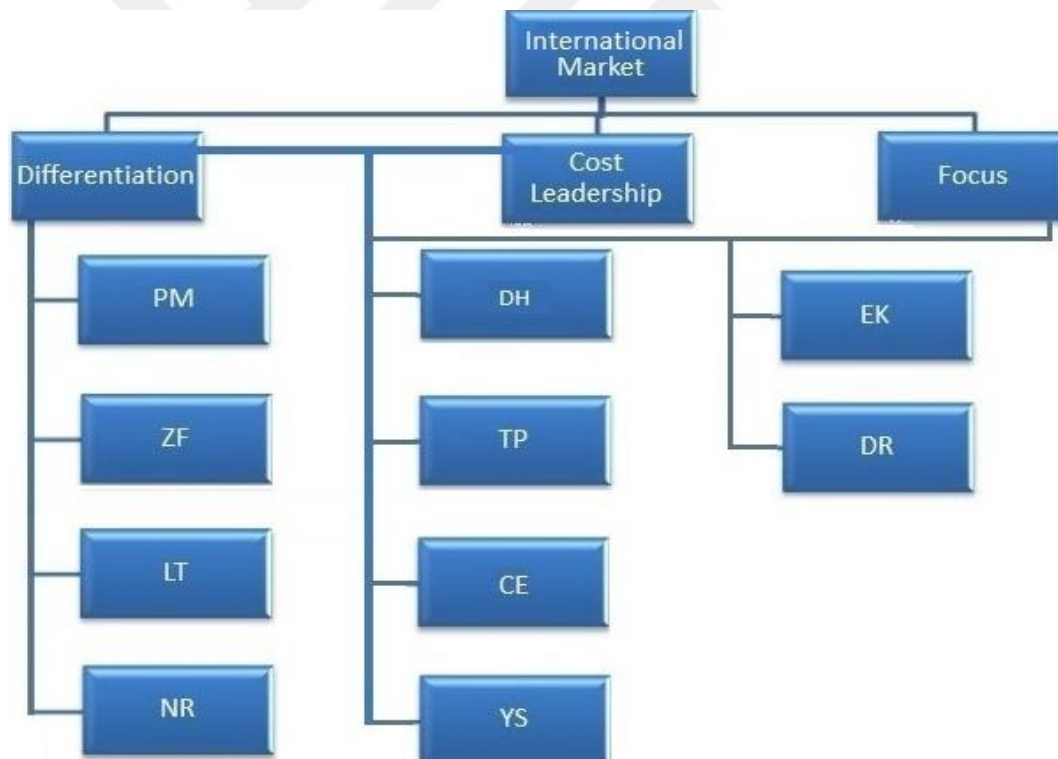


Figure 4.3. Competitive strategies of firms on international market

Using of three strategies is a very rare case in practice. As it is indicated in literature review, Porter (1980) claimed that companies can follow just one strategy. Wright (1987) opposed this claim by asserting that companies can follow the mix of strategies, that is, use two strategies at the same time. Yet, to the knowledge of the author, there is no researcher claiming that three strategies could be used

concurrently. All four companies, which follow the differentiation strategy on international markets, try to gain a competitive advantage through different tactics. Offering high quality buildings, showing reliability and discipline, and finishing the projects on time are listed as factors that companies following differentiation strategy cite. In the below chart, these factors together with factors related to cost leadership strategy are summarized. As in the above chart drawn for domestic markets, rectangles represent the factors that give companies competitive advantage. Again, the size of the rectangle represents the frequency of each factor.

As it seems, unique product and service is again as one of the most cited differentiating factor (see Figure 4.4). After that, brand image, qualified and experienced human resources, company experience, after sale services and warranty offered, innovation, risk taking, fast performance discipline and customer value were listed as main factors . All of these factors are similar to those listed for domestic market, except risk taking factor, which we didn't witnessed on domestic market. The risk taking factor was named just by one company, with the coded name CE. The manager of CE thinks that operating on risky area could be source of differentiation as few companies are willing to enter those areas and those accepting that risk could gain competitive advantage. During the interview, manager mentioned several times that they operate in Iraq and in Libya, where there is neither political stability, nor peace. The manager states that other companies do not prefer operating in there. As explained before, the other companies, with the coded names DH, TP, CE and YS use differentiation and cost leadership strategies together. As can be seen from the above chart, access to cheap raw materials and availability of financial resources give companies cost advantage. However, majority of the participant companies stressed tight cost control and price sensitivity as important factors for cost leadership strategy. Because of operating on abroad markets, where there are much more competitors than on domestic one, and because of following the bid contests, the companies have to provide a stiff control on their costs and offer lower price in order to survive from competition and win the tender. This is why companies give more importance to tight cost control and price sensitivity compared to cheap raw materials and availability of cheap financial resources. Companies with the coded names EK and DR, follow three strategies at the same time. Like the rest, these companies

differentiate themselves through quality, unique product and service, experience and etc. Like other companies following cost leadership strategy, DR uses its own raw materials and EK uses tight cost controls. The only difference is that DR focuses on after war and after natural disaster repairing works. Like the DR, EK also has its own segment and this company focuses just on industrial facility construction on international markets.

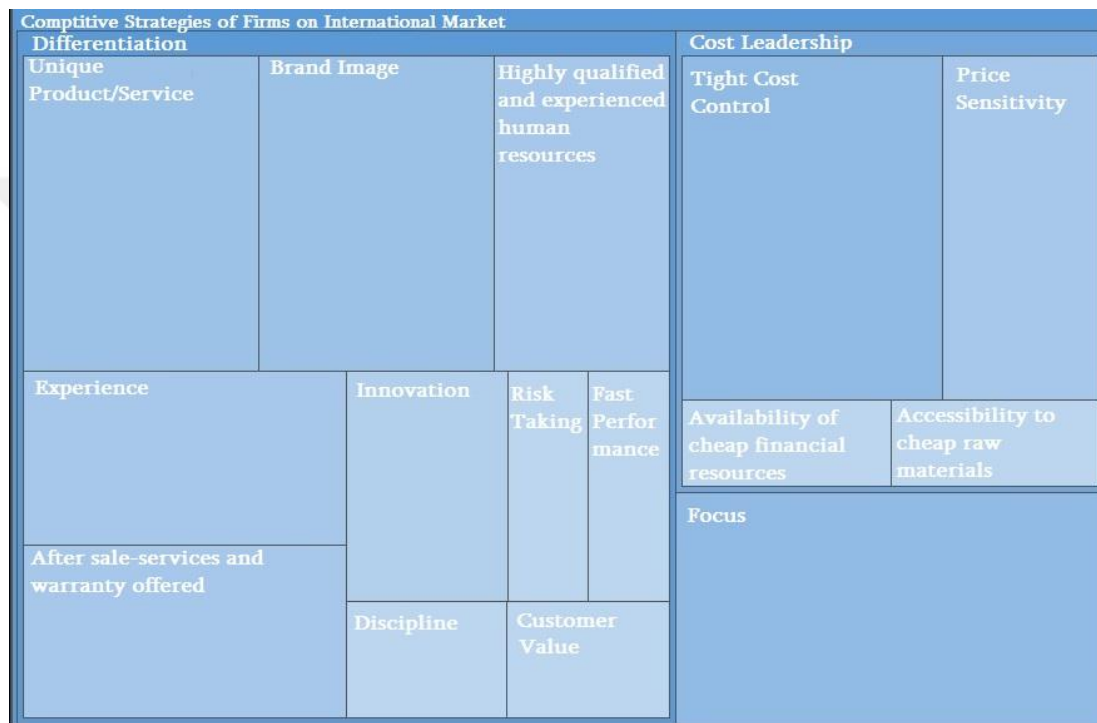


Figure 4.4. Competitive strategies of firms on international market

4.2. REVIEW OF THE FINDING ABOUT INTERNALIZATION

In this part, the findings about the internalization strategies of the firm will be discussed. In this vein, firstly the internalization motives, then country selection process, entry modes and finally difficulties faced during internationalization will be examined. Since majority of construction companies used partnership method as an entry mode the advantages and disadvantages of this method will be given special attention.



Figure 4.5. Entry modes

From the above chart you can clearly see the distribution of investigated Turkish contractor's choice for abroad market entry modes. As can be seen from the above chart, majority of the companies prefer joint venture to enter new international markets. Companies also have expressed two types of joint venture mode – joint venture company and joint venture project, though most of them prefer former one (i.e., joint venture company). This means that Turkish contractors prefer to establish new firms with local companies and operate with them. The primary reason of this preference could be desire to share the risks with partners, in other words diversify the risks. The other reason could be desire to use partner's familiarity with the local market, which could be very important for construction business that is largely shaped by political and legal factors.

Although participant companies prefer joint ventures, they acknowledge the difficulties arising from this kind of partnership. Majority of the companies (almost 70%) which use or used joint venture as entry mode express that working with others sometimes pose problems related to decision making. Some respondents indicated that they cannot make immediate decisions, as they have to negotiate with their

partners, which sometimes cause delays and loss of money. Some respondents complained about performance differences. Accordingly some partners have different understanding as to what constitutes good performance, even they have same understandings, they show below average performance. After the joint venture mode, participant companies named “bidding method” as a preferable entry mode. Turkish contractors seem to prefer following the bids in different countries. This preference could be related to desire for risk reduction. As it is known, companies prefer bid projects, because these projects mostly guarantee them by sufficient return on investment, or at least get back the investments made during construction.

The next preferred entry mode is sole venture company, which is in general implemented through foreign direct investment. Some of the participant companies having enough financial resources and strong brand image, indicated that they prefer to enter new countries through direct investment without forming any partnership. The managers of these companies indicated that after feasibility studies, they make investment and perform all works on their own; therefore they don't share the profit with local contractors.

The next and the last entry mode, that participant companies use is a branch office. As indicated in the literature review, branch office has an ability and permission for business activities and transactions in the host country (Chen and Messner, 2009), in other words it is an independent unit. From respondents' answers, it seems that this mode is not used to enter new market, rather, it is used on the subsequent stages of internalization. After performing one or several projects in a particular country, Turkish contractors seem to find profitable to establish a branch office and continue business activities in that country. From respondents' answers, it also seems that opening a branch office is a kind of ability that all companies don't have, thereby it may bring about considerable competitive advantage.

Before concluding the discussion about the entry modes, it should be acknowledged that some of the entry modes mentioned in the literature could not be observed in participant companies. This could be explained with the nature of the construction industry, which distinguishes from classical manufacturing companies in terms of product, after-sale services, technology and operating style.

Having discussed the entry modes, next, we will discuss the findings about internationalization motives, that is, the reason/ reasons for operating in international markets. As you can see from the below figure 4.6, participant companies named following motives for internalization: motive to grow, motive to reduce risks, , desire to have international experience, motive to increase market share, motive to increase brand awareness / familiarity, motive to learn and develop, motive to escape from local competition, motive to increase profitability and motive to contribute home-country motive.

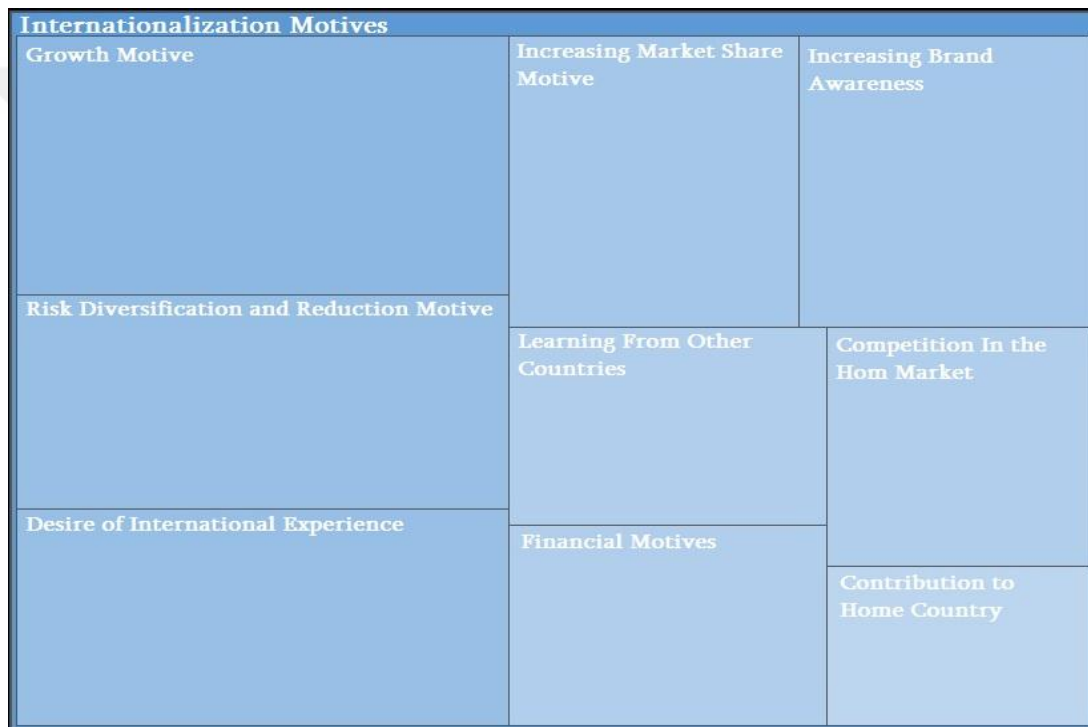


Figure 4.6. Internationalization motives

Some of the participant companies stressed that they could not make use of their potential in the local market (in Turkey) Therefore, considering the opportunities and threats in the international markets, they find it necessary to enter and conquer new markets. During the interviews almost all company managers, who expressed desire of growth underlines that local market is already limited for them and they try to increase their incomes and profits through that way.

Based on the answers, one can conclude that newly established companies see entering to international markets as a way to reduce the risks. With risk reduction motive, these companies try to get rid of local market competition. The managers of

newly established construction firms stated that local market share had already gained by old companies having reputable name and experience. Considering the fact that the power of these companies becomes formidable barrier against them, new companies try to enter country markets where construction sector is not as developed as in Turkey, competition pressure is lower and the chance to obtain wide market share is more possible.

The desire of obtaining international experience and increasing market share can be considered as part of the growth and risk diversification motives since managers talk about these motives with the same statements. According to managers, local market is limited already and there is high competition and the only way to overcome these problems is to enter other country markets and widen their shares.

Increasing brand awareness seems to be one of the most prominent motives among Turkish contractors. Some managers underlined that performance on abroad market could help company to overcome local competition. According to managers, the name of international player adds credibility to the company, they become more trustable and they complete two difficult works at the same time.

The next motive for internationalization the research results show is a desire of learning from other countries. This motive in general was named by the newly established companies. They are open for development and strive to gain experience and knowledge by entering new markets. This may be considered as a kind of trick, like the company trying to obtain new technology, new method of building, new building materials that doesn't exist on local market and gain competitive advantage after setting it first.

The next part – financial motive doesn't mean that companies strive for increasing income or profit. This kind of financial motive is again connected with company image and awareness, connected with financial markets. Through international existence companies try to increase their awareness in the eye of financial institutes, like banks and many funds in order to get loans easier from them. Although it is not as frequently cited as other motives, some managers stressed their motive to contribute Turkey. They indicated that they entered international markets to

contribute Turkish economy and image. Although the participants cited this motive as one of the reasons for internalization, it seems that contribution of the country is supplementary, rather than the main motive behind internalization. Looking at the facts and figures, however, it seems reasonable to conclude that this aim achieved its purpose. Turkish international construction companies bring millions of dollars every year to Turkish economy.

After discussing internationalization motives, it's time to make a review on internationalization process and its difficulties. On the chart 4.7, the hierarchical distribution of internationalization difficulties was summarized.

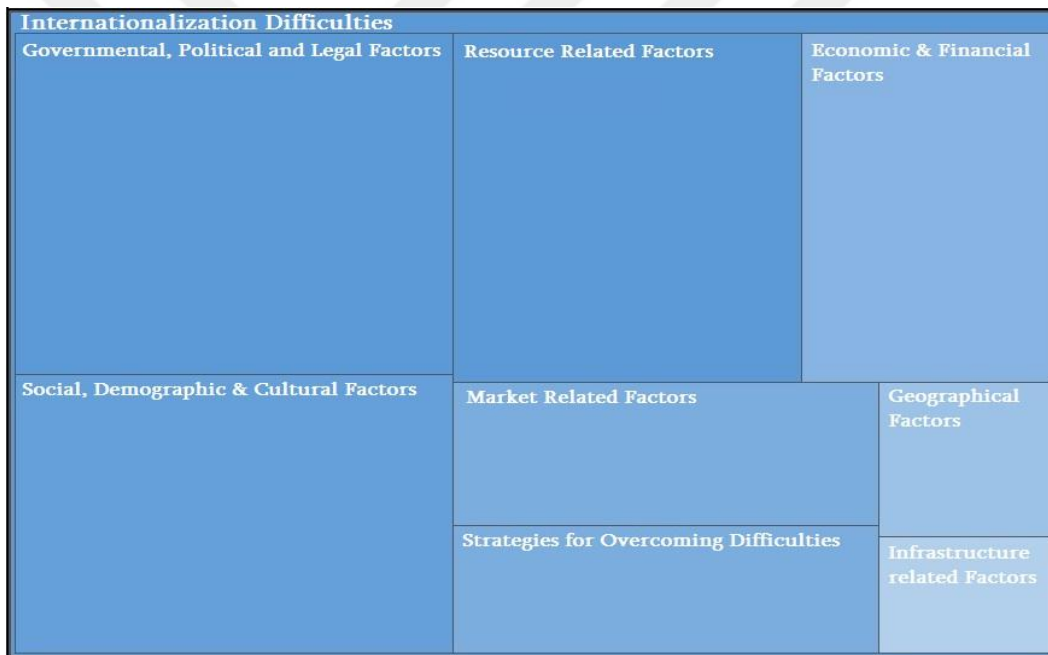


Figure 4.7. Internationalization difficulties

As can be seen from the chart, the political and legal factors are listed as the most prominent difficulties faced in the international markets. These factors could pose important challenges since they cannot be changed or eliminated with the interventions of the companies. In addition to political and legal factors, the social, demographic and cultural factors are listed as important challenges by the participant companies. Quite surprisingly companies listed resource, market and economic factors as relatively less important challenges in international markets although they are supposed to directly affect the profitability of the companies.

Considering the results of this study, one can state that Turkish contractors examine the aforementioned difficulties before deciding to enter a particular market. Only after the companies overcome these difficulties, or at least find a way to do that, they decide to enter a particular country. The remaining two, geographical and infrastructural factors, as it seems from research results, are secondary issues which are solved on practical level after entering abroad country market. Should be mentioned that content of above listed factors will be reviewed in next paragraphs.

As seen from chart 4.8, companies list variety of factors under the heading of political and legal factors. Among these factors, laws and regulations are given special attention by many firms. All of the participant companies stressed the importance of understanding laws and regulations about new business establishment (i.e., partnership formation), and tax system. Laws related to visa, residence and work permits are very important for managers and workers which are planned to be sent abroad, therefore all participants highlighted the challenges faced in international markets. As it seems from research results, managers of construction companies give special attention to the political stability of target countries. Another factor, intergovernmental relations and escalations, could be regarded as part of political stability. During the interviews, several company managers have mentioned that worsening of some intergovernmental relations –such as the deterioration of Russian and Turkish relationships, caused extensive losses for company. Because armed conflicts in Libya, Iraq and Syria affected Turkish construction firms severely, majority of the participants indicated that they were examining the political stability and armed conflicts closely before deciding to enter a particular country. Beside above stated risk factors, managers seem to examine the structure of the country, possible quotas and restrictions. Unlike political stability and possible conflicts, these factors are not risky, but any way company managers seem to need information about them in order not to violate the law, or in order to work in line with written and unwritten laws. Some managers mentioned that in number of countries, where they have worked, unfortunately corruption was on very high level and it caused an increase in unforeseen expenses. Should also be mentioned that some of the countries, where investigated companies have worked, has restriction on imported

work force like 10 %, accordingly Turkish contractors had to work with local work force, which was an additional unexpectedness and problem for management.



Figure 4.8. Governmental, political and legal factors

As it is indicated earlier, social, demographic and cultural factors were the next in the list of difficulties for investigated companies. We didn't make an additional chart for these factors, because participants' answers were too similar. Almost all participant companies stated that local culture sometimes causes problems for their operations. The managers indicated that differences about lifestyle, attitude towards labor, attitudes toward alcohol, calendar day offs, holidays and the way holidays are celebrated could cause disagreements, conflicts and disturbances within the company.

The second factor that almost all participant companies underlined was language. Some of them even noted that their staff had foreign language knowledge problem. As for researcher this question may be considered as a serious weakness for Turkish construction companies, which should be improved in future.

Unexpectedly for researcher, religion difference was not named by company managers among difficulties. There was just one company which mentioned religion

as a difficulty to overcome. The reason of this can be the fact that Turkish contractors basically try to operate in countries resembling Turkey in many respects including religion. Accordingly, as it seems from research results, religion differences basically doesn't exist and it doesn't make effect on working process.

According to these results the next factor which company managers consider as a difficulty is related with resources.

As can be seen from chart 4.9, companies regard not only the raw materials, or work force as important resources, but also regard financial resources as important resources. Although being one of the important resources, the financial resources do not seem to be major concern for the participant companies. Several company managers have clearly expressed that they show interest in the projects with offering adequate financial return in order to reduce the risk to minimum, if not zero. Number of participant companies mentioned that they find financial resources from local and from international banks, some of them indicated they used their own financial resources and act as investors. Those participating the bids try to obtain necessary financial resources from the institution opening up the bid and willing to give tender price. Practically speaking finances seems the most important thing in construction business, not as important as raw material, its quality or the human resources, moreover when these resources in basically are exported from Turkey.

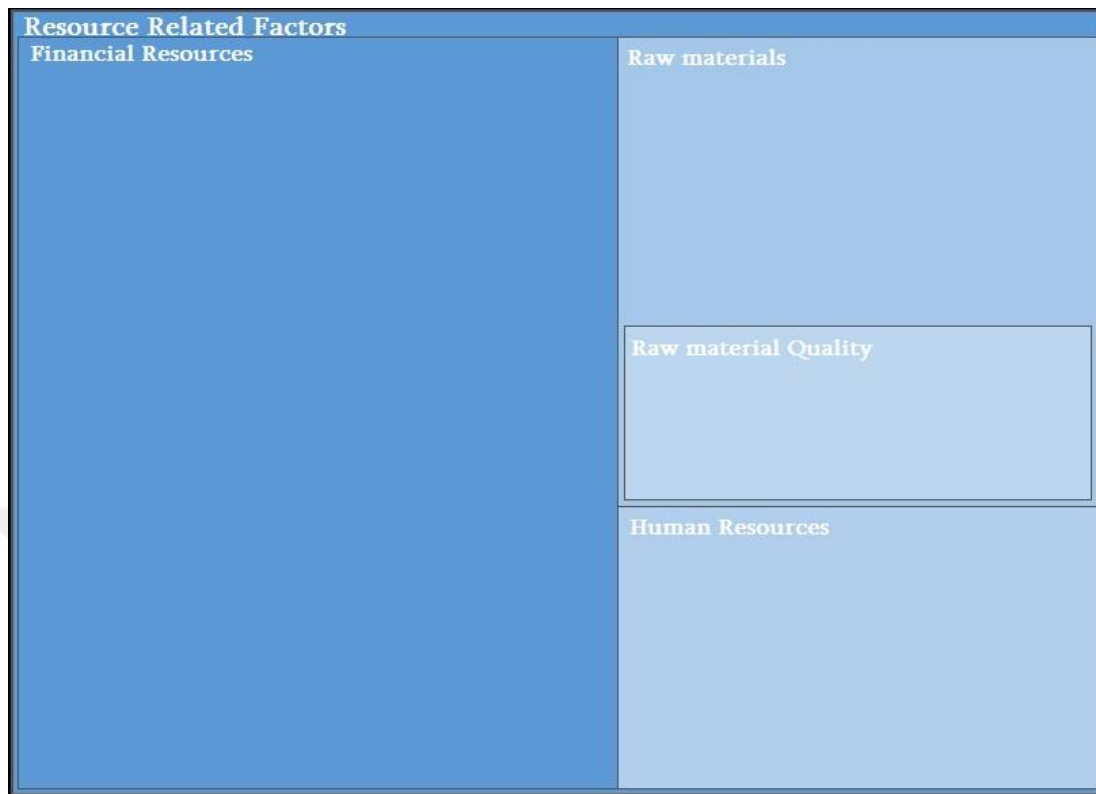


Figure 4.9. Resource related factors

The importance of financial resources can also be noticed while taking a look on host country's economic and financial factors that company managers investigate before entering new markets. According to provided research results, host country bank ratings and country financial stability seems very important for Turkish contractors. This kind of reviews and investigations make possible for companies to evaluate financial risks and risks also related with financial operations. Because of this, exchange rates are also considered during that kind of researches, for example strengthening of USD against TL in the last periods could become an important problem for Turkish contractors buying raw materials based on foreign currency.

Relating with financial resources, several company managers complained that their rivals are coming with stronger financial sources and Turkish contractors find it difficult to overcome them. In such kind of rivals there were named just Chinese construction companies, which are financed by two Chinese state banks and this country is on the top place according to number of international contractors. Turkey, on the 100th anniversary of its statehood in 2023 is planning to be the first country

according to number of international contractors. Based on this information one can assume that Turkish government has a strategic plan related with this question.

According to research results, the next important factor that Turkish contractors investigate is target country economy and economic stability (see figure 4.10). Taking a look on financial factors, that company managers investigate, one can conclude that these issues aren't very important for them, but it would be a wrong conclusion. As research results showed, company managers don't investigate target country GDP, economic freedom or income per capita, but they attach great importance to characters like country economy and its stability. During the interviews, respondents have mentioned that in general they pay a great attention to country economy and if economic characteristics aren't on satisfactory level, they refuse to perform business activities in that country.



Figure 4.10. Economic and financial factors

After investigating financial and economic related factors, Turkish construction company managers investigate target country construction markets (see figure 4.11). From the below chart you can clearly understand the characteristics which are considered during their investigations. The most important factor among those

characteristics appears to be market consumption capacity – in other words it can be named supply. Company managers research on which level of development the local companies are, and if they have ability to fully satisfy a present demand. If the market seems crowded for Turkish contractors and if there really isn't a need of new players and entering there may contain risks, company managers turn back. The factor which is called demand is in a direct connection with above reviewed factor and it takes place among reviewed characteristics for Turkish contractors. Demand is vitally important characteristic for any kind of product and ignoring it will not bring success. According to research results Turkish contractors also consider it as an important mean of success and they review these characteristics before entering any country. They also pay attention on market growth rates, in order to prescribe the future market condition, predict the positive abilities of that particular country construction market and enter there in time. Should be mentioned that it's a very smart approach from their side.



Figure 4.11. Market related factors

As we have mentioned in above paragraph, all these questions are considered as difficulties and as topics for country evaluation, during internationalization process. In addition, with investigating these issues, we also researched the ways, through which Turkish construction companies overcome these difficulties (see figure 4.12).

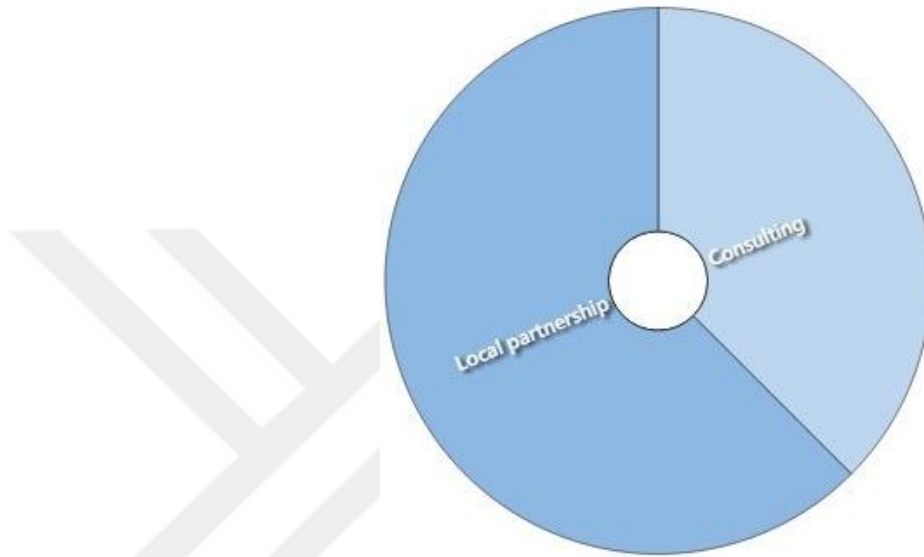


Figure 4.12. Strategies for overcoming difficulties

As you can see from the below distribution Turkish contractors have named just two methods: establishing a partnership with local companies and taking professional advices from consulting companies. As you can see local partnership choice is more common but there were companies expressing the use of both methods. According to practice and experience of investigated companies both methods are approved, advisable and both of them work. But if the companies refuse sharing their profits with other local contractors, taking advices from consulting companies is a better way.

Infrastructural and geographical difficulties, according to research results, didn't occur that important to be considered by company managers before entering new country markets. This kind of issues, as it seems from research results, can be solved on site by engineers or by middle level managers which are transferred for managing and ruling abroad activities.

4.3. LIMITATIONS

This study has some limitations that should be acknowledged before making final conclusions and suggestions to firms and literature.

First of all, this study utilized qualitative research technique, characterized with several limitations and unique characteristics. Because of the nature of qualitative research, data are not quantitative and not represented in numbers. For this reason, reliability and validity of the findings cannot be shown in a numerical way, which could have considered as an important limitation. Furthermore, due to the limited sample size, and nature of qualitative research, generalization of the findings to other industries or even companies in construction industry is not possible.

Second limitation arises from the limited sample size. Despite of the support of various reputable institutions, such as the Embassy of Georgia in Turkey, Foreign Economic Relations Board – DEIK, Turkish Contractors Association, only ten company (out of 43 Turkish international construction firms) agreed to participate the research. Although the sample size seems to be small, it was possible to gather satisfactory information from this limited sample through in-depth interviews.

4.4. SUGGESTIONS

Considering the results of this study, some suggestions could be made to Turkish construction companies operating in both domestic and international markets. It should be mentioned that following advices may be useful for companies which operate only in foreign / international markets and for those ones which perform constructions activities just on local market.

Overall, internationalization strategies which Turkish contractors follow seems to be very successful, considering the fact that Turkey has been ranked as second country in terms of the number of companies operating in international markets and total revenue generated from construction activities. The competitive strategies used by Turkish contractors in international markets seem to be congruent with the market conditions and thereby efficient. The results demonstrated that the majority of Turkish companies transfer work force from Turkey and export raw materials in line with their desire to lower their costs and gain competitive advantage.

Although competitive and internationalization strategies used in international markets seem to be efficient and effective, the competitive strategies of Turkish contractors in domestic market seem to have some problems. As the research results showed, the majority of international Turkish construction companies use differentiation strategy on local market. Although such a choice cannot be regarded as a mistake, following the cost leadership strategy, thereby differentiating the company from competitors could also be viable solution in this harshly competitive environment. Increasing the quality of the construction work, offering unique design or after-sale service could be used within the framework of differentiation strategy.

As the research results have shown, majority of the construction companies prefer cost leadership strategy on domestic market. The best and commonly used ways of reducing costs seem to be tight cost control, obtaining cheap financial resources and procuring cheap raw materials. The tight cost control is mostly a managerial issue. To keep the costs at minimum or at least at certain level, companies can establish a new department, which focuses exclusively on cost supervision and reduction.

Obtaining cheap financial resources, which is another manifestation of cost leadership strategy, is hard to achieve. In order to find cheaper resources, managers have to find new suppliers. Unfortunately, these suppliers can also become reachable for other contractors and the cost advantage could be lost as the time passes. Some of the large scale holding companies have an advantage of being in financial sector, co-owning assets of banks and running financial business. This backward integration strategy enables them to obtain financial resources easily, with relatively lower costs. However, these holding companies have mostly acquired assets of financial organizations long time ago, when the financial market had not been developed. Being part of finance sector may be difficult and even risky for construction companies in today's business world.

The next and the most feasible way for overcoming competitors through cost leadership strategy is procuring cheap raw materials. The most important materials for any kind of building are steel and concrete. Making cost reductions in these materials could be very profitable for construction companies, thus become source of competitive advantage for construction companies. One way to obtain cheap raw

material is manufacturing it in-house. Turkish construction companies are advised to use backward integration strategy and produce the raw materials themselves. It could be argued that, manufacturing these materials are difficult because they have special characteristics which are known just by specialists therefore, experienced staff is needed. Moreover, building steel and concrete manufacturing factories could be expensive. Despite seemingly insurmountable barriers to entry, it is believed that manufacturing raw materials could still be a viable solution because finding experienced people may not be a big problem in Turkey and the expenses of factory building could be met with revenues generated from construction works.



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APPENDICES

A. INTERVIEW FORM

Şirket _____

Şirket'deki Pozisyonunuz _____

Tarih ___/___/_____

Şirket Profili

1. Şirketiniz ne zaman kuruldu ve Türkiye piyasasında ne kadar zamandır yer alıyorsunuz?
2. Şirketiniz Türkiye dışındaki faaliyetlerine ne zaman başladı? Hangi ülkelerde?
3. Türk inşaat sektörü dikkate alındığında Türkiye'deki faaliyetlerinizin boyutlarını değerlendiriniz:
 Çok Küçük Küçük Orta Büyük Çok büyük

Rekabetçilik

4. İç piyasada şirketinizi rakip firmalardan farklılaştıran ve şirketinize avantaj sağlayan faktörler nelerdir?
5. Şirketinizin Türkiye dışındaki faaliyetlerinde rakiplerine üstünlük sağladığı faktörler nelerdir?
6. Aşağıdaki faktörleri rekabet üstünlüğü açısından değerlendiriniz:

Fiyat firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – Fiyatın rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
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düşünüyorum:

Maliyet firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – Maliyetin rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
------------------	--------------	------------	-------------	------------------------

Kalite firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – Kalitenin rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
------------------	--------------	------------	-------------	------------------------

Hedef müşteri grubu firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – Hedef müşteri grubunun rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
------------------	--------------	------------	-------------	------------------------

Satış sonraki servise firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – Satış sonraki servisin rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
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Şirketinizin insan kaynaklarının eğitim ve uzmanlığı firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

İnsan kaynaklarının rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
------------------	--------------	------------	-------------	------------------------

Modern araç, teknik ve teknoloji firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – Modern araç, teknik ve teknolojinin rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
------------------	--------------	------------	-------------	------------------------

Şirket imajı firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – Şirket imajının rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
------------------	--------------	------------	-------------	------------------------

Yeniliklere ve değişikliklere açıklık firmanıza rekabet üstünlüğü sağlıyor mu?

Evet Hayır

Evitse – yeniliklere ve değişikliklere açıklığının rakiplerimize karşı üstünlük elde etmemizde etkili olduğunu düşünüyorum:

hiç katılmıyorum	katılmıyorum	kararsızım	katılıyorum	Kesinlikle katılıyorum
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Uluslararasılaşma

7. Uluslararası bir şirket olmanın avantajları ve dezavantajları nelerdir?
8. Türkiye dışında faaliyet göstermenizin nedeni nedir?
9. Türkiye dışında faaliyet göstereceğiniz ülke seçiminde hangi faktörleri göz önünde bulunduruyorsunuz? Neden bu faktörler?
10. Başka ülkelerde faaliyetlere başlarken hangi yöntemi tercih ettiniz?
 - Doğrudan yatırım yapıp bütün üretimle ilgili faaliyetleri şirketiniz yaptı
 - Başka bir firma ile ortaklık/konsorsiyum yöntemi
 - Diğer (açıklayınız)
11. Ortaklık kullandıysa – Ortaklık döneminde yaşadığınız olumlu ve olumsuz faktörler nelerdir?
12. Şirketiniz uluslararası işbirliklere katılmak için davet/teklif aldı mı?

13. Evetse – Ne zaman? Hangi ülkelerden? Kamu ta da özel örgütlerden? Ne tür proje? Şirketinizin onayladı mı? evet/yok – neden?

14. Uluslararasılaşma sürecinde esas zorluklar ve engeller nelerdi?

- Hukuki kaynaklanan faktörler
- uygulamadan kaynaklanan faktörler (dil, kültür, kalite hammadde temini ile ilgili problemler)
- Diğer (açıklayınız)

15. karşılaştığınız zorlukların üstesinden gelmek için firma olarak ne gibi stratejiler uyguladınız? Sorununuzun çözmede en çok yardımcı hangi uygulama oldu?

İnsan Kaynakları, Teknik ve Teknolojik Yönetimi

16. Uluslararası faaliyetleriniz için Türkiye’ den çalışan gönderimi/transferi yaptınız mı?

17. Bu transferler işçi düzeyinde miydi yoksa yönetici düzeyinde miydi? Farklı ülkelerde farklı yöntem izlediniz mi?

18. Türkiye’den diğer ülkelerdeki faaliyetleriniz için makine, araç vb. teknik ve teknolojik transfer yaptınız mı? Hangi ülkelerde?

19. İnsan kaynaklarının, teknoloji ve teknik transferinde ne gibi zorluklarla karşılaştınız?

Finansman

20. Uluslararası faaliyetleriniz için gerekli finansal kaynakları nereden sağlıyorsunuz? Neden?

21. Finansman elde ederken karşılaştığınız zorluklar nelerdir?

Kontrol

22. Uluslararası faaliyetlerinizin zaman ve kalite bakımından kontrolünü nasıl yapıyorsunuz?

23. Faaliyetlerinizdeki etkililiği ve verimliliği nasıl ölçüyorsunuz?

24. Genel olarak şirketinizi gerek ulusal, gerek uluslararası faaliyetlerde başarılı buluyor musunuz? Neden?

B. VOLUNTARY PARTICIPATION FORM

ANKET ÇALIŞMASI

Gönüllü Katılım Formu

Bu araştırma, Levan Bolkvadze tarafından uluslararası Türk inşaat şirketlerden toplanan verilerle gerçekleştirilecektir. Bu araştırmanın temel amacı uluslararası piyasalarda faaliyet gösteren Türk inşaat şirketlerinin rekabetçi avantaj elde etmek için hangi faktörleri kullandıklarını, uluslararası piyasalarda faaliyet gösterirken hangi yöntemleri tercih ettiklerini tespit etmektir. Veri toplama süreci başlamadan önce Hacettepe Üniversitesi Etik Komisyonu'na başvurulmuş, araştırmanın etik açıdan incelenmesi tamamlanmış ve gerekli izinler alınmıştır.

Çalışmaya katılmak tamamen **gönüllülük** esasına dayanmaktadır. Çalışmanın amacına ulaşması için sizden beklenen bütün soruları eksiksiz, kimsenin baskısı veya telkini altında olmadan, size en uygun gelen cevapları içtenlikle verecek şekilde cevaplamanızdır. Bu formu okuyup onaylamanız, araştırmaya katılmayı kabul ettiğiniz anlamına gelecektir. **Ancak, çalışmaya katılmama veya katıldıktan sonra herhangi bir anda çalışmayı bırakma hakkına sahipsiniz.** Bu çalışmadan elde edilecek bilgiler tamamen araştırma amacı ile kullanılacak olup, kişisel bilgileriniz **gizli tutulacaktır**. Ankette kimlik belirtici bilgi istenmemektedir. Elde edilen bilgiler sadece araştırmacılar tarafından değerlendirilecektir.

Anket, genel olarak kişisel rahatsızlık verecek soruları **içermemektedir**. Ancak, katılım sırasında anket maddelerinden ya da herhangi başka bir nedenden ötürü kendinizi rahatsız hissederseniz ankete cevap vermeyebilirsiniz. Böyle bir durumda anketi uygulayan kişiye, anketi tamamlamadığınızı söylemek yeterli olacaktır. Çalışmaya katılımdan istediğiniz an vazgeçebilirsiniz; **çalışmadan ayrılmanız size hiçbir sorumluluk getirmeyecektir**.

Anket sonunda, çalışmayla ilgili sorularınız varsa bu sorular cevaplanacaktır. Eğer araştırmanın amacı ile ilgili verilen bu bilgiler dışında şimdi veya sonra daha fazla bilgiye ihtiyaç duyarsanız sorumlu araştırmacıya istediğiniz bilgileri şimdi veya çalışmaya katıldıktan sonra araştırmacıya elektronik posta (levan_bolkvadze@mail.ru) ya da telefonla (506 518 14 05) ulaşarak sorabilirsiniz. Çalışma hakkında daha fazla bilgi almak için diğer sorumlu araştırmacı Yrd. Doç.Dr. Özge Tayfur Ekmekci (Hacettepe Üniversitesi İşletme Bölümü, Tel: 312 780 57 42; E-posta: otayfur@hacettepe.edu.tr) ile de iletişim kurabilirsiniz. Araştırma tamamlandığında genel/size özel sonuçların sizinle paylaşılmasını istiyorsanız lütfen araştırmacıya iletiniz.

Bu çalışmaya tamamen gönüllü olarak katılıyorum ve hiçbir baskı ve telkin olmaksızın katılmayı kabul ediyorum. Verdiğim bilgilerin bilimsel amaçlı yayımlarda kullanılmasını kabul ediyorum. (Formu doldurup imzaladıktan sonra uygulayıcıya geri veriniz).

Tarih: ----/----/-----

Katılımcı

Adı, soyadı:

Adres:

Tel.

İmza:





T.C.
HACETTEPE ÜNİVERSİTESİ
Rektörlük

Sayı : 35853172/ 433 - 271

08 Şubat 2016

SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜNE

İlgi: 06.01.2016 tarih ve 43 sayılı yazınız.

Enstitünüz İşletme Anabilim Dalı Yönetim Organizasyon ve Örgütsel Davranış Bilim Dalı yüksek lisans programı öğrencilerinden **Levan BOLKVADZE**'nin Yrd. Doç. Dr. **Özge TAYFUR EKMEKÇİ** danışmanlığında yürüttüğü "A Study On internationalization And Compertitive Strategies of Turkish Construction Companies Operating internationally" başlıklı tez çalışması, Üniversitemiz Senatosu Etik Komisyonunun 12 Ocak 2016 tarihinde yapmış olduğu toplantıda incelenmiş olup, etik açıdan uygun bulunmuştur.

Bilgilerinizi ve gereğini rica ederim.

Prof. Dr. A. Haluk ÖZEN
Rektör

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HACETTEPE ÜNİVERSİTESİ
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..... İŞLETME ANABİLİM DALI BAŞKANLIĞINA

Tarih: 10/02/2017

Tez Başlığı / Konusu: A Study on Competitive and Internationalization

Strategies of Turkish Construction Companies Operating Internationally

Yukarıda başlığı/konusu gösterilen tez çalışmamın a) Kapak sayfası, b) Giriş, c) Ana bölümler ve d) Sonuç kısımlarından oluşan toplam 188 sayfalık kısmına ilişkin, 10/02/2017 tarihinde şahsım/tez danışmanım tarafından Turnitin adlı intihal tespit programından aşağıda belirtilen filtrelemeler uygulanarak alınmış olan orijinallik raporuna göre, tezimin benzerlik oranı % 3 tür.

Uygulanan filtrelemeler:

- 1- Kabul/Onay ve Bildirim sayfaları hariç,
- 2- Kaynakça hariç
- 3- Alıntılar hariç/dâhil
- 4- 5 kelimededen daha az örtüşme içeren metin kısımları hariç

Hacettepe Üniversitesi Sosyal Bilimler Enstitüsü Tez Çalışması Orjinallik Raporu Alınması ve Kullanılması Uygulama Esasları'nı inceledim ve bu Uygulama Esasları'nda belirtilen azami benzerlik oranlarına göre tez çalışmamın herhangi bir intihal içermediğini; aksinin tespit edileceği muhtemel durumda doğabilecek her türlü hukuki sorumluluğu kabul ettiğimi ve yukarıda vermiş olduğum bilgilerin doğru olduğunu beyan ederim.

Gereğini saygılarımla arz ederim.

10.02.2017 Tarih ve İmza

Adı Soyadı: Levan Bolkvadze

Öğrenci No: 112126888

Anabilim Dalı: İşletme

Programı: Yönetim, Organizasyon ve Örgütsel Davranış

Statüsü: Y.Lisans Doktora Bütünleşik Dr.

DANIŞMAN ONAYI

UYGUNDUR.

Yrd. Doç. Dr. Özgür Tayfur Ekinçi
(Unvan, Ad Soyad, İmza)



HACETTEPE UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
THESIS/DISSERTATION ORIGINALITY REPORT

HACETTEPE UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
TO THE DEPARTMENT OF Business Administration

Date: 10/02/2017

Thesis Title / Topic: A Study on Competitive and Internationalization Strategies of Turkish Construction Companies Operating Internationally

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