

INTERNATIONALIZATION STRATEGIES OF TURKISH MULTINATIONALS

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by
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To my wife

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Dissertation Date : January 2015

I certify that this dissertation satisfies all the requirements as a dissertation for the degree of Doctor of Philosophy.

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The material included in this dissertation has not been submitted wholly or in part for any academic award or qualification other than that for which it is now submitted.

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ABSTRACT

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JANUARY 2015

INTERNATIONALIZATION STRATEGIES OF TURKISH MULTINATIONALS

This study aims to explore the drivers, motives, and processes of Turkish multinationals' internationalization and to evaluate the adequacy of theoretical perspectives in explanation of emerging country multinationals' international expansion. Based on a multiple-case study research method, individual case reports of eight Turkish multinational firms were developed. Data was collected through semi-structured interviews with company executives and documentation. The drivers of outward foreign direct investments of the firms are revealed at firm, industry, and institution level. Motives for outward foreign direct investments were explored for each firm. The internationalization processes of the firms were described by examining their location choices, entry modes, and strategies. Following an inductive approach a set of propositions were developed, and four internationalization strategies of Turkish multinationals were explored. Based on these findings, a model describing the internationalization of Turkish MNEs was proposed. In addition to these, the exploratory power of existing international business perspectives was discussed, and a general typology of foreign direct investment types was developed. Our findings reveal that despite emerging country multinationals have distinctive features in terms of their firm resources, capabilities, and institutional environments; their peculiar behaviors can be explained through an integrated framework of existing theoretical perspectives.

Keywords: Turkish multinationals, Turkish outward FDI, emerging country multinationals, internationalization strategies.

KISA ÖZET

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OCAK 2015

ÇOKULUSLU TÜRK ŞİRKETLERİNİN ULUSLARARASI LAŞMA STRATEJİLERİ

Bu çalışma doğrudan yatırım yoluyla yabancı pazarlara açılan Türk şirketlerinin yatırımlarının sebeplerini, yurtdışına açılma niyetlerini ve uluslararasılaşma süreçlerini ortaya çıkarmayı ve mevcut uluslararasılaşma yaklaşımlarının gelişmekte olan ülkelerin çokuluslu şirketlerinin davranışlarını açıklama yeterliliğini değerlendirmeyi hedeflemektedir. Çalışmada çoklu-vaka araştırma yöntemi kullanılmış, görüşme ve dokümantasyon yoluyla elde edilen nitel veriler kullanılarak Türk şirketlerinin yurtdışına açılma sürecini inceleyen sekiz adet şirket vakası hazırlanmıştır. Şirketlerin yurtdışına yatırım yapmalarının arkasında yatan sebepler firma, sektör ve kurumsal çevre seviyelerinde ortaya çıkarılmıştır. Şirketlerin yurtdışı yatırım niyetleri, yurtdışı yatırım sürecindeki lokasyon tercihleri, yabancı pazarlara giriş yöntemleri ve stratejileri tespit edilmiş ve incelenmiştir. Tümevarımsal bir yaklaşım kullanılarak önermeler geliştirilmiş ve çokuluslu Türk şirketlerinin dört farklı uluslararasılaşma stratejisi tanımlanmıştır. Çalışmanın bulgularına dayalı olarak Türk şirketlerinin uluslararasılaşmasını resmeden bir model geliştirilmiştir. Bunlara ek olarak mevcut teorik yaklaşımların gelişmekte olan ülke çokuluslularının doğrudan yatırımlarını açıklama gücü tartışılmış ve doğrudan yabancı yatırım türlerini sınıflandıran genel bir tipoloji önerilmiştir. Araştırma sonuçlarımız, benzer yönlerinin yanında, gelişmekte olan ülke çokuluslu işletmelerinin gelişmiş ülke çokuluslularından farklı kaynak, yetkinlik ve kurumsal çevreye sahip olduklarını ortaya koymakla beraber, mevcut teorik yaklaşımların bütünsel bir çerçevede ele alınmasıyla bu şirketlerin davranışlarının farklılaşan yönleriyle açıklanabileceğini göstermektedir.

Anahtar Sözcükler: çokuluslu Türk şirketleri, Türkiye kaynaklı doğrudan yatırım, gelişmekte olan ülke çokulusluları, uluslararasılaşma stratejileri

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LIST OF ABBREVIATIONS

DC MNE	Developed Country Multinational Enterprise
EC MNE	Emerging Country Multinational Enterprise
EFQM	European Foundation for Quality Management
EPC	Engineering, Procurement, and Construction
EU	European Union
FDI	Foreign Direct Investment
FSAs	Firm-specific Advantages
JV	Joint Venture
IB	International Business
IPM	Internationalization Process Model
Ind.BV	Industry-Based View
Inst.BV	Institution-Based View
LLL	Linkage, Leverage, and Learning
MENA	Middle East and North Africa
MNE	Multinational Enterprise
Oa	Asset-based Ownership Advantages
ODM	Original Design Manufacturer
OEM	Original Equipment Manufacturer
OFDI	Outward Foreign Direct Investment
Oi	Institutional Ownership Advantages
Ot	Transaction-type Ownership Advantages
RBV	Resource-Based View
RQ	Research Question
UK	United Kingdom
USA	United States of America
UNCTAD	United Nations Conference on Trade and Development
TMT	Top Management Team
TUBITAK	The Scientific and Technological Research Council of Turkey
WOS	Wholly Owned Subsidiary

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APPENDIX A: Case Study Protocol to Study Turkish Multinationals

Internationalization

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APPENDIX C: FDIs of the Case Study Firms

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I dedicate this dissertation to my wife for her unconditional encouragement.

CHAPTER ONE: INTRODUCTION

1.1. Importance of the Topic

Internationalization of the firm has been explained in international business (IB) literature from different perspectives for several decades. A number of theories and models were developed by IB scholars that aim to explain multinational enterprise (MNE) internationalization. Almost all of these theoretical contributions were made by studying on developed country multinational enterprise (DC MNE) as a research phenomenon (Buckley et al., 2007; Ramamurti, 2012). A focus on DC MNEs was reasonable at the previous decades since the global foreign direct investment (FDI) movements were mostly conducted by the MNEs originated from triad economies (i.e. USA, EU and Japan). However, as the percentage of emerging countries' outward FDI (OFDI) within the overall global investments enhanced (UNCTAD, 2014), multinationals originated from those economies have attracted the attention of scholars and various research questions have arisen such as "whether these firms are a new type of MNE or not?" or "whether existing IB theories are adequate to explain their behaviors or not?" (Jormanainen & Kovesnikov, 2012; Mathews, 2006; Narula, 2006; Ramamurti, 2012). In IB literature, there exists a debate around these questions and a considerable amount of research has been conducted by the scholars regarding the emerging country multinational enterprise (EC MNE) behaviors such as determinants of their OFDI (Buckley et al., 2007; Yamakawa, Peng, & Deeds, 2008), their internationalization strategies (Tsai & Eisingerich, 2010), location choices (Filatotchev, Strange, Piesse, & Lien, 2007; Makino, Lau, & Yeh, 2002), and entry modes (Demirbag, Tatoglu, & Glaister, 2009). In general, there are three different approaches in IB field to the current debate about the EC MNEs' global expansion (Jormanainen & Kovesnikov, 2012; Ramamurti, 2012).

First, some scholars argue that EC MNEs are a new type of MNE in terms of their organizational forms and strategies (Mathews, 2006).

According to this view, existing theories are not adequate to explain EC MNE internationalization since they were developed by studying DC MNEs. These scholars suggest developing new theories by specifically focusing on EC MNEs and the environment from which they have been emerging (Luo & Rui, 2009; Luo & Tung, 2007; Mathews, 2006; Ramamurti, 2012). Contrary to the first view, some scholars address that existing IB theories are quite adequate to explain international expansion of EC MNEs (Dunning, 2006; Narula, 2006; Ramamurti, 2012). Another third group of scholars proposes to extend and refine the previously developed theories (Jormanainen & Kovesnikov, 2012; Meyer & Thaijongrak, 2012). These scholars agree that existing IB theories were developed based on the research on DC MNEs, and IB field is heavily influenced by western experience. However, they assert that research on internationalization of these DC MNEs began by the 1970s when many of the DC MNEs had already internationalized to some degree. In other words, earlier international investments of DC MNEs had been made for several decades when the scholars began to examine their internationalization processes and FDIs. Thus, there is a lack of explanation about the earlier stages of MNE internationalization. In this context, EC MNEs may provide a fruitful research laboratory for the scholars to complete this gap by drawing a complete picture of the internationalization of the firm (Ramamurti, 2012).

The international expansion of EC MNE is not an understudied phenomenon. In IB field, a significant amount of research has been made related to the EC MNEs (Deng, 2012; Filatotchev et al., 2007; Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2009; Lu, Liu, & Wang, 2011; Luo & Rui, 2009; Luo & Tung, 2007; Luo, 2003; Madhok & Keyhani, 2012; Mathews, 2006; Meyer & Thaijongrak, 2012; Sun, 2009; Tsai & Eisingerich, 2010; Yamakawa et al., 2008; Yiu, Lau, & Bruton, 2007). However, most of these efforts have been devoted to Chinese and Indian MNEs. The findings and contributions about the internationalization of EC MNEs are mostly biased to these countries while other emerging countries remain under-researched

(Jormanainen & Kovesnikov, 2012). In their review article Jormanainen and Kovesnikov (2012) demonstrated that 30% of the published articles in fourteen top IB journals between 2000 and 2010 solely focuses on Chinese experience. Besides, Chinese MNEs are also included in the remaining 26% of the articles among other EC MNEs. Indian and Latin American MNEs constitute 14% and 12% of the geographic focus of the selected articles respectively. For this reason, more research from different contexts about the EC MNEs is required to develop a general picture of the phenomenon being studied.

This study aims to investigate the MNE internationalization by examining Turkish firms' OFDIs to contribute to the recent debate on EC MNEs from a different context. Therefore, it will be appropriate to mention about the Turkish OFDI and Turkish context as an emerging economy.

1.2. Turkey as a Research Context

Turkey's characteristic location between Europe and Asia and its proximity to Middle East and North Africa (MENA) and Central Asia, make it both an eastern and western country at the same time. It has strong ties with EU in terms of international trade and investment. As a result of its cultural proximity and historical background it also has close relations with Central Asia and MENA countries (Erdilek, 2008; Yaprak & Karademir, 2010; Yavan, 2012).

Although it has been substantially improved by the government policies after 2001 economic crisis, Turkey's business environment has been unstable and difficult to operate for decades, and still unfavorable conditions exist (Erdilek, 2008). In addition, high basic costs such as energy, utilities, and taxes increase the cost of production and effect firm competitiveness (Eren-Erdogmus, Cobanoglu, Yalcin, & Ghauri, 2010).

Since 1980s, Turkey's regulatory environment has been liberalized by the government and the country's economy has become more outward oriented which has also resulted in increases in imports and inward FDI investments. The liberalization policies (e.g. liberalization of foreign

exchange regime) allowed domestic firms to speed up their internationalization. These policies have also intensified home country competition and forced Turkish firms to seek foreign markets through both exports and OFDI (Erdilek, 2008). During 1992-2004, the annual average increase of Turkish OFDI flows became 26% that was the second highest rate among emerging and transition economies. During 1990-2005, as a percentage of gross domestic product, OFDI stocks increased from 0.8% to 2.2.% (UNCTAD, 2006). By the year 2013, total OFDI stock of Turkish MNEs has become 40 billion U.S. dollars. The number of Turkish firms has made OFDI more than 100 million U.S. dollar became 29 (Vale Columbia Center, 2014).

Despite the increasing amount of Turkish OFDI and Turkey's interesting context as an OFDI sourcing country, studies investigating Turkish MNEs' internationalization are few. A set of studies attempting to reveal Turkish MNEs' entry modes (Demirbag et al., 2009), their internationalization processes (Erdilek, 2008; Eren-Erdogmus et al., 2010; Yaprak & Karademir, 2010), and the historical perspective of Turkish OFDI (Yavan, 2012) exist. Apart from its focus on the drivers of Turkish MNEs' internationalization and their entry modes, this study is distinctive to a large extent from the existing literature particularly focusing on Turkish MNEs.

Considering the current debates above and the possible contributions of the research context of this study, we developed a set of research questions and formed the relevant research objectives of this study.

1.3. Research Questions

Without well-defined research questions, the data source and the methods of data collection and analysis cannot be revealed. Such a definition enables the investigator to specify, collect and focus on the relevant data without becoming overwhelmed by the volume of data (Eisenhardt, 1989). Considering the research gap and the discussions above, after an elaborative literature review two research questions (RQ) which are about (i) the drivers of and motives for OFDIs of Turkish MNEs and (ii) their

internationalization process in terms of their location choices, entry modes, and firm strategies were developed (see RQ1 and RQ2). However, internationalization is a complex phenomenon that cannot be understood well with such general questions. Instead, it requires an inclusive approach to the reality by asking different questions from various perspectives. As a consequence, a set of more operational sub-questions that allow us to reach more detailed results was also developed. Finally, two of the main RQs and their related sub-questions are as follows:

RQ 1: Why do Turkish MNEs engage in OFDI?

RQ 1a: What are the firm-level drivers of Turkish MNEs' OFDI?

RQ 1b: What are the industry-level drivers of Turkish MNEs' OFDI?

RQ 1c: What are the institution-level drivers of Turkish MNEs' OFDI?

RQ 1d: What are the strategic motives for Turkish MNEs' OFDI?

RQ2: How do Turkish MNEs internationalize through OFDI?

RQ2a: Which host-country locations do Turkish MNEs prefer to expand their operations?

RQ2b: Which entry modes do Turkish MNEs prefer to enter foreign markets?

RQ2c: What are the key options underlying strategic behaviors of Turkish MNEs?

The answers to these two questions will also generate sufficient data for our RQ3, which is about the exploratory power of current IB theories and models for the EC MNE internationalization. Accordingly the third RQ of this study is as follows:

RQ3: To what extent the mainstream IB perspectives adequately explain Turkish MNEs' internationalization? Do we need to develop novel theories or extend the existing ones to explain EC MNEs' internationalization?

In order to seek answers to our research questions, first, we will examine the drivers of and motives for Turkish MNEs' OFDI and their internationalization process in order to provide an understanding of their

behaviors, and, if possible, to develop a typology of their OFDI strategies. Second, we aim to develop a model describing the internationalization of Turkish MNEs by following an inductive approach. Third, we will compare the findings of this study to the mainstream and alternative perspectives to contribute to the recent debate in IB field that is “whether existing theories and perspectives are adequate or not in explaining the EC MNEs’ internationalization”. As a result the expected research outcomes of this study are as follows;

- i. An exploration of the drivers, motives, and processes of Turkish MNEs’ international expansion, and, if possible, a typology of their internationalization strategies.
- ii. A set of propositions and a model describing Turkish MNEs’ internationalization
- iii. An assessment of existing IB perspectives under the light of our findings to contribute to the recent debates about EC MNEs from Turkish context.

1.4. Theoretical Framework

In this study, we look at the MNE internationalization from a strategic management viewpoint (Melin, 1992; Welch & Welch, 1996). We use three fundamental perspectives of strategic management field which are resource-based view (RBV) (Barney, 1991), industry-based view (Ind.BV) (Porter, 1980), and institution-based view (Inst.BV) (Peng, Wang, & Jiang, 2008). These three perspectives provide an all-inclusive theoretical base to explore the driving forces of MNE internationalization (Gao, Murray, Kotabe, & Lu, 2009; Lu et al., 2011; Peng et al., 2008). In other words, applying these three views to the Turkish MNEs’ internationalization may shed some light on the plurality of the observed phenomena and allow us to develop a multi-level model accounting for firm-, industry-, and country-specific factors resulting in the heterogeneity of EC MNE internationalization (Jormanainen & Koveshnikov, 2012). In order to identify motives for firm OFDI, we apply to Dunning’s classification in which he identifies four distinct motives

that are market-, resource-, efficiency-, and asset-seeking FDI (Dunning, 1998). We define internationalization process as a period in which firm chooses the location and the entry mode for the investment and applies specific strategies.

We use the mainstream and emergent IB theories as our research lenses to examine MNE internationalization as a whole by approaching from different perspectives. In IB field, Dunning's eclectic paradigm (Cantwell & Narula, 2001; Dunning, 1980, 1988, 2000, 2001; Erdener & Shapiro, 2005; Narula, 2006, 2010) and internationalization process model (or Uppsala model) (Clark, Pugh, & Mallory, 1997; Forsgren, 2002; Johanson & Vahlne, 1977, 2009; Meyer & Thaijongrak, 2012) are two fundamental frameworks that are used to explain MNE internationalization. There are also more recent contributions particularly focusing on EC MNEs, which are mostly cited and discussed in IB field. In our study, we include two of these specific ones that are springboard perspective (Luo & Tung, 2007) and linkage, leverage and learning (LLL) model (Mathews, 2006) as additional research lenses to examine EC MNE internationalization. The rationale behind this selection is that among others springboard perspective and LLL model address the novelty of EC MNEs and their arguments are mostly commented and cited in the recent studies on EC MNEs (Dunning, 2006; Erdilek, 2008; Jormanainen & Koveshnikov, 2012; Lu et al., 2011; Luo & Rui, 2009; Meyer & Thaijongrak, 2012; Narula, 2006; Yamakawa et al., 2008; Yaprak & Karademir, 2010). Figure 1.1. summarizes the research framework of our study.

1.5. Research Design

A research design demonstrates the logical steps that are necessary to connect the findings of any study to its initial research questions (Philliber, Schwab, & Sloss, 1980; Yin, 2009). It shows the logical links between the

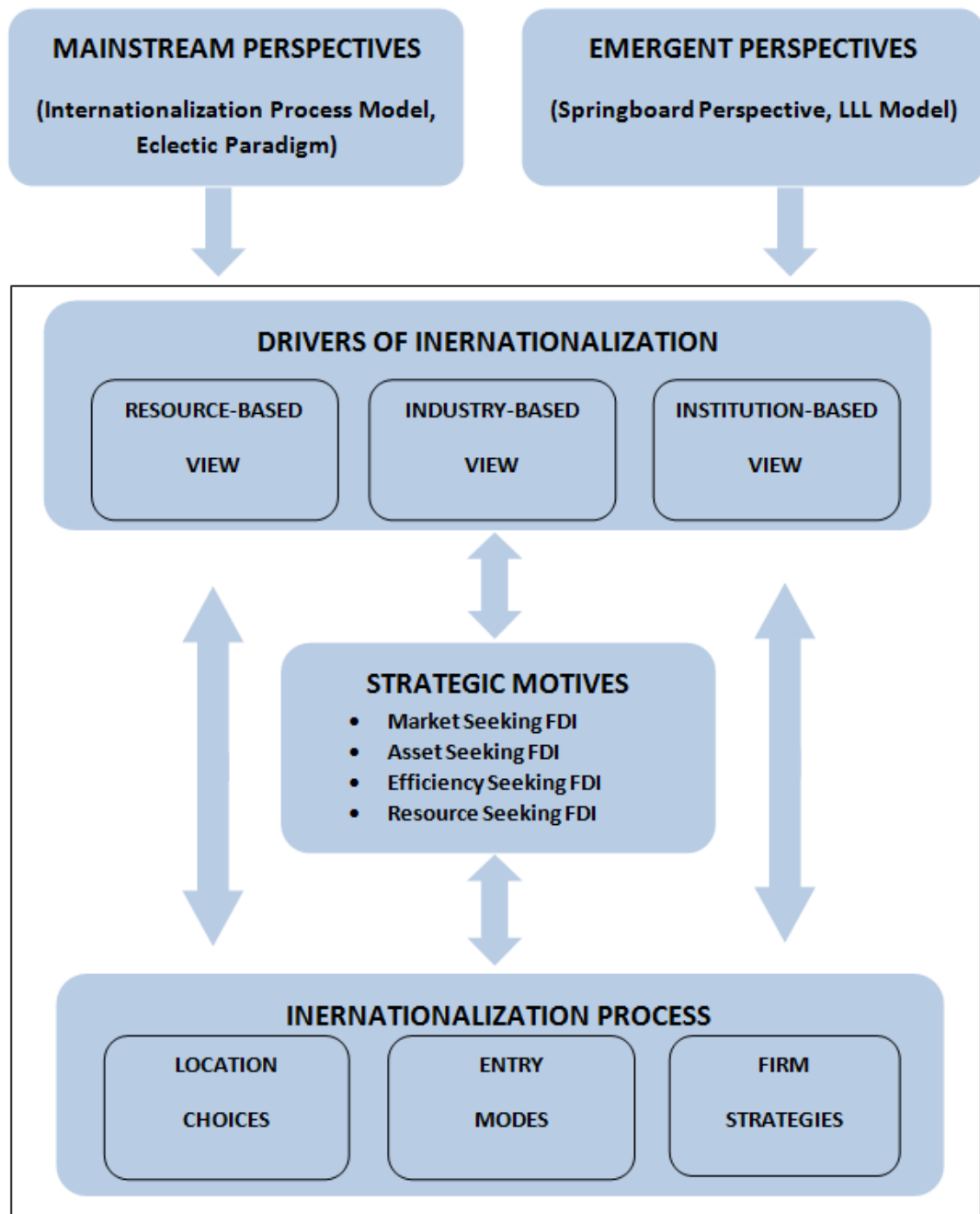


Figure 1.1. Theoretical Framework of the Study

research questions and the conclusions by explaining and rationalizing the methods of the study.

Regarding the research methods of our study, it is appropriate to use case study research method that is justified by the research questions of this study. Case study research is suitable for the research projects seeking answers to “why” and “how” questions within the real context of the

investigated phenomenon (Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Rowley, 2002; Vissak, 2010; Yin, 2009). In addition, a useful strategy to discover areas in which current theories are inadequate is to look deliberately for the situations in which the reality appears to be strange or inexplicable (Ramamurti, 2012). Accordingly, case study research offers such an opportunity to look at the EC MNE behavior closer to identify such unusual situations and to find possible extension avenues for existing research (Siggelkow, 2007). This study can be categorized in theory-driven research since it aims to extend existing internationalization theories and models by questioning their explanatory power. In this context, qualitative data can offer better insights about the complex social processes of MNE internationalization than quantitative data. On the other hand, it can also be categorized within the phenomenon-driven research since it discusses the importance of EC MNE behavior. The lack of plausible existing theory and empirical evidence about the phenomenon also please case study method. At this point broader research questions with a flexible research method are needed which again justifies the case study research (Eisenhardt & Graebner, 2007).

In this study, we prepared and analyzed cases of eight Turkish MNEs that have internationalized their operations through FDIs. By analyzing the qualitative data collected through executive interviews and documentation, we expect to reach our research outcomes to generate answers for our initial research questions and contribute to the literature from a different context. Figure 1.2. provides a general picture of our research design.

1.6. Structure of the Dissertation

After this first introductory chapter, in Chapter Two, we will review the literature on the internationalization process model (IPM), eclectic paradigm, springboard perspective, and LLL model that establish the theoretical base of this study. We will also discuss the RBV, Ind.BV and Ins.BV in terms of their expressions on the drivers of EC MNEs' OFDIs. Chapter Two also includes a discussion of the FDI

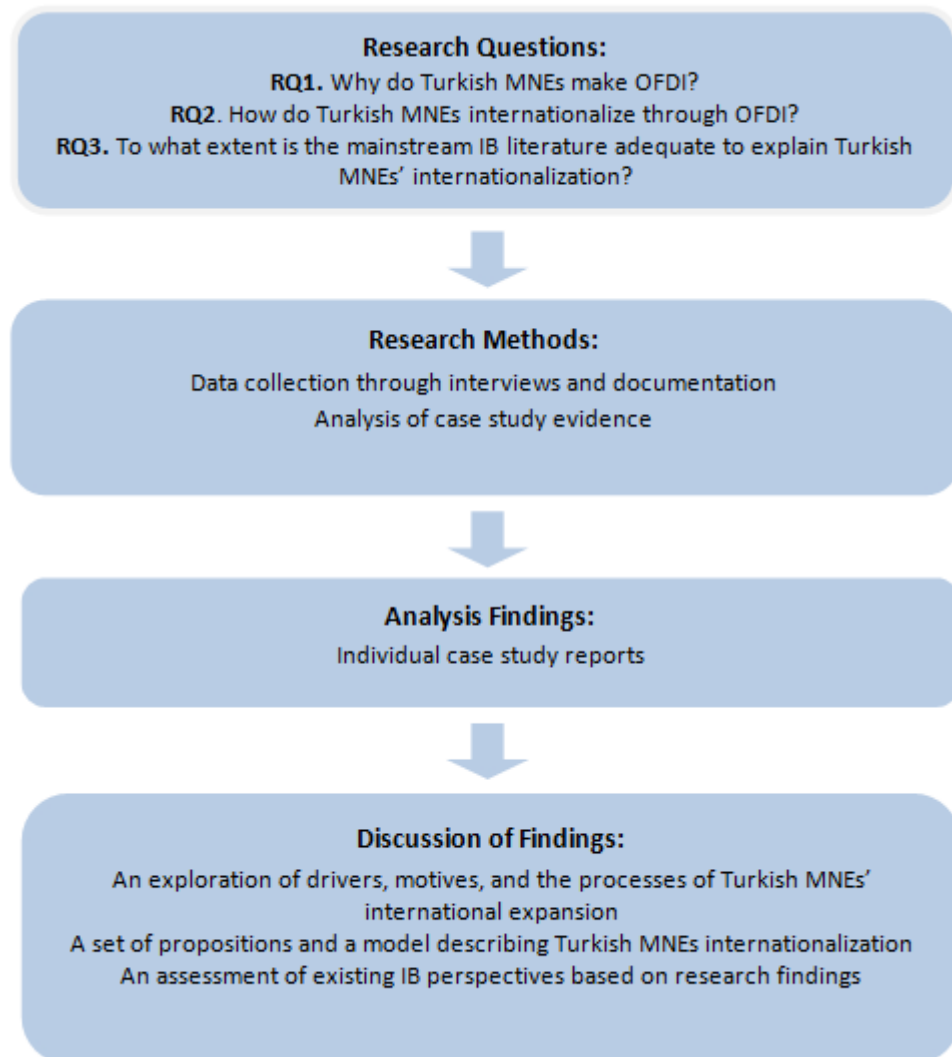


Figure 1.2. Research Framework of the Study

motives of EC MNEs and their internationalization process that consists of their location choices, entry modes, and strategic behaviors. In Chapter Three, we will represent the research design and methods of our study by explaining the rationale behind our choice and the procedures followed during this study. In Chapter Four, analysis findings will be represented as individual case study reports. In Chapter Five, there are two parts. First, based on empirical findings we will discuss the drivers, motives, and the processes of case study firms' OFDIs and identify their internationalization strategies. Then, we will follow an inductive approach and develop a set of propositions and a model to describe Turkish MNEs' internationalization.

Second, we will discuss the study findings by comparing them to the existing literature to figure out any possible extensions or indicate any refinements of existing perspectives. In Chapter Six, we will conclude the study by representing the theoretical and managerial implications of this study as well as its limitations and future research agenda.

CHAPTER TWO: THEORETICAL PERSPECTIVES ON INTERNATIONALIZATION OF EC MNEs

2.1. Introduction

This chapter is based on a literature review of the mainstream perspectives on firm internationalization (i.e. internationalization process model and eclectic paradigm) and recent developments (i.e. springboard perspective and LLL model) particularly concentrating on EC MNE internationalization. We reviewed the theoretical knowledge on MNE behavior by providing the contributions of each perspective to the literature, their explanations about EC MNEs' international expansion as well as the extensions, modifications and critics made upon them. Second, we review the various dimensions of EC MNEs' internationalization that are drivers of and motives for OFDI; and their internationalization processes including location and entry mode choices and firm strategies that ground our research questions.

2.2. Internationalization of the Firm: Mainstream Perspectives

Internationalization has been studied from various dimensions in IB literature. Since IB field is an eclectic area in nature, theoretical knowledge generated in the field is largely depended on the inspirations and borrowings from related fields such as economics, strategy, and organization theory. As a result of this eclecticism, roots of perspectives explaining the research phenomena of the field vary to a great extent. The internationalization process model (IPM) or Uppsala model which explains the internationalization process of the firm is mostly based on behavioral theories (Melin, 1992), whereas Dunning's eclectic paradigm or OLI Framework integrates transaction cost economics and internalization theory to explain FDI.

2.2.1. Internationalization Process Model

The internationalization process model (IPM) or Uppsala model proposes that firm increases its resource commitment abroad as it acquires knowledge about the foreign markets and incrementally expands its foreign operations

based on a gradual learning process (Johanson & Vahlne, 1977, 1990; Johanson & Wiedersheim-Paul, 1975). The IPM describes internationalization as a stage process in which a series of incremental decisions made about the international activities of the firm based on the knowledge acquisition through firm's own experience (Johanson & Wiedersheim-Paul, 1975). The IPM explains firm internationalization as a different pattern of growth. The firm international expansion is not seen as a set of deliberately planned steps built on rational analysis within IPM view. Instead the main characteristic of the internationalization process is the incremental nature of successive learning through stages of increasing commitment to international markets (Melin, 1992).

The model proposes that firms firstly begin internationalization in countries that are culturally and geographically close to their country of origin (Casillas, Acedo, & Barbero, 2010; Johanson & Vahlne, 1977). In a similar vein, at the beginning of internationalization the amount of the resources committed to the foreign market is small since firms prefer less risky international operation types such as exporting instead of making FDI. As external market knowledge is acquired, firm increases the amount of resource commitment and expands its international scope as well. Therefore, the IPM approaches internationalization as a path-dependent learning process in which the amount of resources committed to foreign markets are dependent on the amount of knowledge acquired based on experiential learning (Andersen, 1993; Eriksson, Majkgård, & Sharma, 2000). The knowledge gained during this process is based on the experiences with customers, markets, and competitors (i.e. market-based knowledge), the experiences within the institutional framework (i.e. institutional knowledge), and the experiences derived from working in foreign markets (i.e. internationalization knowledge) (Casillas et al., 2010; Clark et al., 1997).

The IPM presents an incremental internationalization in small steps due to the rationale that managers are risk-averse, and they expand their

businesses as they seize new opportunities in their local business environment. It depends on the observations that companies internationalize in their nearby countries in terms of culture, institutions, educational level, and language by first using sales agents and then making FDI (Barkema & Drogendijk, 2007; Johanson & Wiedersheim-Paul, 1975). In other words, dissimilarities between foreign markets and home country create a psychic distance that discourages firms to begin their international operations in countries where political, economic, cultural, and linguistic differences are high (Barkema & Drogendijk, 2007; Johanson & Vahlne, 1990; Johanson & Wiedersheim-Paul, 1975). Psychic distance is a result of the various discrepancies that firm experiences between its home and host countries in terms of language, education, business practices, culture, and task environment. It is a key factor in determining the pattern of firm internationalization across borders (Richardson, 2014). Other scholars suggest that institutional distance that is the variations in the regulatory, cognitive, and normative environments is also a significant determinant of firm internationalization pattern (Kostova, Roth, & Dacin, 2008; Kostova & Zaheer, 1999; Kostova, 1999; Xu & Shenkar, 2002). Ghemawat (2001) describes four different types of distance that are cultural distance (e.g. differences in religious beliefs, race, social norms, and language between home and host countries); administrative or political distance (e.g. colony-colonizer links, common currency, and trade arrangements); geographic distance (the physical distance between the two countries, the size of the target country, transportation and communications infrastructures); and economic distance (e.g. differences in the two countries' consumer income and variations in the cost and quality of resources). It is also argued that firm internationalization is a regional effort, not a global one as a result of distance (Ghemawat, 2001; Jansson & Sandberg, 2008; Richardson, 2014).

Research on the relation between incremental expansion and MNE performance demonstrate conflicting results. Some scholars assert that gradual learning from experiences reduces the failure rate of company

investments (Barkema, Bell, & Pennings, 1996; Li, 1995) while in recent studies others argue that incremental expansion may not be the best option for the firm overall performance (e.g. profitability) (Barkema & Drogendijk, 2007; Delios & Beamish, 2001). Moreover regarding the EC MNEs, some scholars state that EC MNEs internationalize differently in terms of speed and scope than the IPM proposes (Guillén & García-Canal, 2009; Madhok & Keyhani, 2012; Mathews, 2006). In many cases, EC MNEs enter the markets that are not physically close to their home countries; rather they enter the dissimilar and distant countries from their home (Ramamurti, 2004). They use more risky, but faster options to internationalize such as mergers and acquisitions instead of beginning with low risks such as using sales agents or sales subsidiaries (Madhok & Keyhani, 2012; Ramamurti, 2012).

This more accelerated internationalization of EC MNEs might be associated with a set of factors changing the global business environment. As a result of the high costs of innovation, short product life cycles, and the multiple technological competences needed for today's products – particularly in certain industries- firms should internationalize rapidly rather than incrementally (Narula, 2006). Under these circumstances, EC MNEs became more willing to act as global players to compensate their late-comer disadvantages by acquiring assets and competences that they lack (Child & Rodrigues, 2005). The path dependent internationalization can generate returns for the firm in the short-run, but such a risk-averse expansion may not be applicable in the long-run (Barkema & Drogendijk, 2007). Therefore, in a case of rapid internationalization the IPM becomes insufficient to explain the internationalization of the firm, especially in the case of EC MNEs. Moreover, firms, regardless of their country of origin, in certain industries (e.g. information and communication technologies) cannot be risk averse and cannot make incremental moves due to the fierce competition and high market dynamism (Narula, 2006).

Furthermore, the existence of born global firms (Knight & Cavusgil, 2004) that skip the incremental stages and early internationalize from or near their founding shadows over the accuracy of traditional internationalization process model of the firm. Thus, the argument proposed by the IPM that is firms gradually expand to the close markets in terms of cultural, geographical or institutional proximity may not be generalizable (Richardson, 2014). As a concluding remark Cantwell and Narula (2001) state that the internationalization sequence argument that is firms first export and then make direct investments is mostly abandoned.

2.2.2. Eclectic Paradigm

The eclectic paradigm is a comprehensive framework developed by John Dunning in a series of publications (Dunning, 1980, 1983, 1988, 2000, 2001) to explain firm foreign direct investment. It offers an overall framework for firms' FDIs by integrating views from transaction cost economics, internalization theory, and RBV of the firm.

It was Coase (1937) who was the first recognizing that the operation of the market costs something that are transaction, contracting, and coordinating costs of using the price mechanism. To avoid these transaction costs, firms can use their vertically integrated structures to set transfer prices by controlling the production and marketing of an intermediate product inside the organization. These fundamental insights from transaction cost economics are more applicable to the MNEs. Since there are more imperfections and greater transaction costs for the firms in international markets than in domestic markets, it could be assumed that internalization might result in efficiency, thus, firms engaging in FDI take place in global business landscape (Rugman, 1980).

Transaction cost economics view gave birth to internalization theory that sees firm's expansion through FDI as a mean to decrease transaction costs resulting from coordination of activities across national boundaries (Buckley & Casson, 1976; Filatotchev et al., 2007; Rugman, 1980). In other words, internalization can happen in response to externalities in the goods or

factor markets. Distortions in the goods market, such as a tariff, will encourage FDI and multinationality. The explicit recognition of these worldwide market imperfections, which in practice causes inefficiencies in international operations, lay at the heart of the internalization theory. Internalization theory argues that the MNEs take place in the global landscape due to the market failures such as exogenous government induced regulations and controls that spoil the theoretical reasons for free trade and private foreign investment. The internalization process, here, allows the firm to overcome such externalities and governmental regulations in the product market (Rugman, 1980).

The internalization theory developed by Buckley and Casson (1976) and Rugman (1980) is a firm-level theory that aims to explain the reasons that MNEs attempt to control their firm-specific advantages (FSAs). In internalization theory FSAs such as knowledge advantage arising from a transaction cost economics explanation; and other types of FSAs like brand advantage and organizational capabilities are all efficiency-based and in line with the RBV of the firm. Therefore, it could be argued that internalization theory employs transaction cost economics and RBV to explain the firms' FDI (Rugman, 2010).

In contrast to internalization theory, eclectic paradigm applies new variables to explain FDI. According to eclectic paradigm, the international activities of multinationals are determined by three different but related factors. These factors are ownership (O) advantages, location (L) advantages and internalization (I) advantages. Eclectic paradigm —also known as OLI paradigm argues that these three distinct sets of advantages explain the rationale behind the firm's involvement in FDI activities. It uses transaction costs and factor costs as its main explanatory variables and assumes that FDI decisions are made rationally within international firms (Melin, 1992).

Eclectic paradigm asserts that MNEs have competitive advantages or O advantages against their rivals. They exploit these advantages by

establishing subsidiaries in attractive foreign countries due to the available L-advantages (Cantwell & Narula, 2001; Dunning, 1980, 1988, 2000, 2001). According to Dunning, O advantages can be distinguished in two types; the first is the ownership advantages of unique tangible and intangible assets (such as firm-specific technology); and the second one is the ownership of complementary assets (such as the ability to coordinate cross-border activities effectively) (Cantwell & Narula, 2001). He clearly distinguished these two types of ownership advantages as asset-based ownership advantages (Oa) and transaction-type ownership advantages (Ot) later (Dunning, 1983; Eden & Dai, 2010). Oa arise from the ownership of specific assets such as intellectual property rights in the forms of trademarks and patents or tacit knowledge and tangible property and equipment. They are in line with the RBV (Barney, 1991) which argues that the firm should possess valuable resources that are difficult to imitate and rare to sustain its competitive position. Ot advantages are the economies achieved from the common governance of a network of assets located in different countries (Lundan, 2010). They are firm-specific assets and related to effective management of transactions that allows the firm to generate economic rent. The use of markets and intra-firm hierarchies across national borders may create an advantage to the firm even Oa advantages are same or even inferior to its rivals (Narula, 2006). Later, Dunning and Lundan (2008a) defined a new type of ownership advantage that is institution-based ownership advantages (Oi) which refers to the ability of the multinationals to manage their relationships outside the firm boundaries both in home and host-country institutional environments. Table 2.1. summarizes the three types of O advantages.

The second variable in eclectic paradigm is L-advantages. Eclectic paradigm argues that firms engaging in IB activities choose FDI rather than other types of IB operations to take advantages of location bounded advantages in any foreign countries. Examples of L advantages may include

Table 2.1. The Nature and Content of Different Ownership Advantages (Lundan, 2010)

	Contents	Outcomes
Asset-based O advantages (Oa)	Property rights and/or intangible asset advantages	Efficiency
	Product innovations, production management, organizational and marketing systems, innovatory capacity, noncodifiable knowledge; accumulated experience in marketing, finance etc.	Market power
	Ability to reduce intra and/ or inter-firm transactions (also influenced by Oi)	
Transaction-type O advantages (Ot)	Advantages of common governance	Organizational effectiveness
	Advantages of scale and scope of the multiplant firm.	
	Advantages specifically derived from multinationality itself (also influenced by Oi)	
Institutional advantages (Oi)	Institutional advantages	Legitimacy and trust resulting
	The formal and informal institutions that govern the value-added processes within the firm, and between the firm and its stakeholders. Codes of conduct, norms, and corporate culture; incentive systems and appraisal; leadership and management of diversity	nonmarket effectiveness

the spatial distribution of natural resource endowments, input prices, quality and productivity benefits, and transportation and communication costs. The government policies such as investment incentives, strong legal and regulatory systems such as well protection of propriety rights can be considered other types of L-advantages for the rationale of FDI (Dunning & Lundan, 2008b). This sub-paradigm argues that the more the immobile, natural or created resource endowments that firms needs to use besides their O-advantages are available in a foreign country rather than a domestic location, firms will choose to exploit or enhance their O-advantages by engaging in FDI (Dunning, 2000). In other words, L-advantages can be the reason for decisions to invest in a foreign country where superior procurement, production, and market opportunities are available that allow the firm to use its existing resources and capabilities (Child & Rodrigues, 2005). L-advantages rest on the assumption that firms seek to locate their

value adding activities at the most suitable points with the most favorable conditions in space. Therefore, the location choices of MNEs depend on their motives for FDIs (Dunning, 2001).

The third variable in eclectic paradigm is the internalization advantages resulting from the internal usage of O-advantages rather than using them in the open market. Many alternative ways exist to create or exploit firm core competencies. For instance, firms may prefer to buy and sell their products in the open market or through inter-firm non-equity agreements. Alternatively, firms may prefer to integrate the intermediate product markets to avoid from transaction costs. Likewise internalization theory, eclectic paradigm argues that firms prefer to internalize cross-border intermediate markets through FDIs when the net benefits are greater than other types of IB activities like licensing (Dunning, 2000).

The eclectic paradigm aims to integrate the elements of transaction cost, internalization theory, and RBV of the firm to explain the international production of MNEs. However, it is not possible to synthesize a set of theories that address different questions by relying on different views, and the eclectic paradigm is not intended to do so. Thus, it is not itself another theory, instead it provides an overall analytical framework that draws the investigators attention to the most important theories for the problem that they seek to address (Cantwell & Narula, 2001; Narula, 2006).

Scholars have been discussing the eclectic paradigm in order to explain EC MNE behavior. The main principle of the eclectic paradigm is that to become an MNE a firm must hold considerable ownership advantages (Dunning, 2001; Ramamurti, 2012). According to Mathews (2006), EC MNEs do not possess traditional ownership advantages. Instead, they have organizational skills as their primary advantage. However, Narula (2006) posits that these organizational skills are not incompatible with the propositions of the eclectic paradigm instead they suit with the definition of transaction-type ownership (Ot) advantages in OLI framework. Madhok and Keyhani (2012) approach to the ownership advantages of EC MNEs from a

different perspective. They argue that EC MNEs possess only ordinary resources that are not traditionally mentioned among the resources that generate extraordinary returns such as high technology and brand. In a similar vein, Rugman (2009) asserts that EC MNE internationalization is a result of exploitation of their home country comparative advantages such as cheap labor and natural resources. However, Ramamurti (2012) sees these explanations unsatisfactory and posits that home country location advantages cannot provide long-run competitive advantage since they are available to all firms in a given location too. He states that EC MNEs possess ownership advantages, but they are not the same advantages that scholars are used to seeing in DC MNEs. Thus, EC MNEs need to be investigated to explore their unconventional O advantages such as their ability to function in difficult environments, their understanding of customer needs in emerging countries and their abilities to develop low-cost products for emerging market customers (Cuervo-Cazurra & Genc, 2008; Guillén & García-Canal, 2009; Ramamurti & Singh, 2009; Ramamurti, 2012).

Perhaps the most significant difference between DC MNE and EC MNE internationalization in terms of O advantages that many scholars argue that EC MNEs lack valuable O advantages, thus their OFDIs can be understood better by asset-seeking motivations (Luo & Tung, 2007; Madhok & Keyhani, 2012; Mathews, 2006). Considerable amount of evidence exist to support that EC MNEs are seeking valuable assets such as technologies and brands (Gubbi et al., 2009; Lu et al., 2011; Makino et al., 2002; Tsai & Eisingerich, 2010; Yaprak & Karademir, 2010). However, this explanation can be inadequate to assert that they internationalize without O advantages (Ramamurti, 2012). There are some arguments that EC MNEs have developed their own O advantages such as flexibility, familiarity with emerging market contexts, and the ability to develop beneficial relations with firms and other actors to access the resources that they lack (Buckley et al., 2007; Erdener & Shapiro, 2005; Luo & Rui, 2009). The discrepancy between EC MNE and DC MNE O advantages might be a reflection of the

differences of their evolutionary stages. EC MNEs are at the beginning of their internationalization (Ramamurti & Singh, 2009) and with time they augment their O advantages and become more like DC MNEs. Since DC MNEs had more time to develop their capabilities, they possess distinctive capabilities (Ramamurti, 2012).

Some critiques of the broad definitions of OLI variables exist. Rugman (2010) states that one of the problems of Dunning's eclectic paradigm is that it has overdetermined the three motives for FDI, especially O advantages. In eclectic paradigm, the definition of O advantages are broad and include not only the firm intangible assets such as knowledge, brand, organizational structure, and managerial skills but also Ricardian factor endowments such as capital, manpower, and natural resources. Besides, legal and institutional environment and industry market structure are included in O advantages. However, the latter set of O advantages is country-specific advantages and it is easier to analyze these advantages from country level instead of accepting them as O advantages. Again Dunning argued that these location-based advantages can be turned into O advantages but as discussed earlier these are available to all firms embedded in the same location (Rugman, 2010). In addition, Rugman criticizes the very broad definition of L advantages including market size, natural resources, education system and other types of political and government activity. This broad definition makes it difficult to distinct O advantages and L advantages. For instance, when an MNE is allowed to access to natural resources such as a mine, L advantages of that host country is transformed into an O advantage (Rugman, 2010).

In addition to the ongoing debate on eclectic paradigm above, the rise of EC MNEs in the global markets brings new questions to the discussion and offers new opportunities. A potential contribution of the studies on EC MNEs might be a clearer portray of O, L, and I advantages as well as a more sharpened categorization of these variables. For instance, Ramamurti (2012) states that what is needed is an exploration of EC MNEs' O

advantages without being limited to the traditionally mentioned ones and to be more open-minded for novel forms of O advantages.

2.3. Internationalization of EC MNEs: Emergent Perspectives

As discussed in Chapter One, perhaps the most significant discussion in IB field is whether EC MNEs are a new type of firm that requires novel theories or their internationalization can be explained with the mainstream theories of the field with some extensions (Jormanainen & Koveshnikov, 2012; Ramamurti, 2012). Many scholars agree that there is a need for theoretical extensions for the existing theories (Buckley et al., 2007; Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra, 2008). However, others insist that existing theories be still suitable to explain EC MNEs internationalization (Dunning, 2006). In addition, new perspectives and models have been developed demonstrating the distinctiveness of EC MNEs internationalization such as springboard perspective (Luo & Tung, 2007) and LLL model (Mathews, 2006).

2.3.1. Springboard Perspective

The springboard perspective developed by Luo and Tung (2007) to point out that EC MNEs use internationalization as a springboard to overcome their latecomer disadvantages by acquiring the strategic assets that they lack and to counter-attack their rivals in their home markets. EC MNEs also use OFDI in order to reduce the institutional and market constraints in their home markets as well as to bypass rigid trade barriers and international constraints by either asset-seeking or opportunity-seeking FDIs. The argument that is EC MNEs internationalize not only to exploit their ownership advantages but also to acquire valuable strategic assets is also supported by other studies (Chittoor & Ray, 2007; Klein & Wöcke, 2007). In particular, the springboard perspective argues that unlike DC MNEs, EC MNEs are not often path dependent nor evolutionary in terms of location choices and entry modes. Instead, by a series of aggressive, proactive and risk taking measures they expand their operations in both developed and emerging countries via high-control, high-risk entry modes such as

acquisitions and greenfield investments. These strategies can be reasonable when the low-cost advantages of these firms are considered. EC MNEs' acquisitions largely target brands and technology that may add differentiation advantages to their existing cost advantages. In addition, these quick and radical internationalization also accelerates their further market entries and internationalization process by increasing their reputations (Luo & Tung, 2007).

Luo and Tung (2007) identify a number of activities undertaken by EC MNEs that expresses the "springboarding". First, EC MNEs internationalize to compensate their competitive disadvantages by seeking sophisticated technology or advanced manufacturing know-how in developed countries. Second, EC MNEs lessen their latecomer disadvantages in areas such as brand recognition and consumer base by engaging in FDIs. To offset these competitive disadvantages and latecomer deficiencies, EC MNEs use internationalization as a springboard and engage in strategic asset-seeking FDIs in developed countries. Third, EC MNEs engage in market-seeking FDIs to counterattack their global rivals that have been penetrating their home country markets. Particularly large EC MNEs attempt to gain customers in advanced countries like USA, Japan, and Europe. Fourth, EC MNEs use FDI as a mean to bypass the trade barriers in host countries (e.g., quota restrictions, anti-dumping penalties, and special tariff penalties). Particularly EC MNEs manufacturing technologically standardized products are heavily dependent on export markets. Here, FDI is used as a springboard to reach the overseas customers and end users. Fifth, EC MNEs internationalize to alleviate their home country institutional constraints such as weak legal systems, political instability, government interference, and inefficient market intermediaries. These institutional voids and political hazards erode the firm competitiveness, thus, push them to internationalize. Sixth, EC MNEs makes reverse investments to get the preferential treatment offered by emerging country governments. They invest in a foreign country and create a subunit at first. Then, they invest

back to their home by using this subunit to get the financial or non-financial privileges given by their home country governments. Lastly, in springboard perspective, it is expressed that EC MNEs use internationalization as a springboard to exploit their ownership advantages in emerging countries (Luo & Tung, 2007). At this point, unlike the arguments asserted by Ramamurti (2012), springboard perspective does not claim that EC MNEs internationalize without O advantages; instead, it argues that EC MNEs also internationalize to exploit their existing competitive advantages in emerging countries.

The springboard perspective offers valuable insights for EC MNEs. It provides a general picture of their behaviors and the characteristics of their institutional environments. However, most of the behaviors associated to EC MNEs in springboard view are realized by also DC MNEs. The activities defined as a “springboard” could be observable in any MNE regardless of its origin.

2.3.2. LLL Model

Another perspective specifically focuses on the uniqueness of EC MNEs internationalization is the linkage, leverage and learning (LLL) model proposed by Mathews (2006). LLL model argues that EC MNEs are resource-poor; thus, they engage in asset-seeking activities to internalize and transform acquired assets into dynamic capabilities that are keys to competitiveness. In LLL model, in order to internalize and transform the dynamic capabilities, a firm needs to linkages to generate opportunities for resource acquisitions, leverages to exploit established resource linkages, and learning as a repeated applications of linkages and leverages (Yaprak & Karademir, 2010).

LLL model states that EC MNEs' advantages arise from external environments, not from their internal sides. In other words, they have the opportunity to pay off their latecomer disadvantages by acquiring them externally. Thus, according to LLL model, international expansion is a source of advantage and a necessity for the EC MNEs. At this point, the risk

and uncertainties can be reduced by joint-ventures and other forms of partnerships. After establishing a linkage, leveraging the resources is the following concern for the EC MNE to receive the strategic end that is learning in the proposed model (Li, 2007; Mathews, 2006).

LLL model argues that firms that are originated from emerging countries are a novel type of MNEs and make some of the concepts of the existing IB literature less useful. Mathews (2006) discusses the characteristics of the new global business system and the success of the newcomer and latecomer firms from peripheral areas such as the Asia Pacific by associating these Dragon multinationals' success to their strategic innovations, organizational innovations, and accelerated internationalization. He points out that Dragon multinationals adopt a different perspective on the resources that they acquire through internationalization and suggests a rethink of the RBV of strategy and dominant eclectic paradigm of IB field.

LLL model is mostly criticized especially due to its challenges on O advantages of the eclectic paradigm. Ramamurti (2012) assert that LLL model uses the same initials as the OLI framework. Narula (2006) states that asset-seeking activities is not new for MNEs since they have engaged in this type of FDI for quite a while. Thus what is LLL model describes is not a novel idea and nor is it unique; it has just been more common in EC MNEs. Moreover, the argument that is EC MNEs do not possess O advantages might not be valid, particularly in the more R&D-intensive sectors. For instance; Samsung has over 200,000 employees and has invested \$4.6 billion in R&D activities by the year 2003. Its establishment date goes back to the 1930s, and it is more like an incumbent rather than a newcomer. Furthermore, Mathews (2006) is criticized about the terminology that he used in developing his LLL model such as dragon MNEs, third world multinationals, latecomer, and newcomer MNEs. LLL model is based on the review of the experiences of latecomer and newcomer MNEs such as Acer, Ispat International, Li & Fung, and the Hong Leong Group. These firms,

however, are hard to classify in terms of industry, size, age or organization (Narula, 2006).

2.4. Internationalization of EC MNEs: Drivers, Motives, and Processes

After this review of the traditional and emergent perspectives related to firm internationalization, a literature review of the drivers, motives, and internationalization processes (location choices, entry modes, and firms strategies) of EC MNEs will be discussed in this section.

2.4.1. Drivers of EC MNE Internationalization

Internationalization is a strategic decision, and strategy literature suggests that three distinct forces that are firm resources, industry conditions, and institutional environment determine firm strategy. The RBV portrayed by Barney (1991) argues that it is the firm-specific differences in terms of firm resources that shape firm strategy. The Ind.BV (Porter, 1980) suggests that industrial factors in which firm operates to a large extent determine firm strategy. Later, Peng et al. (2008) add a third leg to this framework and reveal that, particularly in IB, the institutions both in home and host countries frame firm strategy. Several studies applied this “strategy tripod” view in order to uncover the potential drivers of firm internationalization by using RBV, Ind.BV and Inst.BV of strategy (Gao et al., 2009; Lu et al., 2011; Peng et al., 2008; Wu & Chen, 2014).

Resource-Based View

The RBV approaches to firms as they are a bundle of resources, skills, and capabilities (Wernerfelt, 1984) and states that the accumulation, consolidation, and utilization of the valuable, rare, and inimitable resources will determine the firm performance (Peteraf, 1993). The use of RBV in the international context by emphasizing the firm resources and capabilities refers to O advantages in eclectic paradigm. Similar to eclectic paradigm RBV defines O advantages as superior resources or capabilities that can be exploited competitively in a foreign country (Barney, 1991; Lu et al., 2011). Once the existing firm resources and capabilities are considered as a source

of competitive advantage for internationalization, from a different viewpoint the resources and capabilities that the firm lacks can be considered as a trigger of international expansion. Unlike most of the DC MNEs, EC MNEs suffer from the lack of certain types of valuable strategic assets such as brands, technology, or managerial know-how (Cui, Meyer, & Hu, 2013; Luo & Tung, 2007). Therefore, RBV may shed light on the drivers on both asset-exploitative OFDI and asset-explorative OFDI of EC MNEs.

Scholars investigate the drivers of EC MNEs' international expansion from the RBV reveal that EC MNEs internationalize to exploit their peculiar resources such as networks (Lu, Zhou, Bruton, & Li, 2009; Manolova, Manev, & Gyoshev, 2010) and export experience (Lu et al., 2011); and capabilities such as technology-based competitive advantages (Lu et al., 2011), the ability to operate in weak institutional environments (Cuervo-Cazurra & Genc, 2008), and adaptive capability that is to coordinate, recombine, and allocate resources to meet the different requirements of foreign markets (Lu et al., 2009). These scholars assert that EC MNEs have valuable firm-specific resources and capabilities that allow them to transform their resources to performance outcomes in foreign markets. For instance, entrepreneurial orientation has been discussed to be a significant capability that drives firms to internationalize from emerging countries to developed countries (Yamakawa et al., 2008). Findings also support that entrepreneurial motivation can be a very important resource in compensating the lack of education, international experience, technological and managerial knowledge (Liu, Xiao, & Huang, 2008). There are also findings demonstrating that EC MNEs have realized absorptive capacity that is central to transform acquired knowledge into new product market performance (Kotabe, Jiang, & Murray, 2011). Studies examine the EC MNEs' competitiveness from the RBV argue that the ability to operate in weak institutional environments and legal systems also may be another source of competitive advantage for EC MNEs in emerging countries (Cuervo-Cazurra & Genc, 2008; Del Sol & Kogan, 2007; Jormanainen &

Koveshnikov, 2012). In developed countries, however, a set of resources and capabilities such as networks (Yiu et al., 2007) and entrepreneurial orientation (Yamakawa et al., 2008) are proposed to overcome the liability of foreignness that they cope with.

Many studies admit that EC MNEs have ownership advantages defined by both RBV and OLI framework. However, their ownership advantages have different sources and different nature from those of DC MNEs. EC MNEs compensate the lack of conventional resources such as technological and managerial knowledge with the use of other resources and capabilities. The significant characteristic of these resources and capabilities is that they stem from their home country institutional environment. Cheap labor, business network ties, and close relationships with government can be given as examples for these distinctive resources. Again as a result of their weak institutional environments they develop capabilities to operate in turbulent environments and build up entrepreneurial motivation to overcome the institutional voids in their home country. In some cases, they also get a strong support of their respective governments (Jormanainen & Koveshnikov, 2012).

The availability of firm-specific resources and capabilities drives EC MNEs to make asset-exploiting FDI. This proposition is in line with the traditional theoretical view that an MNE is a firm that has O advantages, thus expands internationally to exploit them. However, asset-seeking FDI is also another common motive for OFDI of EC MNEs. Strategic assets targeted by EC MNEs predominantly include brands, technology, and human capital. Acquisitions of these assets are critical if these latecomer MNEs intend to compete with the incumbents (Luo & Tung, 2007). Excepting the FDI targeting purely raw materials, asset-seeking FDI mainly aims to intangible ones such as brands, technical know-how and managerial competences (Child & Rodrigues, 2005). Nevertheless, asset-seeking FDI requires complementary capabilities in order successfully to absorb targeted assets such as superior technologies. For instance, Chinese firms Lenovo

and Haier have developed a strong domestic base of technological know-how that enabled them to acquire targeted technologies in host countries (Lu et al., 2011).

Indeed, asset-seeking FDI implies the latecomer perspective that asserts EC MNEs are latecomers and have competitive disadvantages. OFDI, by the way, offers a set of opportunities to these firms to close the gap that separates them from global leaders. This proposition is common and evident about EC MNEs and lies at the heart of both springboard perspective and LLL model (Child & Rodrigues, 2005; Luo & Tung, 2007; Madhok & Keyhani, 2012; Mathews, 2006). The springboard and LLL model that are discussed earlier mostly focus on this side of EC MNEs' international expansion by proposing that EC MNEs' OFDIs also target to acquire strategic assets that they need to catch up their first-mover rivals in global markets.

To sum up, literature on EC MNEs resources and capabilities proposes that EC MNEs use their existing ownership advantages that provide initial competitive advantages them and aim to acquire strategic assets that are complementary and required to catch up the leading firms (Aulakh, 2007).

Industry-Based View

The Ind.BV (Porter, 1980) argues that firm strategy and firm performance mainly depend on the degree of competitiveness in that particular industry (Peng et al., 2008). According to the Ind.BV, firms formulate their competitive strategies based on their relationships to their environments characterized by the industry in which they compete. In other words the industry conditions pose constraints on firms' strategic choices, even so, they can formulate and implement appropriate competitive strategies to manage this dependency (Gao et al., 2009).

Scholars focus on the industrial conditions as drivers of FDI assert that EC MNEs internationalize due to the increased competition in their domestic markets. DC MNEs that have inward FDI in emerging markets

and new ventures established in these countries have increased the competition level by reducing the market shares and profitability (Erdilek, 2008). Therefore, large firms internationalize to develop new markets (Deng, 2012), to acquire new strategic assets (Cui et al., 2013), or to counter-attack DC MNEs in their home country markets (Luo & Tung, 2007). New ventures that do not have dominant positions in their home are driven by the intense competition in their domestic markets. Therefore, they expand abroad to avoid the competition with the incumbents in their home country. In addition, in technology-based industries the substantial development costs may push firms to seek new markets and opportunities beyond their home base (Yamakawa et al., 2008).

As markets become more sophisticated than they were before, EC MNEs seek to new differentiation advantages by investing abroad. Due to the changing industrial conditions their typical low-cost advantages become less useful (Child & Rodrigues, 2005). Thus, market dynamism can be another industrial driver of EC MNEs internationalization. Furthermore, some emerging country governments encourage and support their national firms to internationalization in certain strategic industries such as electronics sector (Sim & Pandian, 2003). In addition to these, internationalization is typical in some sectors whether there are any government supports or not. For instance, many EC MNEs operating in the mining industry invest abroad with resource-seeking motives (Deng, 2012; Meyer & Thaijongrak, 2012). Besides the size of domestic market, the nature of competition at home, and the presence of supporting industries are other industry-level drivers of internationalization (Yang, Jiang, Kang, & Ke, 2007) as well as the size, growth rate, and demand conditions in host-country markets (Buckley et al., 2007).

Institution-Based View

Firms' strategies and performance results are not only depended on their resources and industry conditions but also reflect the nature of their institutional environment. Institutions, defined as "the rules of the game",

are the regulative, normative, and cognitive structures that frame organizational activities, practices, and structures in which firm operates (North, 1990; Scott, 2008). The Inst.BV argues that organizations sharing same institutional environments adopt similar practices and become “isomorphic” with each other. It highlights the impacts of the institutional environment on organizations and stresses that the interplay between institutions and organizations has a significant role in firms’ strategic choices (Gao et al., 2009; Venzin, Kumar, & Kleine, 2008; Xu & Shenkar, 2002)

The impacts of the institutional environment on firm behavior are more apparent in emerging countries where the institutions are weak, and the regulatory environment is poor (Wu & Chen, 2014). As a result of the increasing number of the research on EC MNEs and their institutional environments, an Inst.BV of international strategy has emerged (Gao et al., 2009; Peng et al., 2008; Wu & Chen, 2014; Yamakawa et al., 2008).

The effects of the institutional environment on firm internationalization can be examined in two different contexts that are home-country and host-country institutional settings. Many studies reveal that home-country push factors promote EC MNEs to engage in OFDI to avoid market deficiencies or so-called “institutional voids” in their country of origin such as high savings, inefficient corporate ownership structure, limited property rights, capital market distortions, weak legal system, and high political risk (Buckley et al., 2007; Guillén & García-Canal, 2009; Jormanainen & Kovesnikov, 2012). For instance in springboard view Luo and Tung (2007) highlight that besides other factors EC MNEs use internationalization as a springboard to reduce institutional constraints available at home. This notion is conceptualized as institutional escapism in IB literature (Witt & Lewin, 2007). Empirical supports demonstrate that a more developed institutional environment promotes EC MNEs to enter into more developed countries than their home whereas institutional instability decreases this propensity (Wu & Chen, 2014). Yamakawa et al. (2008) state

that a regulative environment that favors large established firms against new ventures will motivate new ventures in emerging countries to expand into foreign markets. Additionally, they argue that there is a certain element of normative pressure on EC MNEs that motivates them to internationalize in developed countries. Besides these negative push factors, positive push factors are also identified. Many EC MNEs enjoy their respective governments support while investing in foreign markets. These subsidies, particularly in strategic industries, in forms of incentives, tax reductions, training, and networking have become significant triggers of EC MNEs' expansions and helped them to offset their latecomer disadvantages (Buckley et al., 2007; Luo, Xue, & Han, 2010). Furthermore, liberalization of government policies, trade regimes, and market systems encourage EC MNEs to be involved in global markets (Buckley et al., 2007; Jormanainen & Koveshnikov, 2012). These economic reforms in their home countries have spoiled their monopolistic or oligopolistic positions in domestic markets (Guillén & García-Canal, 2009).

The second context to analyze the role of institutional environments on EC MNEs internationalization is the host-country context. The effects of host-country institutional environment can be discussed within the pull factors. Many emerging countries attempts to attract capital through inward FDI. Government policies that give incentives such as tax reductions, government assistance can be considered as an example for host-country institutional drivers. Due to the changing regimes and liberalization policies in some countries, opportunities has become available where EC MNEs can be competitive (Erdilek, 2008). There is a general consensus in the literature that many EC MNEs suffer from the lack of resources and capabilities that their counterparts from developed countries have (Child & Rodrigues, 2005; Cuervo-Cazurra & Genc, 2008; Guillén & García-Canal, 2009; Luo & Tung, 2007). Therefore, it becomes difficult for EC MNEs to compete in developed countries where markets are saturated, competitive intensity high, and many DC MNEs have already settled in (Eren-Erdogmus et al., 2010;

Luo & Tung, 2007). At this point, the country of origin for EC MNEs may turn into a competitive advantage rather than competitive disadvantages. Scholars suggest that EC MNEs can demonstrate superior performance in other emerging countries where the institutional environment is similar to their home countries (Cuervo-Cazurra & Genc, 2008; Guillén & García-Canal, 2009). Furthermore, many EC MNEs involve in internationalization to obtain strategic assets that they do not possess or develop at home. Therefore, EC MNEs target developed countries with significant levels of human and intellectual capital in order to access know-how, technology, and other types of immobile assets (Buckley et al., 2007).

2.4.2. Motives for EC MNE Internationalization

Motives for MNE internationalization are defined in different classifications. Perhaps the most widely used classification is the four generic motives defined by Dunning (1998) that are market-, asset-, efficiency-, and resource-seeking motives for FDI. MNEs involve in FDI activities to satisfy a particular foreign market or to develop new markets where new opportunities are available to grow. This type of FDI flows are demand oriented and named as market-seeking FDI. Many firms are also engaged in resource-seeking FDI to take control of the natural resources such as minerals, agricultural products, and unskilled labor in foreign countries. Resource-seeking FDI is supply-oriented capital flow in order to ensure the firm's sustainability. Another motive for internationalization through FDI is to exploit opportunities which allow the firm to be more efficient. MNEs can reduce their costs of operations by setting their value chain activities in more efficient locations or design them in a more cost-effective way that results in a well-organized and competent network. This type of FDI generally follows market-seeking and resource-seeking FDI. Firms are interested in direct investments not only to develop new markets but also acquire new assets to strengthen their resource bases and competitive positions. Asset-seeking FDIs target both tangible and

intangible assets that will protect or augment the firm's existing O-advantages or will reduce those of competitors (Dunning, 2000).

Another categorization about the strategic motives for MNE internationalization can be provided as asset-seeking and asset-exploiting FDIs (Hsu, Lien, & Chen, 2013; Luo & Rui, 2009; Makino et al., 2002). Firms internationalize not only to exploit their existing resources but also to augment their assets by acquiring and developing new resources and capabilities in foreign countries. The asset-seeking and asset-exploiting categorization might offer a more fruitful discussion base for EC MNEs since one of the mostly highlighted distinction between EC MNEs and DC MNEs behavior is that DC MNEs internationalize to exploit their ownership advantages while EC MNEs internationalize to explore strategic assets (Aulakh, 2007; Dunning, 1988; Mathews, 2006; Narula, 2006).

A fundamental proposition about the DC MNE is that they already possess resources and capabilities such as technology and product knowledge that enable them to internationalize to meet the foreign market needs (Aulakh, 2007; Dunning, 1988; Ramamurti, 2012). Therefore, their internationalization is driven by mostly market-seeking motives. Besides, many DC MNEs transfer their know-how and technological capabilities to emerging countries to take advantage of low-cost opportunities available in these countries (Dunning & Lundan, 2008b).

Another view suggests that firms need to upgrade their existing resources and capabilities prior to internationalization in order to offer products that satisfy the foreign customers' needs, to compete with the incumbents globally (Aulakh, 2007; Mathews, 2006). Thus, firms, particularly latecomers from emerging countries seek to acquire assets such as technology, brand, and design capabilities via FDIs. In other words, their internationalization motive can include strategic asset-seeking motives to compensate their latecomer disadvantages (Luo & Tung, 2007; Mathews, 2006). The assets that EC MNEs need to enhance their competitiveness are usually located in developed countries. Therefore, EC MNEs that aim to

acquire strategic assets head to developed countries (Makino et al., 2002). Since EC MNEs OFDI includes market-seeking motives besides asset-seeking motives they internationalize with asset exploitation and asset exploration motives at the same time (Lu et al., 2011; Luo & Tung, 2007).

EC MNEs cost advantages offer a valuable competitive advantage for them, particularly for simple products and lower income markets. However, for the higher value-adding markets differentiation advantages are required, For instance, brand recognition is critically important to be competitive in consumer markets such as consumer electronics, household goods, beverages (Child & Rodrigues, 2005). EC MNEs engage in different forms of partnerships and acquisitions as means in order to gain access to resources and capabilities to upgrade their existing ones (Aybar & Ficici, 2009; Gubbi et al., 2009; Madhok & Keyhani, 2012; Mathews, 2006).

As Cui et al. (2013) states that efficiency-, market-, and resource-seeking motives serve to exploit firm competitive advantages in the short-term. However, they do not transform a core competence to enhance the firm competitiveness in the long-run. In other words, efficiency-, market-, and resource-seeking motives incrementally contribute to EC MNE competitiveness in the foreign markets, but they are not sufficient to catch-up global leaders who hold sophisticated resources and capabilities.

2.4.3. Internationalization Processes of EC MNEs

Location Choices

The location choice in the internationalization process is a key strategic decision for the MNE. Mainstream theories highlight different aspects to be considered for location strategy. Eclectic paradigm put forward the location advantages. It suggests that the direction of FDI is determined by the location advantages (Deng, 2009) such as natural resources, cost savings in terms of transportation and communication, quality and productivity benefits, and well protection of property rights (Dunning & Lundan, 2008b). The IPM (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975)

underlines the concept of psychic distance and proposes that firms initially aim to the countries that they are geographically close to their homeland with similar institutions and cultural background. This reduces the risks of operating in an unfamiliar market (Cuervo-Cazurra, 2008). For instance, Buckley et al. (2007) found that cultural proximity is significant in determining the destination of Chinese OFDI. Cultural similarities decrease the transaction costs, particularly by virtue of network effects, between the Chinese MNEs and host countries. Therefore, MNEs prefer the locations with close culture to their homeland. These findings support the role of psychic distance in location choices of EC MNEs.

The motives for OFDI have a central theme besides psychic distance. MNEs with asset-seeking motives tend to invest in developed countries where the targets resources and capabilities are embedded (Makino et al., 2002). This view is in line with the eclectic paradigm that the location advantages play a significant role in location choices of MNEs (Dunning & Lundan, 2008b). The industry characteristics also affect the location decision of a firm. As Yamakawa et al. (2008) proposed that the industries characterized by a high degree of technology intensiveness might also direct the new ventures from emerging economies to developed ones. Empirical findings are available about the industry role in location choices of EC MNEs. Tsai and Eisingerich (2010) found that firms that are from the R&D intensive industries target developed markets due to the market opportunities in these countries.

Besides host-country resource endowments (Cuervo-Cazurra, 2008), home market institutions (Buckley et al., 2007; Cuervo-Cazurra & Genc, 2008) and host-country institutional environment influence the location choices of EC MNEs. For instance, government involvement affects the location of FDI (developed vs. emerging) as well as its type (resource- vs. market-seeking). The empirical findings demonstrate that EC MNEs that are affiliated to higher government levels are attracted to developed countries due to the changing priorities of governments at different levels vary

(Wang, Hong, Kafouros, & Wright, 2012). Studies reveal that many EC MNEs prefer emerging countries with poor regulatory quality. The rationale behind such a choice might be their abilities operating in weak institutional environments (Jormanainen & Koveshnikov, 2012)

Entry Modes

The choice of mode of entry and ownership is important since it has influences on subsidiary performance (Brouthers, 2002). In internationalization through FDI, firms have a few choices about their entry strategies. These include joint venture (JV) and wholly owned subsidiaries (WOS) in terms of ownership mode. The type of establishment mode includes greenfield investment and acquisition options (Ahsan & Musteen, 2011).

Ownership mode determines that whether the control of the subsidiary will be shared with a partner or not. Full control modes include establishment of a wholly owned subsidiary (WOS) through greenfield investment and full acquisition of an existing unit, whereas shared control mode includes JVs. In IB literature, the determinants of ownership and entry mode choices have received a lot of attention. Many host-country factors such as political, economic, legal, and market factors related to host country are studied (Ahsan & Musteen, 2011). In an inclusive perspective, the external environment affects the entry mode choice in six dimensions that are cultural distance, market attractiveness, uncertainty of the host-country environment, legal environment in the host country, competitive situation in the host country, and culture of the home country (Morschett, Schramm-Klein, & Swoboda, 2010)

The choice between JV and WOS is another strategic decision. In a study of 522 foreign affiliates of Turkish MNEs Demirbag et al. (2009) found that institutional variables have a significant effect in explaining the equity compositions of foreign affiliates of Turkish MNEs. Contrary to the previous research, they found no impact of cultural distance on Turkish MNEs equity ownership mode of Turkish MNEs. Considering the

arguments of LLL model (Mathews, 2006) about the EC MNEs, it could be added that LLL model favors JVs and other forms of partnership to WOS. Because these firms are latecomers and newcomers and are in need of resources and capabilities which can be accessed through inter-firm linkages.

In respect to EC MNEs' entry modes, acquisitions and mergers have been received a great amount of attention from the scholars (Aybar & Ficici, 2009; Gubbi et al., 2009; Jormanainen & Kovesnikov, 2012). Because EC MNEs search strategic assets that they do not possess, they prefer aggressive mergers and acquisitions, particularly in developed countries, to gain access these strategic assets (Child & Rodrigues, 2005; Luo, 2003). This specific nature of EC MNEs differentiates them from the DC MNEs.

Regarding the entry modes or so-called establishment modes both acquisitions and greenfield investments are used by EC MNEs. For instance, many Chinese firms internationalize through acquisitions and greenfield investments (Child & Rodrigues, 2005; Liu, 2007; Rui & Yip, 2008). Notably, they are used as means to enhance firm differentiation advantages by securing brands and technology (Deng, 2012; Rui & Yip, 2008). Acquisitions are also preferred as a result of industry conditions. Many Chinese firms in oil and gas industries make aggressive acquisitions in order to gain access the scarce natural resources (Deng, 2012). EC MNEs also use organic international expansion to exploit their firm-specific and country-specific advantages (Child & Rodrigues, 2005).

The two dominant paradigm of IB field highlights different variables regarding the mode of entry and ownership. Eclectic paradigm emphasizes the transaction cost (Dunning & Lundan, 2008b) while the IPM proposes a more gradual entry to foreign markets by underlining the distance concept (Johanson & Wiedersheim-Paul, 1975).

IPM views internationalization as a series of steps taken by the firm. The process is dependent on the generated knowledge about the foreign markets. The level of involvement in a foreign market is determined by the

level of market knowledge gained by the firm. Thus, a firm starts to internationalize with a low degree of resource commitment which is followed by high degree of resource commitments (Johanson & Vahlne, 1977) and which will eventually require entry modes with higher control level (Kim & Hwang, 1992). Typically, firms initially start exporting through an agent, later they found a sales subsidiary and initiate foreign production in the host country (Deng, 2009).

Firm Strategies

In IB field, studies attempted to test the existing strategy typologies empirically in the context of EC MNEs. Kim and Lim (1988) studied the Porter (1980)'s competitive strategies for the Korean firms and revealed that mixed strategies are preferred more than pure types. Aulakh, Kotabe, and Teegen (2000) tested the export strategies of South American firms and found that differentiation was more suitable for emerging markets whereas low-cost strategy generated more fruitful results in developed countries. Chittoor and Ray (2007) made a strategic group analysis of Indian pharmaceuticals and proposed a conceptual model for EC MNEs through a combination of exploitation and exploration strategies by using the dimensions of products and markets. Contrary to the view that it is difficult for EC MNEs to compete with the DC MNEs, and they need to follow more defensive strategies, they argue that MNEs from the third world can catch up the DC MNEs sooner or later through exploration of the required resources and capabilities. In a study of multinationals from Latin America, Cuervo-Cazurra (2008) revealed three main ideas about the Multilatinas' strategic behaviors. First, he found that these firms take a long time to become MNEs as a result of the difficulties in developing sophisticated advantages. Second, their internationalization was triggered by the home-country structural reforms. These changes pushed them to improve their competitive advantages which in turn results in OFDIs. Third, their location strategies vary along two dimensions that are proximity in culture and development. Tsai and Eisingerich (2010) has provided a typology of the

firms from emerging and newly industrialized countries. They categorized the firms as “*multinational challengers; global exporters and importers; OEM/ODM technology leaders and followers; and regional exporters and importers*”. They concluded that each of these four types of firms follows different internationalization strategies.

Child and Rodrigues (2005) demonstrated that Chinese MNEs follow three routes to internationalization. The first one is the partnership route through joint venturing and OEM, which can also be defined as an inward internationalization. The second route is the acquisition route. Chinese MNEs have shown a rapid growth in the global landscape through aggressive and risk taking acquisitions. This route is followed to secure raw materials such as natural resources as well as to gain access sophisticated assets in order to upgrade the existing ones. The third route is the organic expansion route in which greenfield investments made to establish subsidiaries and facilities abroad.

The springboard perspective proposed by Luo and Tung (2007) mostly discusses the issues related to the strategies of EC MNEs. It views internationalization as a mean by which firms demonstrate long-range strategic behaviors and activities to seek asset and opportunities abroad. The systematic usage of internationalization as a springboard allows EC MNEs to develop their competitive positions in the global marketplace. Later, Luo and Rui (2009) presented an ambidexterity perspective on the internationalization of EC MNEs. By extending the conventional definition of ambidexterity to a multidimensional term they identified the unique strategic behaviors of EC MNEs that are co-evolution, co-competence, co-opetition, and co-orientation. Co-evolution refers the ability to respond simultaneously and influence the external environment whereas co-competence refers the utilization of transactional and relational capabilities at the same time. Co-opetition stands for the simultaneous competition and cooperation with the international stakeholders while co-orientation

indicates a balance between the long-run growth and the short-run survival at the same time.

CHAPTER THREE: RESEARCH DESIGN AND METHODS

3.1. Research Design

Every empirical study has a research design that connects the collected data to the study's research questions and eventually to the conclusions. A research design directs the investigator in a logical way to link the collected data with the initial research questions and enables the investigator to generate answers to these questions. It consists of a number of major steps including the data collection and the data analysis (Yin, 2009). A research design is the "blueprint" for the study indicating the research questions to be studied, the relevant data to be collected, and the analysis method of the collected data (Philliber et al., 1980). In other words a research design can be considered as a map for the investigator clarifying the steps to be followed in order to find and reach some answers and conclusions by linking the data to the initial research questions. It is different from the research method of the study which is related to the methods of data collection and analysis.

The research strategy of this study is case study method which has its own research design (Yin, 2009). Therefore, the research design of this study is embedded within the case study method, and design components can be explained along with the method itself. For this reason, it is more appropriate to begin with the rationale behind the choice of case study research as our method of inquiry.

Each research method has its own advantages and disadvantages. The method of any study should be determined depending on three conditions: *"the type of research questions, the control an investigator has over actual behavioral events, and the focus on contemporary as opposed to historical phenomena"* (Yin, 2009). In general, case study method is ideal when (i) the research questions of a study are "how" and "why" questions, (ii) the investigator has little or no control over events, and (iii) the purpose of the

research is to study a contemporary phenomenon within its real-life context (Yin, 2009).

As discussed earlier in Chapter One, this research has three main objectives. First, in order to understand the drivers for, motives of, and the processes of Turkish firms' internationalization we developed a set of initial research questions such as "why and how do Turkish MNEs internationalize their operations through FDI?" These initial how and why questions justify case study method (Edmondson & McManus, 2007; Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Rowley, 2002; Yin, 2009).

Secondly, we would like to understand whether there are any differences between DC MNEs and EC MNEs in terms of internationalization motives and strategies. By doing so, we aim to contribute to the recent debate in IB literature that "whether or not existing IB theories sufficiently explain the internationalization process of the EC MNEs (Ramamurti, 2012). This is a contemporary debate in the IB field and answers to these questions vary. Some scholars propose that EC MNEs represent a new type of MNE, thus new theories explaining their behaviors are needed (Mathews, 2006) while others argue that these firms are not completely different from DC MNEs so existing IB theories sufficiently explain EC MNEs' behaviors (Dunning, 2006). A third view states that these firms are at the beginning of their internationalization process and offer a valuable opportunity to the scholars willing to study MNE internationalization at its initial stage (Ramamurti, 2012). By doing so, it might be possible to extend the existing theories and perspectives (Jormanainen & Koveshnikov, 2012; Meyer & Thaijongrak, 2012). At this point, using the pre-established constructs and propositions to understand EC MNEs' behaviors might result in biases and limit the findings (Eisenhardt, 1989). To avoid such biases we need to be more comprehensive which requires an extensive study. As it is frequently stated that, extensive and in-depth description of social phenomena justifies again case study method (Flyvbjerg, 2006; Ruddin, 2006; Yin, 2009).

Thirdly, we target to develop a model describing the internationalization process of EC MNEs. Case studies are appropriate for inductive theory building research (Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Yin, 2009). In case study research, as the constructs are developed, and the patterns of relationships among the constructs are recognized via recursive cycling between the data and the literature, the theory emerges. In other words, the cases offer the basis from which the theory will be developed (Eisenhardt & Graebner, 2007). Thus, using case study method is logical to develop a model describing EC MNEs internationalization.

In addition to this fit among the research questions and the method of the study; the control of the investigator over the phenomenon being studied and the historicity of the phenomenon are two remaining conditions (Yin, 2009). Regarding the focus of this study it is obvious that the behavior of MNEs cannot be manipulated by the researcher and the internationalization process of these emerging MNEs is a contemporary phenomenon, not a historic one. Therefore, it seems appropriate and logical to use case study research as our method of inquiry.

Furthermore, IB literature is mostly dominated by the quantitative methods which results in a methodological drawback restricting the explanatory power of the findings (Birkinshaw, Brannen, & Tung, 2011; Jormanainen & Kovesnikov, 2012). Many scholars asserted the usefulness of qualitative research methods in IB research (Birkinshaw et al., 2011; Patton, 2002; Sinkovics, Penz, & Ghauri, 2009; Vissak, 2010), particularly to examine features and issues specific to EC MNEs (Jormanainen & Kovesnikov, 2012).

“A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009, p. 18). It is a research strategy that concentrates on understanding the dynamics present within single settings (Eisenhardt, 1989). A case study

design is not a subset or variant of the other research designs; it is a separate research method with its own research designs (Yin, 2009).

This study was designed as a multiple-case study. As Yin (2009) stated that if the investigator has the choice multiple-case designs should be preferred since it has some distinct advantages over single-case designs. Firstly, single-case designs can be vulnerable. Using multiple cases enable the investigators to make comparisons to understand that whether findings and conclusions drawn from one case are idiosyncratic or consistently repeated by several cases (Eisenhardt & Graebner, 2007; Eisenhardt, 1991). In the case study research case numbers are typically small as a result of resource constraints (e.g. time). Thus, adding a few additional cases to the study considerably increases the quality of the study (Eisenhardt & Graebner, 2007). Even a “two-case” study instead of a single-case study increases the investigator chances of doing better research (Yin, 2009).

Secondly, multiple cases should not be considered as multiple respondents in survey studies. In multiple-case design, each individual case should be approached as an independent experiment (Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Yin, 2009). Accordingly having two or more cases will create an opportunity for direct replication to the investigator. Conclusions drawn from multiple cases will be more powerful than those arising from single-case design (Yin, 2009). Therefore, developing constructs and relationships by using varied empirical evidence creates more robust theoretical explanations and propositions (Eisenhardt & Graebner, 2007). Since one of our research objectives is to develop a model describing the internationalization process of EC MNEs, it is suitable to use a multiple case design in our research.

Moreover, multiple-case design allows the researcher to make theoretical sampling. In multiple case study design, cases are chosen for their contribution to the theory rather than on their uniqueness. In other words, cases are selected for theoretical reasons such as replication, extension of the theory, contrary replication, and elimination of alternative

explanations (Eisenhardt & Graebner, 2007; Yin, 2009). Therefore, using multiple numbers of cases will increase the variety of our findings which may also enrich the anticipated contributions of this study. As a result, we chose multiple-case study design as our ultimate research method.

Once it is decided to use multiple-case design, another decision must be made about the number of the cases that will be included in the study in order to conduct an effective and satisfying research. In the case study research method, sampling logic used in survey studies is not relevant. For the multiple-case studies, the replication logic should be followed by the investigator. Once a case is carefully conducted the results will be either similar (a literal replication) or contrasting (a theoretical replication) with the other cases. Thus, the number of cases depends on the degree of the certainty and variety of the findings that the investigator want to reach (Yin, 2009). Moreover adding new cases to the study should be stopped by the investigator when the incremental learning becomes minimal, and theoretical saturation is achieved (Eisenhardt, 1989; Glaser & Strauss, 1967).

Although there is no ideal number of cases in multiple case study research, it is proposed that a number between 4 and 10 cases works effectively. Any number fewer than 4 cases may be insufficient and unconvincing to explain the complexity. Using more than 10 cases may generate a large volume of data which is difficult to cope with (Eisenhardt, 1989). Thus, we decided to examine 8 cases of Turkish MNEs in this study. It will be an appropriate number for our study to collect relevant and adequate volume of data to reach our expected contributions. If not, since case study method offers that flexibility, additional cases will be added by the investigator to the study (Vissak, 2010; Yin, 2009).

As mentioned earlier case study method has its own research designs. According to Yin (2009) a case study research design should have five components and tell the investigator “what data are to be collected” and “what is to be done after the data have been collected”. The first component

is the study's questions. As defined earlier the main research questions of this study as follows;

- i. Why do Turkish MNEs engage in OFDI?
- ii. How do Turkish MNEs internationalize through OFDI?

These “why” and “how” questions led us to choose case study method as the appropriate method of inquiry at the first place. However, these questions do not indicate what to study in our research. Yin (2009) suggested having some propositions which is the second component of the research design that helps the investigator in determining the relevant data. Otherwise, the investigator may include “everything” obtained during the data collection phase of the study. According to Yin (2009) in some cases, however, investigators may have a legitimate reason (especially in the exploratory research) for not having such propositions and if the study does not have any propositions the purpose of the study must be clearly identified. Additionally Eisenhardt (1989) argues that using theory is not necessary even it is preferable for the studies targeting to develop new theories:

“...theory-building research is begun as close as possible to the ideal of no theory under consideration and no hypotheses to test. Admittedly, it is impossible to achieve this ideal of a clean theoretical slate. Nonetheless, attempting to approach this ideal is important because preordained theoretical perspectives or propositions may bias and limit the findings. Thus, investigators should formulate a research problem and possibly specify some potentially important variables, with some reference to extant literature. However, they should avoid thinking about specific relationships between variables and theories as much as possible, especially at the outset of the process.” (Eisenhardt, 1989, p. 536)

This study is not built on a single theory or approach, and it does not include any propositions to test. Instead, we defined our research framework by applying to the three fundamental views of strategic management (i.e. RBV, Ind.BV, and Inst.BV). We will also compare our findings with the existing internationalization theories (i.e. IPM, eclectic paradigm, springboard perspective, LLL model) to discuss their exploratory power and to find some possible extensions, refinements, and refuting.

Therefore, the existing literature on these perspectives provides us a useful base to define the scope of our study and to develop the correct data collection instruments (e.g. interview questions).

The third component of any research design is the unit of analysis. The unit of analysis of our study is the multinational enterprise itself. The remaining two components of case study design are related to the data analysis: the logic linking the data to the findings and the criteria for interpreting the findings. These two remaining components of research design are explained in the “Methods of Data Analysis” section of this chapter.

3.2. Case Selection

In case study research, generating a sample from the population being studied is not relevant. The cases are not representative of the population as are data in survey research (Eisenhardt & Graebner, 2007; Yin, 2009). Thus conventional sampling methods are not appropriate for case study research. Instead, theoretical sampling is applicable which means the cases should be chosen for theoretical reasons such as to replicate previous cases, to reveal an unusual phenomenon, to eliminate alternative explanations (Eisenhardt & Graebner, 2007; Eisenhardt, 1989). In case study method, the investigator should choose the cases that are most likely illuminate the research questions of the study (Yin, 2009). Information-rich cases that allow the investigator to access the data needed whether to interview people or to review documents or records are preferable. Although the cases can be chosen randomly it is not necessary even not preferable (Eisenhardt, 1989; Perry, 1998).

To sum up, for multiple-case study research the selection of cases is purposeful and includes replication logic (Perry, 1998). Patton (1990) defined 15 strategies of purposeful sampling that can be used to select cases. Among these 15 strategies, our case selection logic converges to the criterion sampling in terms of selected firms’ internationalization avid; and maximum variation sampling in terms of industry diversity and firms’

internationalization stage. After carefully screening Turkish firms that made OFDI, we developed a list of 20 Turkish MNEs that have an intention to become a global player and offer information-rich cases by considering their accessibility. An invitation letter with an interview guide was posted to the top level executive of each target firm requesting them to contribute our study. Following the initial contacts with the targeted MNEs, we concluded our case selection phase as we attained 8 MNEs willing to participate in our study (see Table 3.1.).

Table 3.1. Case Study Firms

Firm	Industry	Scope of Operations
Ziylan Group	Footwear	Manufacturer and Retailer
Aydınlı Group	Textile	Manufacturer and Retailer
Hayat Kimya	Fast-Moving Consumer Good	Manufacturer
Abdi İbrahim	Pharmaceutical	Manufacturer
Vestel	Consumer Electronics	Manufacturer
Kastamonu Entegre	Wood	Manufacturer
Boydak Furniture	Home Furniture	Manufacturer and Retailer
Çalık Holding	Textile, Finance, and Telecommunication	Manufacturer and Service Provider

3.3. Research Methods

3.3.1. Methods of Data Collection

In case study method, using case study protocol in data collection phase is recommended and common. Especially, for multiple case study research it is essential (Yin, 2009). A case study protocol includes the data collection instrument, but it is more than an instrument. The general rules and procedures to be followed by the investigator are presented in the protocol in order to ensure the reliability of the study. Hence, a case study protocol

was developed to guide the researcher in data collection and analysis phases of this study. The protocol includes an overview of the study, field steps to be followed, and the case study questions to be asked. During the data collection phase, the researcher kept the case study questions and the sub-questions in his mind in order to focus on the topic being investigated. In the protocol, the questions were arranged in different levels targeting different data points and serving for different needs (Yin, 2009) (see Appendix A for more details).

Case study research exploits various data sources such as documents, interviews, archival data, survey data, and observations (Chetty & Campbell-Hunt, 2004; Eren-Erdogmus et al., 2010; Perry, 1998; Richardson, 2014; Rowley, 2002). Among these sources, we used interviews and documentation in our study.

Interviews are highly efficient data collection method to collect rich and empirical data and can be used as the primary data source if the phenomena being studied are episodic and infrequent such as acquisitions and strategic decision making (Eisenhardt & Graebner, 2007). In IB research, much research based on qualitative data investigating the internationalization process used interviews as their primary data collection method (Fletcher, 2001; Meyer & Thaijongrak, 2012). Since internationalization is a strategic issue, and strategic decisions are made at the top of the organization, our key informants are top-level managers participating in the strategy making process of selected firms.

The interviews were conducted between September 2013 and September 2014. The procedures detailed in case study protocol were strictly followed by the investigator prior to visiting the companies. Positions of our key informants range from general manager to strategic planning director (see Table 3.2 for details). The duration of interviews varies from 60 to 180 minutes. All interviews were conducted at firms' headquarters offices and –except two- all interviews were made in Istanbul, Turkey. The remaining two firms were visited in Manisa and in Kayseri

where the headquarter offices of those firms are located in. All interviews except two were recorded with the permission of the interviewees. Data collected through interviews were transcribed and combined later with the data collected through documentation to develop a case study database for each firm.

One of the strengths of case study research is its ability to obtain detailed data about the phenomenon under investigation. Thus, the investigator should behave opportunistically during data collection phase of the study. As new relevant data sources become available, they should be exploited by the investigator (Eisenhardt, 1989; Yin, 2009). During our field visits in some companies, some potential key informants found available and participated in our study. Thus for some companies the number of the informants are more than one.

Table 3.2. Details about the Interviews

Firm	Number of Interviews	Duration	Positions of Interviewees
Ziylan Group	2	100 minutes	➤ Director of Strategic Planning ➤ Senior Executive
Aydınlı Group	2	120 minutes	➤ General Manager ➤ Foreign Trade Manager
Hayat Kimya	2	80 minutes	➤ General Manager of Foreign Affiliates ➤ Senior Executive
Abdi İbrahim	1	60 minutes	➤ Merger and Acquisition Executive
Vestel	1	80 minutes	➤ General Manager
Kastamonu Entegre	2	80 minutes	➤ General Manager of Foreign Affiliates ➤ Senior Executive
Boydak Furniture	1	60 minutes	➤ Board Member
Çalık Holding	1	180 minutes	➤ Board Member
Total	12	760 minutes	

In order to triangulate the data, documentation was used as a second data source. Documentation is a common method preferred in case study research (Chetty & Campbell-Hunt, 2004; Richardson, 2014) and its most important use is to corroborate and augment evidence from other sources (Yin, 2009). In our study four sources were used for documentation: (i) documents directly obtained from the firm, (ii) documents retrieved from

official company web page (e.g. annuals and periodicals) (iii) press (e.g. news, executive interviews) and (iv) publications (e.g. cases, articles, books).

Prior to visiting the companies, the last three of the sources were systematically searched by the investigator and classified in the firm's case study database. This created significant background information about the firm and usually generated some further questions to be asked during the interview. After the interviews, key informants were asked to provide possible additional documents if they were available. All these documents were also carefully classified and stored in the case databases for the final analysis.

Finally, as new themes or relations emerge during data collection adjustments such as new questions to interview protocol can be added to exploit the emergent opportunities (Eisenhardt, 1989; Harris & Sutton, 1986). During interviews particularly to understand unusual choices and behaviors of the firms some additional questions were directed to the interviewees.

After data collection process, for each individual case a case study database was established including all documents, interview recordings, and field notes. Such a database is significantly important so that in principle, other investigators can review the evidence if they desire. Enabling raw data for independent inspection is a necessity to provide the reliability conditions. Also, case databases allow the researcher to establish a chain of evidence between the raw data and the conclusions to meet the construct validity (Yin, 2009).

3.3.2. Methods of Data Analysis

Although it is not a methodological obligation, using multiple investigators for data analysis is recommended by some scholars. Since additional investigators may increase the creative potential of the study and bring new perspectives, the use of additional investigators enhances confidence in the findings and improves the quality of the research (Eisenhardt, 1989; Sutton

& Callahan, 1987). During the data analysis phase of this study, findings were discussed with an additional researcher who had expertise and sufficient knowledge about the scope of the study. By doing so, we also *triangulated* the investigators in our research which increased the confidence and the quality of research (Patton, 2002).

In order to develop individual case study reports, first, we begun to analysis by examining each case independently. The overall idea was to find answers to the case study questions by examining the supporting evidence. This *within-case data analysis* made the investigator familiar with each case and allowed the researchers to determine the unique patterns of each case (Eisenhardt, 1989). On that step, no case comparisons were done yet. Instead, each single case was examined solely. At the end of this first step, individual case reports that are presented in Chapter Four were developed.

Second, we searched for *cross-case patterns* by comparing each case with the others. In this step, the investigators should avoid from premature and false conclusions by looking at the data from divergent perspectives (Eisenhardt, 1989). To do this we developed some dimensions (e.g. motives for FDI, location choices, and entry mode choices) and categories (e.g. asset-exploiting firms and asset-seeking firms) in order to reveal the differences and similarities between cases (Eisenhardt, 1989). Analysis results of this second step were interpreted, and a discussion of the internationalization of our case study firms was provided in Chapter Five (see 5.2. A Discussion on Turkish MNEs Internationalization).

As our third step, we looked at the Turkish MNEs internationalization by exploiting the *theoretical lenses* provided by current IB literature. Using these divergent perspectives did not hinder our focus; instead it increased the quality of the research by offering a suitable theoretical base to analyze the data from multiple dimensions. On this step, overlapping with the current literature is valuable. Since every case is an individual experiment, consistencies with the current IB literature mean empirical support to the existing literature is generated. However, conflicting findings are more

valuable since they may indicate some possible extension avenues as well as an opportunity for frame breaking thinking (Eisenhardt, 1989). Therefore, we divided our findings as consistent and conflicting results with the existing literature and discussed them in the related chapter (see 5.3. An Assessment of Theoretical Perspectives).

In our study developing a model with testable propositions is another objective. However *developing constructs and relationships among constructs* require an inductive approach which necessitates a different data analysis tactic. As Eisenhardt (1989) proposed, shaping propositions can start with sharpening the constructs by defining the constructs effectively and by building the evidence that measures the construct in each case. To do this, we developed some constructs (e.g. four different strategic behaviors of the case study firms) by defining the similar patterns in each case. Then, we constantly compared the data with those initial constructs and examined different sources of evidence and refined our constructs to reach well-defined constructs. After developing constructs, the second task is to develop and verify the relationships between the constructs by examining the evidence in each case. Thus, following an iterative process between our initial model and data we verified the emergent relations between constructs. The logic of this process is similar to the traditional hypothesis testing research (Eisenhardt, 1989).

Each proposition was verified for each case, not for the aggregate cases. Thus, the *replication* logic was used that means all cases were treated as they are a series of experiment used to confirm or disconfirm the propositions. Any disconfirmation is an opportunity to refine and modify the emergent model (Eisenhardt, 1989; Yin, 2009). As relationships were established between constructs, we persistently contemplated the underlying theoretical reasons of relationships and questioned the possible and *rival explanations* of the relations. This tactic is also necessary to establish the *internal validity* of the developed model. Lastly, as the incremental improvements of the iteration process to the model became minimal we

stopped the process and formed our proposed model (Eisenhardt, 1989; Yin, 2009) (see 5.2. A Proposed Model for EC MNE Internationalization).

After the analysis process all results derived from the database were connected to the appropriate sources and -as discussed earlier- *a chain of evidence* between the findings and data was established. In other words, the evidence about the findings are the same evidence collected in the field and the chain between the raw data and the findings were presented by citing each data source where necessary. In fact establishing a chain of evidence is not a matter of presenting the findings, it is a necessity for the investigator to meet the needs of *construct validity* to increase the overall quality of the research (Yin, 2009).

3.3.3. Validity and Reliability

Since the case study research is an empirical inquiry four tests (i.e. construct validity, internal validity, external validity, and reliability) commonly used to establish the quality of any social research are also relevant for case studies (Yin, 2009). These four critical conditions are needed to be maintained in order to maximize the quality of the study. The investigator should explicitly pay attention to each test and the tactics that are used to maintain these conditions should be applied throughout the study, not just at the beginning (Yin, 2009).

Construct validity is about establishing correct operational measures for the concept being studied. In the case study research, three tactics are available to increase the construct validity of the study. The first one is the use of multiple sources of evidence and the second one is to establish a chain of evidence. As the third tactic, each draft case study report should have to be reviewed by the key informants of each case study (Yin, 2009). As discussed earlier in our study we used multiple sources of evidence in order to triangulate the data sources. Secondly, we established a chain of evidence between our findings and the data upon which conclusions drawn. We presented the link between the conclusions and the data in case study database by appropriately citing actual data sources whether they are

documents or interview records. Lastly, each case study draft report reviewed by the key informants. Thus, three suggested tactics are satisfied in our research for the construct validity. As an addition to Yin (2009)'s three tactics, we also triangulated the investigators by using a second researcher who has expertise and theoretical knowledge about the phenomenon studied. Thus, the requirements of construct validity of this study are sustained.

Internal validity is about developing causal relationships between the concepts being studied and is relevant for explanatory studies not for exploratory or descriptive studies (Yin, 2009). Even so, we have considered rival explanations during the development of propositions.

External validity is about the domain to which the findings of the study can be generalized. Case studies are different from statistical research in terms of generalization. Survey research findings are generalized on statistical generalization whereas case studies rely on analytic generalization in which the investigator generalize the results of the study to some broader theory (Yin, 2009). In our research, we use a multiple-case study design which enables to use replication logic to meet the external validity conditions. Besides we used theoretical lenses from strategic management and international business literature by which we could conduct the theoretical generalization logic in our study. As a result, external validity of the study is sustained.

In this regard, it is important to clarify a misunderstanding about the *generalization* of findings in the case study research. In case study research, findings are not generalized to populations or universes like in survey research. Cases are like experiments and do not represent a sample and statistical generalization as in survey research is not relevant. In statistical generalization, based on empirical data an inference is made about the population. However, in the case study research each individual case are like individual experiments and the mode of generalization is analytic generalization in which the empirical results are compared to the existing

theories (Yin, 2009). Based on analytic generalization; in multiple case study design, the results may be considered compelling if two or more case studies support the same theory and do not support a second reasonable rival theory (Yin, 2009).

Reliability is about the repeatability of the study (e.g. data collection procedures). In the case study research, it means that if the same procedures are followed and the same case study is conducted by another investigator, the same or similar findings and conclusion should be drawn by the investigator. In order to enable any investigator to repeat the same study, the procedures that are followed in the case study should be documented. Without such documentation, one cannot even repeat his own work. Thus, a case study protocol and a case study database must be developed in order to make each step of data collection and analysis operational so that the errors and biases in the study can be minimized (Yin, 2009). In our research, a case study protocol to guide the investigator in the field was developed (see Appendix A). Also for each case, a case study database was generated which includes all the relevant documents, interview records and field notes. These two tactics meet the needs of reliability test for our case study research.

Table 3.3. Case Study Tactics for Four Design Tests in Our Study, adapted from (Yin, 2009)

Tests	Case Study Tactic	Phase of research in which tactic occurs
Construct Validity	✓ Use Multiple Source of Evidence	Data collection
	✓ Establish Chain of Evidence	Data collection
	✓ Have Key Informants Review	Composition
	Draft Case Study Report	
Internal Validity	✓ Address rival explanations	Data analysis
External Validity	✓ Use replication logic	Research design
Reliability	✓ Use case study protocol	Data collection
	✓ Develop case study database	Data collection

CHAPTER FOUR: ANALYSIS FINDINGS

4.1. Introduction

In this chapter, without any interpretation individual case reports are presented based on the data collected through interviews and documentation. For each firm, a case study database has been developed before. The data stored in these databases are used and cited properly during the development of the following case reports. In each report, firstly, a brief history and an introduction of the current operations of the firm are provided. Second, the drivers of and motives for OFDI are revealed. Lastly, the internationalization process of the firm is demonstrated by analyzing the location choices, entry modes, and firm strategies based on the data collected in the field.

4.2. Individual Case Reports

4.2.1. Ziylan

Overview of the Company

Ziylan is a Turkish group operating in the footwear industry both as a retailer and a manufacturer with its locally known shoe brands like Polaris and Kinetix; and retail stores named FLO and Polaris. It was founded as a small workshop which was making shoes to order in the early 1960s in Gaziantep -a city in the eastern part of Turkey. In the 1970s, the company was moved from its birthplace to the largest city of Turkey; Istanbul and started to mass production of sports shoes in 1985. In 2001, the company entered into retailing industry with FLO brand and introduced shoe store concept in Turkey. The number of the stores rapidly increased to 295 stores in total with FLO and Polaris brands by the year 2013. The Group offers 5,000 different shoe models to consumer in all ages and 3,000 different products including those in categories of bags, accessories, sport accessories, and clothing through its FLO stores which is Turkey's largest chain of shoe stores. Initially registered and introduced as a slipper brand in 1994, Polaris, which was the pioneer of the five-zone technology for foot comfort, has been turned into a footwear brand in 2003. The first shoe store

under Polaris name was opened in 2006 (“Ziylan Brands,” 2014). As of 2014, Ziylan sells more than 25 million pairs of shoes each year and provides employment to 5,000 people. For the year 2015 the firm aims to have 450 retailing stores and 800 million \$ total revenue (“Ziylan Group,” 2014). The Group seeks to develop one of the ten global brands that are expected to be developed by Turkish firms until 2023. This vision is governmentally encouraged and commonly shared by Turkish business environment (“Ziylan Turkish News,” 2014). The mission and the vision statements of Ziylan Group are as follows:

Mission

“To satisfy customer demands and expectations at the highest level by constantly improving the quality of our products and services. To ensure customer loyalty by building emotional bonds between consumers and our company by means of powerful communication. To become the most preferred footwear chain by expanding our chain of stores in Turkey and abroad. To increase our competitive power and profitability.”

Vision

“To become a reliable and reputable company of Turkey’s that constantly develops its own processes and pioneers the industry in its field of expertise in order to boost the effectiveness and productivity of our company on the national / international market.” (“About Ziylan Group,” 2014)

Ziylan Group currently exports to 29 countries (“About Ziylan Group,” 2014). The first export was made to Greece in 1988. At the same date, the firm signed contracts for footwear production with Germany and Finland. In 1989, a shoe factory was acquired in Germany (“Ziylan Group,” 2014). This purchase was made to acquire and transport the production units of the facility to Turkey in order to meet the orders received from Finland (“Ziylan Executive Interview,” 2014). Ziylan Group offers its products branded Polaris, Lumberjack, Kinetix, Torex, and Pinkstep on the world markets through its dealers and sale points. The company cooperates with thousands of selected stores, wholesale distribution networks, chain stores, and agencies on markets in Europe, the Middle East, North and South America, Africa, and the Far East. The firm brings its products to consumers at suitable prices and endeavors to increase the value of its brands by offering high comfort and fashion. Polaris, one of the Group’s brands, has

been increasing its status in foreign markets. 8 Polaris stores are operated under the dealership contracts in international markets, and the company seeks to new contracts for new stores. In 2012, the Group has acquired Lumberjack, a 65-years old classic Italian brand, and conducts now the sales and marketing operations of the brand in 6 stores in Italy, 1 in Spain, and 20 franchises located in the most prestigious shopping and fashion locations across Europe (“Ziylan International Operations,” 2014).

Drivers of OFDI

Firm-level Drivers

Ziylan Group has been operating in the footwear industry for more than 50 years. Thus, it has experience and product knowledge in terms of quality and design. Ziylan has some exclusive brand rights and design rights such as the special anatomical inner sole (the Five-zone Polaris Anatomical Sole Padding) used in comfort shoes, slippers and similar products which was designed exclusively for Ziylan at the Faculty of Medicine of Istanbul University (“Ziylan Companies,” 2014). The product and design knowledge are defined as critical firm resources by the Strategic Planning Director as follows:

“Three important variables create competitive advantage; the quality, the design, and the price of the product. We have been operating in the footwear industry for 60 years. We know much about shoes. We know how to design shoes and how to determine its quality. Since 90% of our production is outsourced it is not the production capabilities, it is the product knowledge that creates an advantage for us. Based on this know-how we are able to develop high-quality products with fashionable design.” (“Ziylan Executive Interview,” 2014)

Ziylan Group has a rich network of suppliers, distributors, wholesalers, and retailers in the footwear industry. For instance, one of the Group companies Ziylan Sole Industry and Trade PLC manufactures soles for both domestic and international markets including France, Italy, Portugal, Russia, Ukraine, Romania, Bulgaria, Jordan, Palestine, Egypt, Algeria, and Morocco (“Ziylan Companies,” 2014). This network provides both an engine to grow and local market knowledge for the Group including the industry conditions, consumer preferences, and investment

opportunities. Prior to the acquisition of Lumberjack, the Group has had the manufacturing and distributing rights of the brand in Turkey for two years (“Ziylan Executive Interview,” 2014). The Group has a sourcing capability that creates a low-cost advantage for the firm in terms of manufacturing operations. Particularly, 90% of the products are supplied by contract manufacturers, and 45% of them are imported from several other countries like China and India. This sourcing capability also allows the Group to move forward on the supply chain by allocating its resources more on retailing operations rather than manufacturing (“Ziylan Executive Interview,” 2014). As the Strategic Planning Director of the Group explains:

“Our sourcing (capability)¹ provides us the remaining (after product knowledge and design) advantage which is pricing, especially in artificial leather products and sports shoes which are imported from abroad. We are working with our partners to develop clusters in Turkey. They will make production for us; we will give them purchase guarantee. Thus, we do not have to make new investments in manufacturing; instead we will grow in retailing.” (“Ziylan Executive Interview,” 2014)

Ziylan Group acquired Lumberjack which has popularity among millions of people in 42 countries with fashionable designs to intensify its global operations by using the brand as *“the image of the Group in Europe”* (“Ziylan News,” 2014). In other words, Lumberjack represents the Group in the global arena (“Ziylan Brands,” 2014). Ziylan is planning to expand its operations within Europe and later spread into the global markets with Lumberjack (“Ziylan News,” 2014). The Group uses European market as a base in which they can develop new brands and upgrade the existing ones. Mehmet Ziylan, the Chairman of the Group, highlights this strategy as follows:

“Until two years ago, we have been planning to become a global brand with FLO. Last year, we acquired Lumberjack –a world-renowned brand with its operations in 42 countries. We have landed Europe by parachute with the acquisition of Lumberjack. With Lumberjack, we are now more close to our goal that is being a global brand. The FLO’s claim that is to be a global brand in retailing still continues at full speed as well.” (“Ziylan Turkish News,” 2014)

¹ Italics written in brackets are researcher’s supplementary

The Group efforts about developing new brands can be dated to the 1980s. Several local brands were successfully built in the domestic market prior to internationalization of the firm; however the acquisition is the key to becoming a global player in international markets. As the Chairman of the Group explains:

“In 1985, Halley was introduced as the first brand of the company. Later, Polaris, Kinetix, and more recently FLO as a retail store brand were introduced in the domestic market. But the acquisition of Lumberjack is a milestone in brand building efforts of the company.” (“Ziylan Turkish News,” 2014)

The acquisition of Lumberjack also offers leverage for the Group to increase the economic rent derived from its existing local brands. For instance; the sales and distribution channels of Lumberjack have been started to use for Kinetix products (“Ziylan Executive Interview,” 2014). As Ziylan Group shifts its focus more on retailing, the Group needs to be more responsive to the customer expectations in terms of their product design. As the Strategic Planning Director of the Group explains:

“...we are now closer to retailing than manufacturing. Thus, we need to be local. We see many foreign investors that have become unsuccessful in Turkey. They do not know the customer and the country. Retailing requires design and high quality. So we had to reach design centers. Perhaps it is the most important goal we achieved. Now with Lumberjack all doors are open for us in terms of design. We could not achieve this goal with Polaris.” (“Ziylan Executive Interview,” 2014)

Industry-level Drivers

The Group strategically moves forward on supply chain and approaches to retailing which is different from manufacturing in terms of industry conditions and requirements. Ziylan is now in need of design, brand, and responsiveness to customers more than before. Thus, the need to develop linkages with foreign design centers is also an industrial driver for the Group internationalization. After the acquisition of Lumberjack, Brand Park subsidiary in Italy, was established primarily to accomplish that task (“Ziylan Executive Interview,” 2014).

Institution-level Drivers

Ziylan Group has been enjoying its dominant domestic position for years. Particularly, the recent growth and stability in the national economy and the increasing popularity of Turkish MNEs due to their earlier investments abroad also had some facilitating effects on Ziylan's internationalization. The Strategic Planning Director of the Group describes this effect as follows:

“The national economic performance after 2001 crisis has also enabled the Group to internationalize. In foreign markets, Turkish firms are accepted as serious players due to the Turkey's economic growth. Also, thanks to other Turkish MNEs that have expanded earlier, now we are seen as potential buyers and prospective global players in advanced economies. Turkish MNEs are taken more serious by the foreign markets now.” (“Ziylan Executive Interview,” 2014)

The home and host-country institutional environments also have direct effects on Ziylan's internationalization. The Group has applied to TURQUALITY² program to get the home-country government support in brand building. The top management team (TMT) shares the same belief that the company needs to be in advanced markets in order to build a brand where it is more promising to develop a global presence. The opportunity for the acquisition was a result of recent global financial crisis which had negative impacts on Lumberjack resulting in conflicts among family members. Later, the family decided to sell the brand (“Ziylan Executive Interview,” 2014).

Motives for OFDI

The Ziylan aims to reach higher margin domains to increase its profitability and to the markets in which it also sees more promising growth opportunities. This forward move on value chain necessitates more differentiation advantages like well-known brands, more effective design capabilities, and linkages with the networks in which these resources and capabilities are embedded. Thus, it pursues an internationalization process

² TURQUALITY: It is a government-supported project for developing Turkish brands in the global markets. It aims to facilitate and support the national firms' brand building efforts in line with the vision of developing 10 global Turkish brands until 2023.

both to access these assets and to develop new markets. The primary motive behind Ziylan OFDI is to gain access strategic assets including the brand and better design capabilities. Besides strategic asset-seeking motive, Ziylan seeks to develop new markets abroad by engaging in FDI activities. Acquisition of Lumberjack does not only add a well-known brand to the company portfolio but also brings access to new foreign markets in which Lumberjack has already been operating. High involvement in international markets also results in a better risk management for the Group by which it develops less vulnerable position against currency fluctuations (“Ziylan Executive Interview,” 2014).

Internationalization Process

Location Choices

Since it is at its initial stage of internationalization Ziylan has limited investments abroad. The firm firstly targeted to European markets. It aims to expand Europe to acquire strategic resources, capabilities, and new markets. Cultural and geographical proximity are considered in location choices besides the level of existing competition in host markets. The rationale behind the location decision of the Group is explained by the Strategic Planning Director as follows:

“If you want to build brand you need to be in Europe. Once you purchase a brand, you will also purchase the market share of that brand. Geography and culture are important in terms of new markets. For instance, Scandinavian retailers could not be successful in our country. But Spanish and Italian firms could. Because we are from the same culture; Mediterraneanian... We are looking for the Middle East and Central Asia to develop new markets. Because we are geographically and culturally close to these countries. Also, the competitive intensity in developed markets is higher than the emerging markets.” (“Ziylan Executive Interview,” 2014)

Entry Modes

Ziylan acquired the full ownership of Lumberjack brand and established a WOS in Italy in order to coordinate the acquired brand’s foreign operations. “Acquisition a brand rather than attempting to build a new one is less risky and quick way of penetrating foreign markets” says the Strategic Planning Director of the company (“Ziylan Executive Interview,” 2014).

Firm Strategies

After the acquisition, some further steps have been taken. The central office of Lumberjack was moved to Navigli district in Milan where the leading fashion brands' showrooms are located. To be more responsive to European customers Brand Park –a subsidiary to centrally manage all strategies and operations of Lumberjack such as its design, product development, and its manufacturing operations was established in Italy's fashion capital Milan. The Group also attempts to reposition Lumberjack as a “family brand”. *“Our foundational strategy is to offer high quality and fashionable shoes at affordable prices. Following shoes, new categories such as clothing, bags, accessories, and perfumes will be added to the brand portfolio”* says Jacklin Güner the CEO of Ziylan Group (“Ziylan Companies,” 2014, “Ziylan Turkish Newsletter Archive,” 2014). In global markets, Ziylan aims to integrate its retailing and manufacturing competencies with Lumberjack brand. As the CEO Güner explains:

“With Lumberjack brand, first in Europe then in Middle East and in other global markets our products will be offered soon. In this direction, the retailing experiences of FLO and the popularity of Lumberjack in global markets create a synergy. We plan to expand our foreign operations with our domestic business model. While expanding in retailing with FLO, we have entered wholesaling with Lumberjack.” (“Ziylan Turkish Newsletter Archive,” 2014)

The Group strategies against the low-cost manufacturers from Far East (e.g. China) and retailers from advanced economies are not defensive. The Group thinks that low-cost country manufacturers do not offer high-quality in leather footwear like they do in artificial leather and sports shoes. Thus, Ziylan outsources manufacturing operations of non-leather products and sports shoes from low-cost countries and keeps the manufacturing of leather products internally. *“We could be Europe's leather footwear manufacturer”* Mehmet Ziylan says (Vatan June 11th, 2011). The Group is also planning to transfer its retailing model in its domestic market to continental Europe where they perceive another opportunity to grow. As the Group Strategic Planning Director explains:

“Retailing is not well-established in continental Europe as it is in US and UK. We have been learning retailing very fast. After the acquisition, now, we are planning to enter these countries (continental Europe) to transfer our business model by opening our own stores soon.” (“Ziylan Executive Interview,” 2014)

Ziylan Group shifts its focuses more on retailing than manufacturing. In 2012, Ziylan assigned Jaklin Güner as the new CEO. She was formerly the general manager of YKM – a well-known retailing company in Turkey. In their home market, the Group has been cooperating with its suppliers to develop clusters in footwear manufacturing in Turkey’s cities like Şanlıurfa, Adıyaman, and Muş which have relatively low-cost advantages than larger cities of the country and government support for economic development by incentives. By doing so, the company aims to outsource manufacturing and to allocate its resources more to downstream value chain activities (Sabah January 16th, 2013). Moreover, cooperating with universities and higher education institutions, the Group has launched an initiative, named as “Retailing Academy”, to train its employees in retailing business. The training program aims to improve workforce quality and targets 2000 employees of the company (“Ziylan Turkish News,” 2014). The year 2012 has been a turning point for the firm not only it has acquired Lumberjack but also an organizational restructuring process has been started. The CEO of the company Jacklin Güler says:

“...the acquisition of Lumberjack is the most significant one among these achievements. However, the decision taken on the restructuring of the Ziylan Group and the beginning of this process are other milestones that are as important as this acquisition. We have prepared a future growth strategy for the group in line with the restructuring decision.” (“Ziylan News,” 2014).

In 2013, The Group entered into a partnership with the consortium of BİM (the largest low-cost supermarket chain in Turkey), Gözde Girişim (an investment company owned by Yıldız Holding), and Mater Footwear BV and sold the %50 of the Group to the consortium. As the Chairman Mehmet Ziylan says *“the partnership is the third strategic step they have taken to develop a global brand after the acquisition of Lumberjack and the restructuring of the Group”* (“Ziylan Turkish News,” 2014). The firm still

seeks more acquisition opportunities in both footwear and retailing industries (“Ziylan Executive Interview,” 2014).

4.2.2. Aydınli

Overview of the Company

The foundations of Aydınli Group can be dated to 1965 when the first store was opened in Istanbul. In 1970s, the Group opened multi-storey shops and started to wholesale of both man and woman ready-to-wear products with their own brand “Aydınli”. In the following years, Aydınli reached 200 retailers in total and started to manufacture its own products. In 1990, the Group accelerated its growth by establishing larger production facilities which were equipped with the latest technologies. At that time, the 80% of the products manufactured in Aydınli facilities had been exporting. In 1990s, Aydınli signed contracts with Pierre Cardin (in 1993), Cacharel (in 1995), and U.S. Polo Assn. (in 1997) to become their contract manufacturer and licensee in Turkey. These licenses sped up the growth of the Group. In 1997, Becon, one the most well-known brand of Germany, was acquired. After 2000, the Group has started to internationalize its retailing operations through franchising within Turkey’s close geography with the brands it has been representing. By the year 2014, the Group has 410 retail stores of which 150 are located abroad and employs more than 3,500 workers that makes it one of the largest retailers of Turkey’s periphery (“Aydınli Group,” 2014).

Aydınli is the licensee of the U.S. Polo Assn. in 48 countries and main licensor of U.S. Polo Assn. brand in all over the world. It holds licenses of Cacharel for 30 countries and of Pierre Cardin for 8 countries. The Group manages Cacharel in 30 countries with 54 retail stores and owns the brand rights for men ready-to-wear in Russia, Ukraine, Iran, Iraq, Syria, Kazakhstan, Azerbaijan, and Lebanon. Aydınli represents Pierre Cardin in Kazakhstan, India, Iraq, Iran, Syria, Macedonia, and Azerbaijan with ready-to-wear products. It also holds the licensor rights of the brand for almost 60 product groups such as home textile, furniture, and carpet. By the year 2013,

Aydınlı was ranked as 208th in the Fortune 500 Turkey list (“Aydınlı Group Corporate,” 2014). The group mission and vision statements are as follows:

Mission

“Our mission is to become a worldwide example by putting forward a corporate culture that lives universally accepted values in all areas of life while allowing people to dress more beautiful with our success in fashion retailing.” (“Aydınlı Group Corporate,” 2014)

Vision

“In 2023, based in Turkey and in its close proximity that is connected with historical ties, our vision is to become one of the three most successful retailers with the acquired or represented brands in fashion retailing.” (“Aydınlı Group Corporate,” 2014)

Aydınlı is exporting its products to four different continents via its distributors, network of retailers, and its own foreign offices and stores. The Group has subsidiaries in Germany, Russia, Ukraine, Kazakhstan, and Romania (“Aydınlı Group Exports,” 2014). The direct investments in retailing have been started in 2008 with Group’s offices, showrooms, and retail stores in Russia and Ukraine. The Group subsequently opened 6 stores in Russia and 4 stores in Ukraine where it had franchisees before. Later two companies in Romania and Kazakhstan were opened to run the retailing operations in those countries. After these investments, the first stores in both countries were opened. Aydınlı now has 144 retail stores abroad in total. 59 of these stores are owned by the company. Among other countries, Russia has an importance with 53 stores, 37 of which belong to Aydınlı, the remaining to franchisees. As of 2014, Aydınlı’s revenue is \$273 million USD. The Group’s long-run objective is to become among the top 10 retailers in the global markets (“Aydınlı Group Corporate,” 2014).

Drivers of OFDI

Firm-level Drivers

Aydınlı was established as a retailing company at its birth. Later, the company opened up its own production plants by pursuing a backward vertical integration strategy. Despite the origins of the Group in retailing, Aydınlı has developed remarkable operational knowledge in the textile industry in which Turkey as a country has a competitive advantage. The

company's functional capabilities in designing, manufacturing, and retailing created a competence for Aydınli in the ready-to-wear textile products. The experience of the Group in almost all aspects of the value chain activities enables the company to become the licensee of the well-known brands for the Turkish domestic market and its close geography. These licensees provide the Group an important strategic asset that the Group could not have had without making substantial investments and taking risks. As the Foreign Trade Manager explains:

“Building a brand takes time, substantial efforts, and patience. With our home-made brands growth might be difficult...it is easy to open a new store with a well-known brand name...as you open the door, the store starts to generate revenue...without famous brands that we represent, we could not grow as fast as we did.” (“Aydınli Executive Interview,” 2014)

The licensee agreements made with the famous brands allowed the firm to direct its resources into the areas in which company can exploit its limited resources more efficiently. This network of licensors could not be possible without the initial threshold capabilities in the ready-to-wear industry. As Aydınli demonstrated significant progress in its domestic and international markets, the licensors enlarged the scope of the agreements in terms of both geography and product groups (“Aydınli Executive Interview,” 2014). The complementary role of the brand licenses is explained by the General Manager as follows:

“The quality and the design are musts to be in retailing business...you may manufacture excellent products but they are not enough to be successful...offering them with a famous brand that can attract customers to your stores by representing the quality and design...this is the key.” (“Aydınli Executive Interview,” 2014)

Industry-level Drivers

The Group retailing operations highly depend on the licenses which inevitably necessitate internationalization to grow. Since, the Group became licensee for the well-known brands above; the missing competitive advantage was obtained. The brands enabled the company to internationalize in Turkey's close geography with its direct investments. Also, there is interdependency between the growth strategies of licensors

and Aydınli. On one hand, the licensors seek to grow in emerging markets such as Russia, Ukraine, and MENA countries. On the other hand, Aydınli is able to and willing to operate in these geographies. The Group General Manager explains these effects as follows:

“We successfully represent the brands that we have license agreements with. These contracts cover the close geography of Turkey where we want to expand our operations... Internationalization is a must for us. We are in retailing business in which sooner or later you need to internationalize to grow.” (“Aydınli Executive Interview,” 2014)

Aydınli initially started its retailing in Russia through franchising. Later the company began to open its own stores, particularly in large cities. *“Another reason that encouraged us to make direct investments instead of franchising was the diminishing profitability in the textile industry. We decided to eliminate the intermediaries to increase our own profitability”* says Foreign Trade Manager of the company (“Aydınli Executive Interview,” 2014).

Institution-level Drivers

The firm has been operating at home with the brands of which it has taken licensees. The economic stability and growth at home allowed the firm to build a cash rich position at home. *“While Turkey’s economy has stability and grows, our customers spend more. New malls are opened, and stores become profitable. Then, you can begin to think about growing both at home and abroad”* says company General Manager (“Aydınli Executive Interview,” 2014).

Regarding the host-country pull factors the collapse of the Soviet Union became a significant driver for the company to internationalize. *“After the Soviet Union, new markets were opened in which customers were mostly consumption-oriented. In these emerging markets, the local competition was low and markets were almost untouched. That is why we, like many other Turkish MNEs, targeted Russia and its neighboring countries”* says the company General Manager (“Aydınli Executive Interview,” 2014).

Motives for OFDI

The company's motives for FDI are market-seeking and asset-seeking. Aydınlı invested in Russia, Ukraine, Romania, Kazakhstan, and Germany in order to establish its wholly owned subsidiaries and retail stores to control its host-country operations closely. Each subsidiary has its own functional units that enable it to run all product management operations locally based on the changing market needs. The Group also made a brand acquisition in Germany in order to penetrate the local market where it has also founded its own subsidiary ("Aydınlı Executive Interview," 2014).

Internationalization Process

Location Choices

First, the geography that the firm operates is determined by the scope of the license agreements. The firm has activities in various countries where Turkey has geographical proximity and cultural similarities. However, the FDIs are directed to Russia, Ukraine, Romania, and Kazakhstan. These markets are chosen due to the high growth rates and low competition. The Group is planning to enter into European and American markets after concluding its expansion in its current markets. The location strategy of the company is explained by the General Manager as follows:

"Russia, Ukraine, Kazakhstan, and Romania...in these close markets we have our own stores...now we are not accepting new brand offerings...our goal is to achieve regional leadership in our existing markets; then we may think about investing in American and European markets." ("Aydınlı Executive Interview," 2014)

The Group made a brand acquisition from Germany of which it was a contract manufacturer before. Despite this acquisition, Aydınlı does not prefer to expand as a retailer in developed countries due to the intense competition in these markets. This strategic choice is explained by the Foreign Trade Manager as follows:

"The cost of opening a new store in Europe is higher than the emerging countries. Therefore, multi-brand stores are more common in Europe rather than the mono-brand stores. Many recognizable brands are well-positioned in European markets also. Especially in men apparels Italian brands are well recognized and preferred in Europe...our brands have French

origins. Therefore, we do not prefer to expand in Europe for now.” (“Aydınlı Executive Interview,” 2014)

Entry Modes

Aydınlı cooperates with local partners to grow through franchising in MENA countries and Central Asian Republics. However, the company makes direct investments to open its own subsidiaries and stores in Russia, Ukraine, Kazakhstan and Romania due to the high growth rate, weak institutional environment, and high control need for local operations. It prefers to open its own offices and stores in the countries to control and support local operations where it has high market shares and faces difficulties in exporting and franchising. The company also made an acquisition of a brand to compensate its competitive disadvantage in German market for further growth (“Aydınlı Executive Interview,” 2014).

Firm Strategies

Aydınlı chooses to grow with licenses of foreign brands rather than developing its own brands. This strategic choice is explained by the General Manager of the company as follows:

“This question is always directed to us. In internationalization, you have two options. You either build your own brand or globally expand with the marriages with the well-known brands. We preferred to alliance with the global brands and to internationalize. We have been entering into the close geography with the globally well-known Cacharel. For instance, it is possible to reach a high level of sales with Cacharel brand in Russia even in the opening day since the brand has high customer awareness and perceived quality among customers. The way we have walked with Cacharel for 20 years is very long. The design and the manufacturing are made here (Turkey)...we ship our products with the “Made in Turkey” label to both domestic and international stores. Having arrived at this point in quality and design is as important as building a new Turkish brand.” (ANKA April 15th, 2014)

Depending on its production and design capabilities, Aydınlı strengthens its reliable relations with the license owners while continuously upgrading its existing capabilities. The Group expands internationally by transferring its existing retailing business experiences to the host countries by opening its own subsidiaries where it cannot find adequate local partners. Due to the success demonstrated by the company in both domestic and

international markets Aydınli expanded the scope of its license agreements with the licensors by adding new product groups to its portfolio. In the product groups that the company does not have any operations, Aydınli signs sub-license agreements with the local manufacturers in Turkey as the main license provider. This strategic cooperation with local suppliers allows Aydınli to exploit its networks with licensors more by providing an opportunity to gain economic rents from the product groups in which the company is not directly involved in (“Aydınli Executive Interview,” 2014, “Aydınli Group Corporate,” 2014).

4.2.3. Hayat Kimya

Overview of the Company

Hayat Kimya is one of the group companies of Hayat Holding which is a family owned Turkish conglomerate operating in various industries with its 25 companies including fast-moving consumer goods (FMCG), port operations, construction, wood, and energy. The group history can be dated to 1937 when Kigili family was in wholesale fabric business. Later, they entered the manufacturing industry in 1967 to manufacture fabrics. Hayat Kimya was founded in 1987 as an attempt of the Kigili family to enter FMCG industry. The firm manufactures tissues in different segments with the Papia, Familia, Focus, and Teno brands. In home-care category, the company offers its products with Bingo and Test brand. Hayat Kimya also offers the Molped brand in the sanitary pads category, the Molfix brand in the baby diapers category, and the Joly and Evony brands in the adult diapers category. It is one of the leading Turkish companies in FMCG industry both in domestic and global markets (“Hayat Kimya About Us,” 2014). The Group mission and vision statements are as follows:

Mission

“To provide consumers and customers all over the world with the best quality Turkish brands in the sectors in which we are active. We intend to achieve this goal with our production power and our constantly growing and improving human resources, offering consumers and customers reliability based on sustainability on a global scale.”

Vision

“To be recognized, admired and preferred around the world in the sectors in which we are active, with all our companies and brands.” (“Hayat Kimya About Us,” 2014)

Hayat Kimya has entered into the Turkey’s neighboring countries through exports and direct investments which eventually turned the company into a global enterprise. It has 5,200 employees today. Having subsidiaries in 6 different countries that are operating in European standards, Hayat Kimya reaches consumers through an export network spanning 101 countries. It has factories in Turkey, Algeria, Iran, Egypt, and Bosnia-Herzegovina. Hayat was ranked 70th in 2012 among Turkey’s largest exporters and 68th among the Turkey’s largest companies thanks to the its high performance in export markets including 101 countries on five continents (“Hayat Kimya About Us,” 2014).

Drivers of OFDI

Firm-level Drivers

The company has the ability to diversify its offerings in different socioeconomic segments. It can also develop new markets for its products with different brands. For instance in 2006 Hayat Kimya entered the tissue segment with a large production plant in Turkey and began to offer the Papia, Familia and Teno brands for upper, middle and lower income level consumers. Besides, it has also entered into HORECA (hotel, restaurant, and catering) channel with Focus brand in the same segment (“Hayat Kimya About Us,” 2014). This product development and marketing abilities enable the company to adapt to the local needs in emerging countries where large MNEs from developed countries follow a regional marketing approach rather than localization (Hayat Global, 2013).

Hayat has an R&D center provides an innovation base in which environment-friendly products are designed for the FCMG segment. With an investment budget of \$4 million and a general budget of \$3,5 million, the R&D center integrates and applies systematic approaches such as risk and innovation management into business processes (“Hayat Kimya About Us,” 2014). The unique cogeneration plant technology which is patented by the

R&D Center provides huge cost savings in energy expenses. The technology has been used by Kastamonu Entegre, which is another firm of the Holding operating in the wood industry. The technology was adapted by the R&D center for paper production (“Hayat Executive Interview,” 2014).

Industry-level Drivers

The competition at home is intense in FMCG market. DC MNEs like P&G, Unilever, and Henkel have high market shares with highly differentiated products. These DC MNEs have already same strong positions in developed countries. Thus, Hayat targets the market that are not saturated and dominated by these MNEs. Emerging countries like Algeria, Iran, and Egypt are the markets where Hayat can become more competitive (“Hayat Executive Interview,” 2014).

Institution-level Drivers

The domestic market is still significantly important for the company. Due to the political and economic stability that the country has shown after 2001 Turkish economic crisis, Hayat has demonstrated a continuous rapid growth at home which enables the overseas investments. The firm has also received government support in terms of guidance about the host-country environments. Hayat also is a participant in TURQUALITY project (“Hayat Executive Interview,” 2014).

Motives for OFDI

The primary motive for Hayat’s OFDI is market-seeking. Hayat initially aims the niche markets in which it may shelter its offerings and develop new markets. This initial market share is later used to extend the product variety by adding new offerings to the existing portfolio to enlarge the market in the host countries. The company also aims to achieve efficiency via scale advantages and cost reductions in terms of tariffs and transportation costs. Moreover, Hayat enjoys the benefits of global learning among its subsidiaries (“Hayat Executive Interview,” 2014).

Internationalization Process

Location Choices

The company's first exports were to Russia and Iraq in 1980s following the first international investment to Bulgaria in 1998. In 2000, the second international investment was to Ukraine to take advantage of the opportunities in the emerging economies of the North. Hayat Kimya accelerated its FDIs by establishing a detergent factory in Algeria in 2005. The same year, the company opened a plant in Bosnia-Herzegovina to produce cellulose and packaging paper ("Hayat Kimya About Us," 2014). Hayat Kimya has factories in Turkey, Algeria, Iran, Egypt, and Bosnia-Herzegovina and offices in Iran, Algeria, Egypt, Ukraine and Bulgaria ("Hayat Kimya Global," 2014).

Hayat selects emerging countries as FDI locations with growing populations and markets untapped or unsaturated where the firm can show its technological superiority and where the competition is less intensive (Hayat Global, 2013).

The geographical proximity, market size, local energy supplies, prior exports and growth rate are considered factors in FDI decisions. The location strategy of the company is explained by the top level executive as:

"We target the emerging countries that are close to our home country...we consider the market size and growth rate of the market. For example, we have FDI in Iran that is a neighbor country with a 75 million population and developing. They have energy resources...also, we had a prior export market in Iran...then we made the decision for FDI." ("Hayat Executive Interview," 2014)

Moreover, countries with high trade barriers that offer exports opportunities to the third countries without tariffs are selected as FDI locations (Hayat Global, 2013).

One of the strategic locations that the firm has investments is Algeria. The country has chosen as a strategic market not only its domestic market size, but also it provides a hub for further expansion to Western African countries through exports. The same logic was applied in Egyptian market. Egypt has a large population with more than 90 million people, besides, it offers a base for the company to expand into North Eastern Africa by

exporting its product to the third countries without tariffs (“Hayat Executive Interview,” 2014).

Entry Modes

Hayat made greenfield investments and established WOS in emerging countries to transfer its know-how and competences in production. The company also acquired a factory in Bosnia of which infrastructure was weak and developed after the acquisition. The factory was privatized by Bosnian government. Hayat preferred wholly-owned subsidiaries (“Hayat Executive Interview,” 2014).

Firm Strategies

Hayat operates in FMCG industry with three different product groups; paper, pads, and detergent. The company’s strategy for international expansion is to find a niche market by which the company can seize an opportunity to export some of its products in order to have a “bridgehead” for the following investments. In other words, the company initially aims the niche markets in emerging countries where they can feel less competitive pressure from the incumbents like Procter&Gamble and Unilever (“Hayat Executive Interview,” 2014).

After having a significant share in the market, the firm uses this potential to expand its offerings within the same market. For instance in 2007 with its initial detergent investments Hayat earned a significant share in Algerian market and made continued investments in baby diapers and hygienic pads. The firm’s Molfix and Molped brands in these segments are offered Algerian consumers (“Hayat Kimya About Us,” 2014).

The fierce competition with the global players like P&G and Unilever within the market is explained by the top level executive as:

“These firms (P&G and Unilever) are everywhere; they have at least 40% market share in their respective markets...competition with these firms is challenging...because these firms do not think locally when it comes to direct competition, they can tolerate temporary losses for a certain period of time for the sake of winning.” (“Hayat Executive Interview,” 2014)

The competition with DC MNEs both in domestic and foreign markets is explained by the president of Hayat Kimya in an interview for the company magazine as:

“...these companies have great technical, financial and marketing support; they are experienced and are using the advantages of being pioneers in the market. Yet, considering the maturity in developed markets where these companies are dominant, we see the existence of national brands in multiple categories...the international marketing literature indicates that as long as national brands are in sync with the country’s culture and act faster than international brands, they will succeed. In fact, the decision-making process for MNE is long, and one needs to consider they make decisions that comply with multiple countries as a group rather than individually. As Hayat Kimya, we hold an advantage in our country. Moreover, we have the advantage of being first at home against some of our competitors...in overseas markets we have the flexibility of acting locally when needed because we are not in as many countries as DC MNEs. Therefore, we can offer better-developed products for the local needs....especially in the markets where the DC MNEs do not have dominance yet.”
(Hayat Global, 2013, p. 8)

Thus, Hayat enjoys its first mover advantages in some categories at home and uses niche markets in overseas where it is able to exploit its technological superiority and offers the products meeting local needs better than the products developed for the mass regional markets by DC MNEs. In this context, Hayat R&D center is the key to developing new products according to the market research results flowing from both domestic and international markets (“Hayat Executive Interview,” 2014).

In tissue category, the firm targets emerging countries with low consumption but high growing potential. There are small-scale manufacturers in these markets whose technology is outdated. The technology that Hayat brought to these markets creates a significant difference in terms of quality. Thus, the firm is able to offer the best possible product in this category which is beyond the customer expectations. In hygiene category, the firm does not adapt the identity of its brands to every country as they are. Instead, it adapts a “glocalization” based on the market research. Thus, it will be easier to reach the consumers and to position the brand appropriately. The firm also has different marketing teams which deeply analyze each target market. Moreover, another

advantage of the firm is fast decision-making. In home care category, the competition transforms the company by driving the firm to be quicker and faster in decision-making. Hayat competes with several DC MNEs and local companies both at home and abroad in this category. The success of the firm's home care products is a result of effective marketing research and adaptation in terms of product development and marketing operations (Hayat Global, 2013, 2014).

Hayat Kimya is a trendsetter in baby diapers with its Molfix and Bebem brands that it produces for international markets. The company is the 7th largest tissue producer in Europe and the largest in MENA and the Balkans with its Papia and Familia brands, as well as its non-home brand Focus and economic brand Teno ("Hayat Kimya Global," 2014). For example, the company made FDI in order to set up a hygienic product factory for Egyptian market in 2012. It became a huge success, and the Molfix brand has become the first of consumers' choice in Egypt and all of North Africa. Molped which is the company's brand in baby pads followed in the footsteps of Molfix in the same region as well ("Hayat Kimya About Us," 2014). Another example is in tissue category. In order to carry the success achieved in sanitary paper industry within the national borders, a sanitary paper factory was opened in Iran to enter Iranian market with the brands Papia and Teno; a similar investment was made in Egypt in 2013 as well ("Hayat Kimya About Us," 2014).

To overcome the initial entry barriers, the key is to have a small market share within the target country. Here a suitable strategy that might be used is acquisition. However, Hayat has not made any acquisition from the foreign markets yet. *"We constantly seek opportunities to acquire an existing firm that has 5% or 10% market share, but until now no acquisition has been made yet. Thus, we prefer to increase the size of our export markets, and then to make FDI"* says the General Manager of Overseas Subsidiaries of the company ("Hayat Executive Interview," 2014).

At home, the firm outcompeted Eczacıbaşı in sanitary paper market which is a Turkish industrial group operating in building products, healthcare and consumer products; older and larger than Hayat Kimya. *“This success is a result of high quality and innovative products of the firm”* according to the General Manager of Overseas Subsidiaries of the company (“Hayat Executive Interview,” 2014).

As the company’s share in existing markets increases, the Group makes additional investments to strengthen its position within the industry. For example, in order to achieve scale advantages, Hayat Kimya established its second paper factory in İzmir, Turkey in 2010 (“Hayat Kimya About Us,” 2014).

Operating in several countries also provides a portfolio that allows the firm to allocate its risks. The outcomes of internationalization are explained by the company executive as follows:

“...having global operations has some extras such as know-how transfer, cooperation and support among subsidiaries, and reputation...if there are problems in a market we are able to compensate it by the returns from where we have strong position. We can also control our regional markets.” (“Hayat Executive Interview,” 2014)

In hygiene category, firm products are among the top three brands in all markets. The firm believes that, in a close future, there will be only two different brands on supermarket shelves from each category as a result of an integrated and developed trade. Thus, being among the top two brands in each category with its all brands is the primary long-term goal.

4.2.4. Abdi İbrahim

Overview of the Company

Abdi İbrahim was established in 1912 as a small pharmaceutical laboratory in Istanbul. It has been the leading company in the Turkish pharmaceuticals market in terms of turnover and unit sales since 2003. The production operations of the company are dated back to 1919. The company was renamed as “Abdi İbrahim İlaç Sanayi ve Ticaret A.Ş.” in 1975. It has been being run by the third generation since 1981. Abdi İbrahim is ranked among

the world's top 100 pharmaceutical companies ("Abdi İbrahim About Us," 2014).

Abdi İbrahim offers pharmaceutical services to the healthcare industry with its intensive and innovative R&D practices and advanced production technologies. The firm has 3,500 qualified employees including the largest sales and marketing force and the most experienced R&D specialists in the sector ("Abdi İbrahim About Us," 2014). The mission and vision statements of the company are as follows:

Mission

"To serve medicine and people through its pharmaceuticals and its pioneering, innovative style"

Vision

"To be a respected, rapidly growing and number one player in the Turkish pharmaceutical market" ("Abdi İbrahim About Us," 2014)

Abdi İbrahim's goal of being a global player led the company to take a more active role in the world markets. The company has large direct investments in Kazakhstan and Algeria; and its own organizations in Cyprus, Ukraine, Georgia, and Azerbaijan where it performs direct sales through its own subsidiaries. Moreover, it offers its products in EU countries through its subsidiary established in Portugal ("Abdi İbrahim About Us," 2014)

The firm grew internationally to \$52 million in 2013, exporting to more than 30 countries in four main regions. The company has great standing in the pharmaceutical industry on account of its 150-brand portfolio, close to 30 licensors, and a production capacity of 350-million boxes ("Abdi İbrahim About Us," 2014).

Drivers of OFDI

Firm-level Drivers

R&D in the pharmaceutical industry is central to sustainability. The R&D process encompasses a 12-15-year development period from the first discovery of a drug molecule, which requires an average investment of \$880 million, to the time is made available for use by physicians. Abdi İbrahim

sees the drug as a product of the information production not a branch of the chemical industry. Therefore, the company places a great amount of importance on R&D by establishing the first and largest pharmaceutical R&D center in Turkey. Abdi İbrahim devotes 5% of annual turnover to R&D in order to focus on expanding and improving its product portfolio. More than 140 experts in the field of the development of reference and generic drugs are employed in R&D center. Inside the R&D center, several joint projects with scientific establishments at home and abroad are conducted. The company has the highest number of patent applications in domestic pharmaceutical industry since 2008. The World Health Organization's Good Manufacturing Practices (GMP) and Good Laboratory Practices (GLP) standards are used in the R&D activities to develop generic drugs that have the same active ingredients as reference products. The R&D center also provides the firm success with innovative product development projects. For example, for the first time in the world, a product called ODT tablet (Orally Disintegrating Tablet), which was developed for the patients that have difficulties in swallowing tablets and capsules. This new product makes it easier for both physicians and patients to follow the treatments. Another example is the project that aimed to combine two separate molecules (analgesic and non-steroid anti-inflammatory) into a single table. This “combination therapy”, named as supergeneric drugs, used effectively by the doctors for the treatments of different illnesses at the same time (“Abdi İbrahim About Us,” 2014, “Abdi İbrahim Executive Interview,” 2014)

In terms of marketing, Abdi İbrahim has a large sales force that has made it the leading company in the domestic market which has high competitive intensity. Over time, the firm has developed marketing capabilities in terms of speed, decisiveness, experience, and resilience both in domestic and international markets. The company also establishes long-term relationships through licensing agreements to meet the expectations of its business partners (“Abdi İbrahim About Us,” 2014).

A \$100 million-dollar investment was made in the facilities that were built on an area of 87,000 m² with the latest technology. The production facilities, of which equipments and processes meet all GMP and GLP requirements, have an annual capacity of 350 million boxes (“Abdi İbrahim About Us,” 2014).

The driving role of firm resources and capabilities in the primary value chain activities for the firm’s internationalization is explained by the firm executive as follows:

“Our company has competencies in R&D, production and, sales and marketing that were developed at home. We transfer these competencies to foreign countries while internationalizing our operations.” (“Abdi İbrahim Executive Interview,” 2014)

For example, GMP and GLP practices that allow pharmaceutical firms to make long-term sales contracts with the host-country governments are strategically important. These practices encouraged Abdi İbrahim to make FDI to Kazakhstan to acquire 60% of Global Pharm (“Abdi İbrahim Executive Interview,” 2014).

The firm creates high value-added products by R&D practices while enjoying the cost advantages that are generated as a result of scale economies. The firm is able to combine these advantages in order to have a competitive advantage for the generic products in terms of time to market. Moreover, Abdi İbrahim can develop supgeneric drugs by combining different molecules into a single tablet which provide another advantage in the market. These cost and differentiation advantages of the firm are explained the company executive as follows:

“We have cost advantages in production depending on scale economies but I cannot say the same for R&D. In R&D, we have different abilities. We have time-to-market advantage which is critical for generic drugs. We are also able to offer differentiated products like supgeneric drugs. Thanks to our production and R&D strengths we can realize all these. By the way in order to overcome the high costs of R&D, we focus on specific areas...our offerings are numerous, but we commit our resources in R&D to specific areas.” (“Abdi İbrahim Executive Interview,” 2014)

Industry-level Drivers

The pharmaceuticals market has been losing its profitability in Turkey for years. The profit margins are diminishing as a result of the government regulations. As the government applies the EU standards in pricing, which is called as reference pricing, the market has started to lose its profitability. Moreover, the pharmaceutical market is a fragmented industry with many players and has intense competition on market share. As Turkey becomes more like advanced economies in terms of market regulations, the home market loses its attractiveness as it was in old days. As the firm executive explains:

“Turkish pharmaceutical industry has been losing its profitability. The competitive intensity at home is high. As our country develops, we aim to enter the countries that have the same conditions as Turkey had 15 years ago.” (“Abdi İbrahim Executive Interview,” 2014)

Institution-level Drivers

Advanced economies have regulated markets. Particularly direct regulations on pricing are significantly important for company profitability. In emerging countries, prices are still determined by the firms. Therefore, Abdi İbrahim targets emerging countries which are profitable and more promising for the future growth. As the firm executive explains:

“Turkish government determines the prices by benchmarking the prices in five EU countries, which we called reference pricing. If the profitability at home continued, we might not be interested in international markets as we are today.” (“Abdi İbrahim Executive Interview,” 2014)

Motives for OFDI

The primary internationalization motive of the company is sustainable growth. Abdi İbrahim targets emerging countries which are attractive, growing rapidly and more profitable than its home market. Abdi İbrahim also engages in FDI due to the increasing trade barriers in its export markets (“Abdi İbrahim Executive Interview,” 2014).

Internationalization Process

Location Choices

Abdi İbrahim considers Kazakhstan, Algeria, and Georgia as key markets while also having operations more than 30 other countries (“Abdi İbrahim

Executive Interview,” 2014). Abdi İbrahim prefers exporting to the countries that are far away from its home country while investing in the emerging countries that are geographically and culturally close to its home base. Despite their geographical proximities and developing infrastructure, the institutional distance is high between the host countries and Turkey as explained by the company executive:

“We prefer emerging countries that are close to Turkey in terms of geographical and cultural distance. However, we experience different stories in each country...every country has unique dynamics. Therefore, your experience at home may not work abroad...you need to learn again and again.” (“Abdi İbrahim Executive Interview,” 2014)

Abdi İbrahim made FDI in Algeria as a result of the government restrictions on exporting. The company has established its production facility to begin local manufacturing in the country. Later, it has engaged in a partnership through joint-venture with Remede Pharma to establish manufacturing facilities with GMP and GLP standards. Kazakhstan was chosen as an FDI location to exploit company’s production capabilities in GMP and GLP standards as well. The company prefers to operate in the countries where it can show its superiority with its competences in production and marketing.

Entry Modes

The types of international activities of the firm vary from exporting to FDI. Abdi İbrahim initially enters to the countries via direct exports to the local distributors. However, due to the industry dynamics foreign operations necessitate field supports in terms of sales and marketing. Thus, Abdi İbrahim usually enters foreign markets through strategic partnership with local firms or by opening its own offices. The last entry mode is generally preferred to transfer firm’s capabilities in sales and marketing. The company also chooses joint operations when the local market conditions require the support of a local partner. For instance, the firm did not acquire the whole ownership of Global Pharm in Kazakhstan in 2012 where a partner’s assistance was critical to adjust firm sales and marketing tactics to the local market (“Abdi İbrahim Executive Interview,” 2014).

The first FDI made in Algeria was a must due to the changing regulations. After Algerian government had put limitations of importing the drugs, Abdi Ibrahim pursued a direct investment strategy by establishing its own manufacturing plants where it has already had a considerable export market since 1999. However, the company needs the assistance of a local partner when it comes to transferring the GMP and GLP standards to the countries. The subsidiary in Portugal, named Abdi Pharma, was opened in 2010 in order to conduct the regulatory affairs of the firm with the EU (“Abdi Ibrahim Executive Interview,” 2014).

Firm Strategies

Depending on its R&D and production capabilities, Abdi Ibrahim develops its generic products when the patent protection expires on the original drugs. The firm sometimes gets licensees of original drug producers to expand. Some of the DC MNEs gives their licenses to Abdi Ibrahim in order to get their original products sold in emerging countries. These MNEs do not generally prefer to be engaged in the countries where the institutional environment is weak. Therefore, Abdi Ibrahim uses its existing networks to offer DC MNEs products via strategic partnerships in those markets (“Abdi Ibrahim Executive Interview,” 2014).

One of the important strategic assets of the company is its sales and marketing capabilities built at home over time. This know-how is transferred to the host countries to develop distribution channels and sales networks as the firm attempts to expand its export markets. To realize this, experienced staff is transferred to the host countries where the firm faces difficulties in finding qualified employees. As an EC MNE Abdi Ibrahim has a flexible strategic approach and seeks opportunities that are promising for future sustainable growth. In some cases, opportunities that are different from the pre-established strategic plans emerge of which the company exploited. Therefore, emergent strategies are not rare for the company’s internationalization (“Abdi Ibrahim Executive Interview,” 2014)

While expanding abroad, Abdi İbrahim continues its operations at home. The company competes with global and local firms in the domestic market of which it has 7% share as the leading company. The company diversified its product offerings by adding OTC (Over-the-counter) drugs to its portfolio. This high margin product group includes some health supplements or drugs that do not require prescriptions and offer a potential niche market for the future. OTC products are suitable for the high-income level countries where Abdi İbrahim feels competitive pressure due to the government regulations. In OTC market, which is out of government control in terms of pricing, firms are allowed to determine the prices for their products and free to make advertisings. Abdi İbrahim's products in this business are produced for the developed economies and Turkish ("Abdi İbrahim Executive Interview," 2014).

4.2.5. Vestel

Overview of the Company

Vestel Group is consisted of 29 companies that have operations in software and technology development, marketing, and distribution fields in the consumer electronics, household appliances, multimedia communication, LED lighting, and defense industries with more than \$6 billion turnover. Vestel was founded in 1984 and joined to Zorlu Group in 1994 that has operations in electronic products, home appliances, energy, textile, and real estate ("Vestel Corporate," 2014).

Vestel has more than 13,000 employees, 1,050 sales points, 350 after sales service centers and works with a large network of suppliers making it the export leader of the country for 15 years with its large export market comprised of 140 countries. Vestel City in Manisa-Turkey is the largest industrial complex in Europe on a single field where the company gathers its operations. Vestel also has another production facility in Alexandrov-Russia. In total, these facilities are able to produce more than 35 million electronic products yearly. Vestel has 5 R&D facilities that are located in Turkey, United Kingdom, Hong Kong, China and Taiwan focusing on

developing new hardware and software solutions (“Vestel Corporate,” 2014). Vestel’s mission and vision statements are as follows:

Mission

“As the technology giant of Turkey in durable consumer goods sector, we carry out our activities with a mission of making the “highest quality” accessible to our customers and being a leader in the sector we operate in.”

Vision

“We aim at being the most powerful production and technology group of the world in our sector and achieving a sustainable and controlled development by focusing on producing high-quality consumer products.” (“Vestel Corporate,” 2014)

Vestel Group is among the largest original equipment manufacturers (OEMs) and original design manufacturers (ODMs) of the world. Its international markets are Europe, CIS countries, and MENA countries. Vestel’s sales are performed on OEM/ODM basis in Europe whereas the company strategy is to maintain an own-brand presence in Turkey, CIS countries, and MENA countries. Vestel operates in Europe with its acquired local brands in different segments (“Vestel Corporate,” 2014).

Drivers of OFDI

Firm-level Drivers

Vestel has 900 R&D engineers in its research centers that are supported by a large budget. The company is one of the 3 Turkish companies listed in the world’s 1000 largest corporate R&D spenders. Vestel considers R&D activities as the core of its product strategies. For example, owing to the LCD module technology that the company developed as a result of its R&D activities, Vestel has become one of the few companies that are able to manufacture TV modules in Europe (“Vestel Corporate,” 2014).

Another capability Vestel has in R&D is the ability to transfer intersectoral knowledge to develop new products. This philosophy allows the company to apply its knowledge in consumer electronics and digital markets to white goods. A new model air conditioner that can be remotely controlled through mobile phone, the fastest dishwasher and the most

energy-efficient washing machine of all times are some of the products of this approach (“Vestel Corporate,” 2014).

Moreover, Vestel has design capabilities that allow it to develop new products to its customers. The successful combination of industrial design with the R&D processes results in new effective products that bring Vestel many awards from the world’s most prestigious design competitions including IF Product Design Award, A Design Award, Red Dot Design Award, Plus X Award and Good Design Award. For example, Vestel was given 92 design awards in 2012 (“Vestel Corporate,” 2014).

As a company that seeks further growth, Vestel was in need of well-known brands. Therefore, several acquisitions made in international markets to add new brands to Vestel’s portfolio that each is well-known in its respective local markets (“Vestel Corporate,” 2014).

Industry-level Drivers

A set of industrial factors have impacts on the company internationalization. First, the product life cycle for brown goods are shorter than the white goods. This industry characteristic necessitates being involved in the foreign markets to access the recent trends by following the industry leaders. As the Foreign Trade Manager of the company explains:

”Brown goods like TVs consist of a substantial amount of Vestel’s total sales. Unlike white goods, the product life cycle for brown goods is very short. Therefore, the company needs to monitor the market leader for each product in each market. This industrial requirement drives the firm to be involved in the foreign markets more.” (“Vestel Executive Interview,” 2014)

Moreover, the R&D intensity of the industry and the TMT’s growth orientation that is developed on the assumptions about the nature of the industry lead the company for OFDI. The Foreign Trade Manager explains these drivers as follows:

“Vestel has a strategic assumption that it has to grow in order to be profitable in its industry which is characterized by large R&D investments and shorter product life-cycles. We think that keeping the current capacity and turnover will not bring profitability...The priority is given to the growth which is measured based on the growth in turnover, market share of each product, market share of each brand. Therefore, the

company continuously invests in new product areas and in capacity increases by which it expects to achieve scale and scope advantages. This necessitates new markets.” (“Vestel Executive Interview,” 2014)

Institution-level Drivers

Vestel was positioned as a domestic manufacturer in its origins. Changes in the institutional environment generated a cost advantage in tariffs and transportation to the company. The custom unification between Turkey and EU has become a milestone for the firm. As the Foreign Trade Manager of Vestel explains:

”At its foundation the company’s target was its domestic market. After EU-Turkey Customs Union agreement first steps to foreign markets were taken to exploit emergent opportunities in terms of cost. After the agreement goods were started to be transported between two entities without any customs restrictions. Therefore, the agreement allowed the firm to compete with companies from Far East on costs.” (“Vestel Executive Interview,” 2014)

The home-country institutional environment that was characterized by economic crises and political turbulences had a critical role in the firm strategy. The effects of economic and financial crisis on Vestel’s internationalization decisions are noteworthy. Many strategic decisions were made during the crisis times. After 2011 when Turkey experienced an economic crisis which had devastating effects on the domestic market Vestel accelerated its internationalization process. Similarly, after 2008 global financial crisis due to the market stagnation in Europe, Vestel made radical decisions to diversify its market, thus, started to penetrate South American countries. This is summarized by the company executives as follows:

“We grew abroad when our existing markets came to a deadlock. It has never been observed that the domestic market recover your position, but it is very common that overseas markets save your company.” (“Vestel Executive Interview,” 2014)

Regarding the government support for its global expansion Vestel became the first brand in Turkey to be accepted to TURQUALITY program (“Vestel Corporate,” 2014).

Motives for OFDI

Vestel internationalization through FDI includes the acquisitions of local markets in Europe and establishment of a production facility in Russia. Vestel needs brand recognition in developed countries which encourages it to follow a series of aggressive brand acquisitions in Europe. The company established a production facility to strengthen its position in Russia which offers future growth potential and a base for further exports. Vestel also made an acquisition from UK to acquire digital broadcasting technology. In short, the company seeks strategic assets to be more competitive in developed markets and aims to develop a stronghold in the emerging markets through OFDIs.

Internationalization Process

Location Choices

Vestel has two production facilities in Turkey and Russia. The company's R&D centers are located in Turkey, United Kingdom, China, and Taiwan. The centers in Far East are responsible for sourcing and representation besides research and development operations. The center in Bristol-U.K., which has the know-how about the digital broadcasting was acquired when the technology in broadcasting shifted from analog to digital to acquire and transfer the know-how ("Vestel Executive Interview," 2014). Vestel followed an aggressive brand acquisition strategy after 2000s. In 2006, Vestel acquired Finlux and Luxor trademarks which are well-known brands in Scandinavia and Benelux. In 2008, Vestfrost, a white good brand known in Europe and Russia was added to the brand portfolio. In 2011, Vestel purchased Electra, Servis, New Pol, and Atlantic brands in white goods category. The acquisitions continued with the Graetz trademark which is well-known in Germany. The company also signed a licensing agreement for Telefunken trademark and acquired the brand rights for Spanish, Italian, and Portuguese markets. Following, Vestel acquired Dikom and @Dikom trademarks in 2013 ("Vestel Corporate," 2014).

Vestel's target markets include EU countries where income level is high, and the company has cost advantages over the manufacturers from Far

East countries. Russia is the second strategic market for Vestel where the firm has established its second production facility after the Vestel City complex in Turkey. Russia is an emerging country and the market itself also has been growing. However, the market is described by the company executive as “a market full of gray zones” with the government interventions, rapidly changing regulations, and imperfect market conditions which make it difficult to read. Vestel has been working on the South American market for a while. Brazil, the largest market in South America, has been the first target country. Due to the high import tariffs on finished goods, Vestel made a strategic alliance with a local partner to import its semi-finished goods to be assembled inside the country (“Vestel Executive Interview,” 2014).

Entry Modes

Vestel prefers acquisitions to pay off its latecomer disadvantages in terms of branding and technology. The company has made a series of brand acquisitions in Europe and a technology firm from UK. It has also made a greenfield investment in Russia where a WOS was established to manufacture consumer electronics for the growing Russian market and the neighboring countries.

Firm Strategies

The evolution of Vestel’s global operations is explained by the company executive as;

“There was no intending to have local brands in the beginning. Before anything else Vestel is a manufacturer. This is still valid. Our company was positioned as a manufacturer for the industry. However, we observed some niches in the markets and started to develop solutions to our customers. Later, European retailers demanded products manufactured particularly for them. Therefore, we developed many “house brands” to be marketed to the retailers asking for finished goods.” (“Vestel Executive Interview,” 2014)

Vestel, now, has 35 house brands some of which are popular in European market and sold in hundreds of thousands. As the relations with market became closer, Vestel began to seek opportunities in terms of brand acquisition. As the acquired brands demonstrated satisfying performance in

terms of turnover and profitability following acquisitions made to enlarge the market share in Europe. For example, Finlux was previously owned by several companies including Nokia by which it was used to sell consumer electronics for a while. Nokia sold Finlux to a Hong Kong company which failed later. Ultimately the brand rights were transferred to Finnish government from where it was purchased by Vestel. After the acquisition, Vestel began to offer the brand in UK, Italy, Spain, Germany, and Switzerland where the brand is known by many. New business models like direct selling through e-commerce were applied by Vestel, particularly in UK. Vestel's involvement in consumer electronic and home appliance market with various faces provides valuable market knowledge by which the company is able to adjust its offerings ("Vestel Executive Interview," 2014).

Vestel's international activities have different faces at the same time. On one hand, the company targets developed and emerging markets simultaneously. On the other hand, it sells its products with its own brands while operating as an ODM and OEM. Vestel competes against Samsung, LG, and Philips with its own branded products while competing against Chinese and Taiwanese companies like TPV and Foxconn as an OEM and an ODM. This makes the nature of competition unique for the company ("Vestel Executive Interview," 2014).

Sources of firm competitive advantages are listed by the Foreign Trade Manager as "*customs unification, customization, lead time, time to market, and proximity to EU.*" The company has large R&D staff which is called as 500+ in the industry that allows the firm to adjust its offerings according to the market needs. Vestel R&D unit develops a mainstream or basic product for a category and adds different offerings around the mainstream product to meet the changing needs of customers in various markets. The large production facilities and R&D operations, therefore, create customer responsiveness and customization advantage for the firm. Another competitive advantage that the company holds is lead time. For any

Vestel's product, the average lead time is 3 weeks which is short according to the industry standards and significantly important for Vestel's customers. Moreover, Vestel can offer new products to the market in time thanks to its large production facilities and R&D operations in time. Time-to-market, particularly in brown goods, is another key to achieving a sustainable competitive advantage. Vestel also enjoys Turkey's proximity to EU markets which provides cost reductions and shorter time in terms of transportation and delivery. Besides this proximity to its key foreign markets, the low-cost advantages in Turkey and the advantages derived from EU-Turkey Customs Union agreement provide cost advantages for Vestel. Another supporting element for efficiency is Vestel's organizational culture that emphasizes cost"" ("Vestel Executive Interview," 2014).

As discussed earlier, growth in numbers lies at the heart of Vestel's philosophy which is also driven by the president of the Group Ahmet Zorlu. Vestel has made several brand acquisitions in European market to realize its growth objectives on the market side. The company offers its products in EU with several brands that are well-known in their local markets like Finlux, Luxor, Graetz, and Vestfrost. The brand acquisitions allow Vestel to enter new markets in a very short time which would have taken long time and required substantial investments if Vestel had attempted to enter those markets with its own Vestel brand. However, Vestel chose a different strategy in emerging markets like Central Asia, and MENA countries and uses its Vestel brand where a position with Vestel brand is realizable considering the market conditions ("Vestel Executive Interview," 2014).

Vestel's long-term objective in global markets is to increase its market share through its high production quality, innovative products, and rising brand equity. European market is still the main target for the company. Therefore, the company continuously monitors new trends and develops new products to meet the changing market needs. Keeping its domestic market's major role alive, Vestel expands its export markets to South America, Australia, and North America while penetrating MENA countries.

By the year 2014, 70% of Vestel's sales are made in abroad ("Vestel Corporate," 2014).

4.2.6. Kastamonu Entegre

Overview of the Company

Kastamonu Entegre (KE) was established in 1969 to produce forestry and wood products under Hayat Holding, which employs more than 10,000 employees and has operations in FMCG, wood industry, port operations and construction industries. KE manufactures forestry and wood products such as MDF, particle board, door skin and kraft paper which are sold in 40 countries. With its 5,000 employees and 4 subsidiaries located abroad, KE is the 46th largest industrial organizations in Turkey. The company is ranked as the 1st in Turkey, 4th in Europe, and 8th in the works on wood-based panels' production ("Kastamonu Executive Interview," 2014, "Keas Corporate," 2014). The KE's mission and vision statements are as follows:

"Our mission is to add value to the comfortable living areas by producing high quality, innovative, reliable and environmentally friendly products in wood-based panel sector which will meet the expectations of all clients at the highest level."

"Our vision is to be one of the top five manufacturers in the wood based panel sector worldwide and to make Kastamonu Entegre, a global brand." ("Keas Corporate," 2014)

KE has 13 production facilities 5 of which are located abroad. The %30 of total sales is from overseas market. The total sale of the company was \$1, 18 billion by the year 2013 ("Keas Corporate," 2014).

Drivers of OFDI

Firm-level Drivers

KE has a philosophy emphasizing the importance of innovation by motto that is "innovation is our most important product". The company continuously invests in the latest technology to upgrade its existing productions bases while developing new products and work processes simultaneously ("Keas Corporate," 2014). KE's brands for different product groups are known within the industry and create a competitive advantage

against to its competitors. The company executive explains the role of innovation and branding in KE internationalization as follows:

“Kastamonu is a long-term customer oriented company...we put the customer at the center of our operations. It is essential in our industry to be able to supply our products with the same standards. So we have to be innovative to develop new solutions, new designs, and new offerings for the market. Therefore, we always refine or add new products to our current products. Our brands role here to create recognition for our standards.” (“Kastamonu Executive Interview,” 2014)

Industry-level Drivers

At the end of the 1990s, the domestic market was saturating in Turkey. Moreover, some problems emerged about the supply of the wood raw material from domestic resources. The late 1990s and early 2000s were the years that Turkey lived through a series of economic problems. Therefore, KE made its first FDIs between 1998 and 2001 to achieve raw materials and to develop new markets abroad. In addition to these push forces, the abundance of raw material sources in neighboring countries pushed KE to internationalize to Turkey’s periphery. These initial internationalization motives have changed to achieving a sustainable growth towards regional leadership later (“Kastamonu Executive Interview,” 2014, “Keas Corporate,” 2014). The nature of competition is resembled a “chess game” by the company executive as:

“If you reach a serious share of your domestic market, you need to internationalize to realize a sustainable growth. We made investments to protect our export markets. Developed countries are saturated...due to the recent financial crisis their firms are seeking to enter emerging countries, including Turkey. So we need to protect both our export markets and domestic market. If we do not invest in Balkans, we lose share in our domestic market. We have to be in Balkans, if not, we will start to lose our export markets, and our domestic market will be open to competition. Kastamonu’s case is like a chess game. If we make an investment in Romania our competitors follow us. If one of them makes an investment in Bulgaria, we follow them.” (“Kastamonu Executive Interview,” 2014)

Institution-level Drivers

KE began international operations to diversify its risk arising from the domestic economy. It has enjoyed the political and economic stability of its home country after 2001 economic crisis. KE made continuous investments

at home to increase its capacity and to strengthen its dominant position at home. The company has founded a new factory biennially. The rapid growth of the company in the last decade is explained as follows:

“In Turkey, we opened a factory biennially. We have been demonstrating a non-stop growth for last ten years....each 25%-30% growth...our domestic performance became a driver engine for the internationalization. The economic and political stability at home is essential. “ (“Kastamonu Executive Interview,” 2014)

The government role is not central in KE’s internationalization instead it has a supporting role. KE develops many joint projects with the financial supports provided by TUBITAK (Turkish Scientific and Technological Research Council), to reduce industrial waste and emissions to a minimum. The support provided by TUBITAK used to upgrade the R&D Laboratory in terms of test and analysis devices (“Kastamonu Executive Interview,” 2014, “Keas Corporate,” 2014).

Motives for OFDI

KE primarily internationalizes to protect its domestic and foreign markets. In addition to this, the company seeks to access natural resources in host countries as well as to develop new markets. KE has shown a rapid growth at home within the last 10 years. It has made acquisitions for horizontal growth. To carry on sustainable growth the company has engaged in FDIs. The FDIs are important to achieve scale advantages that are critical in KE’s industry.

Internationalization Process

Location Choices

KE is recognized in its major markets that are Balkans, CIS, and MENA countries. The company does not consider its domestic market as a single market. Instead, it treats Turkey as a large market including Balkans, MENA, and Central Asia with a population more than 850 million. Therefore, they plan their location strategies based on this view (“Keas Corporate,” 2014). “*Turkey’s neighbors that are developing and have*

growing domestic markets are our target markets,” says the company executive (“Kastamonu Executive Interview,” 2014).

KE has production facilities in Romania, Bulgaria, Russia, and Bosnia-Herzegovina, which are close countries to its mainland. In 1998, KE purchased a company in Romania that was being privatized where it could develop a production hub for the Central Europe and the Balkans. Romania was also chosen due to the high wood raw material capacity and its proximity to the West in comparison to Russia and Ukraine (“Keas Corporate,” 2014).

In 2000, the second investment was made in Bulgaria where advantages are available in terms of raw material procurement. The subsidiary is able to target both Bulgaria and Turkey as well due to its location (“Keas Corporate,” 2014).

In 2005, KE purchased a facility in Bosnia-Herzegovina and made investments to modernize the facility and to expand its capacity. The subsidiary produces kraft and packaging papers by using the existing local natural resources. Products are sold to Russia, Turkey, and MENA countries (“Keas Corporate,” 2014).

KE made another investment in Russia. Unlike the previous ones, this was a greenfield investment realized to develop a hub for Russia and CIS. The availability of raw materials was the main push factor with the infrastructure of special economic zone of Alabuga in Tatarstan where Turkey has cultural and historical ties (“Keas Corporate,” 2014).

Availability of raw materials is significant in location decisions. For example, one of the largest export markets is Iran where the company did not have any direct investments due to the lack of raw materials.

“Iran is a developing country with a large market with its population. It is one of the largest export markets for our company...we did not make FDI because of lacking wood raw materials.” (“Kastamonu Executive Interview,” 2014)

Entry Modes

It exhibits a preference for WOS since the company transfers its know-how to the host countries through FDI. It chooses full ownership over its subsidiaries. KE has made three acquisitions and one greenfield investment to conduct its production operations abroad. The acquired facilities were modernized by KE, and they can be classified as brownfield investments.

Firm Strategies

KE uses FDI as a tool to protect its export markets from its competitors. As discussed earlier the nature of KE's rivalry against its competitors is like a chess game. When KE makes an oversea investment, its major competitors follow KE and make investment to the same market as well. In a similar vein, KE makes investment when one of its rivals makes a move towards its export markets. As explained by the company executive:

“We noticed that if we do not make supportive investments in our existing export markets, our domestic markets are started to be threatened by our competitors. If we do not enter our export markets via FDI, some of our competitors enter and take our customers. Therefore, we decided to continuously grow abroad through FDIs. As we make FDIs others follow us or vice versa.” (“Kastamonu Executive Interview,” 2014)

KE sees internationalization as a way of sustainable growth which is an industrial requirement according to their thoughts. Therefore, the company commits resources to its subsidiaries in an ongoing manner for the purpose of capacity increases, technological upgrades, and modernization of the facilities. The facilities that are located in Romania, Bulgaria, and Bosnia-Herzegovina were all outdated in terms of technology and infrastructure. They were modernized and upgraded after the acquisitions (“Kastamonu Executive Interview,” 2014).

KE makes constant R&D activities for product and process innovation at the same time. R&D efforts are directed to reduce the cost in production processes efforts are directed to reduce the cost in production processes while focusing on developing new products and solutions for the customers to differentiate its offerings from its competitors. The constant improvements in products and processes are substantially important in the

industry in order not to fall behind the competition. These types of R&D activities are conducted in all the KE factories. Significant changes and improvements made as a result of these studies. For example, studies conducted on wood raw material and resins (adhesive), which are the main inputs for panel production, resulted in improvements in the paper impregnation process and developments in the resin systems which made it possible to produce higher quality, diversified products for different usage purposes (“Kastamonu Executive Interview,” 2014, “Keas Corporate,” 2014).

When KE’s domestic market share became 35% at the end of the 1990s, the company expanded its operations through FDI. The goal of KE in long-term is to be the top-four companies of their industry by achieving a large market extending from Romania to India. The company aims to increase the weight of its foreign sales in overall turnover. Diversification is not an option for the future growth plans (“Keas Corporate,” 2014).

4.2.7. Boydak Furniture

Overview of the Company

The origins of Boydak Group can be dated to 1957 when Boydak family started to produce furniture in a small workshop in Kayseri, Turkey. It has now operations in furniture, textile, chemistry, marketing, iron-steel, logistics and energy industries. Boydak Holding has 42 companies and 7 different brands, all of which are leading brands in their respective industries such as İstikbal, Bellona, Mondi, İstikbal Mutfak, Hes Kablo, Boyteks, and Form Sunger. The Holding exports to 140 countries and among the important holdings of Turkey with its \$3 billion turnover in 2013 (“Boydak Holding Corporate,” 2014)

Boydak originally started its operations as a furniture manufacturer and diversified its businesses into other industries later. But the furniture always kept its importance and remained central for the Holding from which almost 35% percent of the Group revenue is derived. In furniture industry, Boydak exports to 80 countries; and has made direct investments to

established 5 subsidiaries abroad. Therefore, in our case study only Boydak Group's furniture operations were put in the focus. The holding vision and mission statements are as follows:

Mission

"Attain continuous development throughout all fields of activity by means of sustainable growth, take leadership in the development of our industries, and become a value for our shareholders, associates, and community."

Vision

"Sustaining excellence in the domestic market and becoming a major actor in global markets through continuous investments and innovations in our strategic business units." ("Boydak Holding Corporate," 2014)

Boydak's furniture operations began in 1957. In 1992, Merkez Çelik which is the manufacturer of sofa, sitting group, and base as well as semi-finished goods for the other group companies was established. It has more than 2,500 employees and is the 140th largest industrial organization of Turkey by the year 2013. In 1995, Boytaş was established to manufacture panel furniture and kitchens for group brands. Boytaş has 4,000 employees and is the largest firm with its manufacturing capacity in its domestic market. It is the 98th largest industrial organization of Turkey by the year 2013. Another company in Boydak furniture group is İstikbal Furniture, which was established in 1989 to produce spring mattresses, linens and polyester fiber in its facilities under the brands of İstikbal and Bellona. It was ranked 305th in Turkey's industrial organizations in 2013 and it employs 600 employees. Mondi, initially a local manufacturer in Kayseri, was acquired by Boydak in 2006. It manufactures sofa sets, sofas, dining room sets, bedroom sets, beds, box springs, home textiles and teenager room sets. Boydak has 5 foreign affiliates located in Germany, USA, Russia, Ukraine, and Iraq that are operating in the furniture industry. Boydak Holding is the largest furniture manufacturer in Europe. It has 300 stores abroad and offers its products to its customers in 60 different countries ("Boydak Holding Sektors," 2014).

Drivers of OFDI

Firm-level Drivers

Above all Boydak furniture (BF), applies quality management systems in all of its manufacturing facilities to improve its quality and design continuously. BF believes that due to the global competition quality has been a standard in every industry. Thus, they effort to create an organizational culture which supports ongoing developments in product quality. Some of the systems that are launched in BF production plants are Total Quality Management Systems, Six Sigma, Lean Manufacturing practices, KAIZEN and quality circles. This “continuous improvement philosophy” is also adopted by BF design centers to introduce new models and design to the market. BF acts as a pioneer in terms of design and new product development in its industry (“Boydak Holding Corporate,” 2014). The emphasis on quality is explained by Board Member as follows:

“Today, quality and efficiency are imperative. We produce furniture and home textiles. Our customers buy them to use for years without any concern about the product quality. Any company cannot offer high quality cannot survive in the industry. Particularly, we want to build global brands. The first requirement to build a brand is your product quality. Sales and marketing activities can only built on strong products with high quality.” (“Boydak Executive Interview,” 2014).

Several awards are given by the national and international institutes to BF companies appraise the group companies’ excellence in production. For instance, İstikbal is the first in the furniture industry that received EFQM (European Foundation for Quality Management) excellence award in Europe (“Boydak Holding Sectors,” 2014).

Industry-level Drivers

At home, BF has a dominant position with its different brands targeting different segments. The company has a growth orientation for long-run. Therefore, it started to internationalize geographically close countries to Turkey. The internationalization has been conducted through exporting and franchising initially. However, transportation and logistics are essentially important to be successful in the furniture industry. Therefore, BF engaged

in several OFDI activities to maintain and expand its foreign operations (“Boydak Executive Interview,” 2014)

Institution-level Drivers

BF’s internationalization is affected by both home-country and host-country institutional environments. Growth in the national economy is an important driver of BF’s OFDIs. *“People began to change their furniture more frequently as their income level has increased. Therefore, we grow parallel to the national economy”* says Board Member (“Boydak Executive Interview,” 2014). As for host-country environments, foreign regulations and practices creating barriers for foreign trade have driven the firm to make FDI to Russia. Also, the turbulence in MENA countries pushed BF to explore and strengthen new foreign markets whether through exporting, franchising or FDIs (“Boydak Executive Interview,” 2014).

Motives for OFDI

Based on its home-country developed production, design, and marketing capabilities, BF internationalizes to develop new markets or to strengthen its position in its existing foreign markets. It also aims to build its own brand by opening franchise stores for İstikbal brand.

Internationalization Process

Location Choices

BF has five subsidiaries located in Germany, USA, Russia, Ukraine, and Iraq. BF considers Turkey’s neighboring countries MENA, Russia, CIS countries, and Western Europe as markets with potential (“Boydak Executive Interview,” 2014). The first FDI made to Germany and Alfa Möbel was established when Boydak decided to operate its activities alone in Germany instead of partnering with local firms. The role of subsidiary is to provide a logistic base for European operations and to follow design trends in Europe as well as technological improvements. The location was chosen because BF had an export market in Germany, particularly to Turkish customers in Germany. However, Alfa Möbel expanded its operations later to Austria, Switzerland, and The Netherlands; and attracted

local customers by adding new products to its collection rather than offering its products only to Turkish ethnicity.

In 2012, Boydak acquired two factories in Russia and Ukraine from a Polish furniture manufacturer; Fabryki Mebli Forte SA. Fabryki Mebli Forte SA has been operating in both countries for 10 years. After the acquisition, Boydak has started to make following investments to develop the facilities both in terms of production capacity and product variety. Therefore, the factories will be able to manufacture panel furniture, bed, sofa, and home textile products. Turkish MNEs early entered to Russia was also another determinant in location choice. Holding Board Member explains as follows;

“There are Turkish firms operating in the same location. Şişecam, Beko, and Vestel... several Turkish brands here. Recently, İş Bank has acquired a Russian bank; Bank Sofia. All these conditions encouraged us to make this investment”
 (“Boydak Executive Interview,” 2014)*

Previously, BF had operations in Russia with its 5 stores. After 1998 Russian financial crisis, BF exited from the market. Because of undesired regulations and practices in exporting that it encountered earlier, BF did not prefer franchising in its second attempt to enter Russian market. Despite the poor regulations, BF believed that the market can grow in the future due to its high potential and acquired a production facility to enter Russian market as a producer. The facility in Ukraine was also purchased from the same company. (“Boydak Executive Interview,” 2014).

In 2012, a subsidiary was founded in Iraq to manufacture and sell BF products in the local market. The country was chosen because BF had already an export market in the country. In 2002, BF established a new subsidiary in New Jersey-USA to access the North American market. The North American market was targeted due to its size and future growth potential (“Boydak Executive Interview,” 2014)

Entry Modes

BF acquired the whole ownership of the factories in Russia and Ukraine to take full control of its operations. “The aim was to enter these markets alone not to make a partnership with a foreign company. Particularly Russia is

hard to make foreign trade. Therefore, we purchased these facilities. Acquisition was preferred because there were ready factories for sale” says company executive (“Boydak Executive Interview,” 2014).

BF made a greenfield investment and transferred its know-how and production skills to Iraq. A greenfield was necessary for Iraq due to the lack of opportunities in the host country. Other subsidiaries in Germany and USA were also established by the firm itself. *“Subsidiaries in Germany and USA do not have sophisticated operations that require a local partner or make us acquire an existing local firm,”* says company executive (“Boydak Executive Interview,” 2014).

Firm Strategies

BF aims to expand in foreign markets that are geographically close to its home. It gradually expands as it learns the foreign markets’ dynamics. The gradual internationalization is explained by the company executive as follows:

“In foreign markets, we aim to learn the structure and dynamics of the market first. Secondly, our priority will be spreading our brands and products to the mass market. Strengthening our position and increasing our reputation in the global furniture industry is the following goal.” (“Boydak Executive Interview,” 2014)

BF overcomes its liability foreignness with its more than 50-year experience. In home furniture, BF has a competitive advantage in terms of production, design, and marketing. Using its resource base, it adapts to host-country market conditions gradually and settles in local markets. After the acquisitions of the facilities in Russia and Ukraine, the facility capacities were increased with following investments to prepare them for the expansion in Russia, Ukraine, and their neighboring countries. *“Our factories in Russia and Ukraine will start to export after they meet the local need in their respective markets,”* says Holding Board Member (“Boydak Executive Interview,” 2014).

The diversified structure of Boydak Holding allows BF to tolerate the long learning and payback periods in new markets. At home, the Holding

has several businesses in which it has strong financial position and market leadership. These strengths enable BF to enter new markets in which economic return can be derived in time. As Board Member explains:

“We could enter USA because we are in a group of businesses. We can tolerate long learning periods. It is the largest market in the world. Soon or later we can get market share. We do not feel pressure in terms of profitability in this investment.”
 (“Boydak Executive Interview,” 2014)

Boydak has a large retail network both at home and abroad. It has 2000 of franchise stores in Turkey and 300 stores abroad. This large sales network is used to penetrate the markets by adding new products to existing offerings which in turn results in a deeper expansion for BF. For instance, BF expanded the capacities of the furniture manufacturing facilities acquired in Russia and Ukraine in order to offer carpets and rugs to its customers. BF offers not only furniture to its customers but also furnishings and other related products for home decoration. Boyteks, which is Boydak Holding's textile division, has operations in the manufacturing of rugs and carpet, and it is the largest supplier of upholstery fabric and mattress ticking in the world. This growth is named by the Holding as “sustainable growth together” (“Boydak Executive Interview,” 2014, Boydak Holding Annual Report, 2013).

BF prefers to build a global presence with its own brands. This strategy is a result of industry conditions. *“Purchasing a brand is a matter of opportunity,”* says Board Member. *“We are not closed this type of strategies. But in the furniture industry, markets are generally filled with local brands rather than globally known ones. Therefore, acquisitions like other industries are not common. But again it is a matter of opportunity. We may make purchases in the future.”* (“Boydak Executive Interview,” 2014).

BF adapts its strategic competences in design, production, and marketing to the local markets. The company follows local reference brands, their offerings to understand the trends; and intensely uses social media to understand the customer preferences. Owing to its integrated

value-adding activities BF is able to change its offerings according to the changing local market needs (“Boydak Executive Interview,” 2014).

4.2.8. Çalık

Overview of the Company

Çalık Holding was established by Ahmet Çalık, a member of Çalık family engaged in trade activities since the 1930s, when he associated all his companies under one roof in 1997. He started his businesses in 1981 by founding Ortadoğu Textile in Malatya, Turkey. Later, his businesses transformed into one of the largest conglomerates of Turkey. The Holding operates in the textile, finance, telecommunication, energy, construction, and mining sectors. It has activities in 17 countries and has become a regional power with its 24,000 employees. Its foreign operations expanded in Central Asia, Balkans, and MENA countries (“Çalık Holding Corporate,” 2014).

The story of Çalık internationalization is a unique one. The direct investments of the Holding in a given country are closely interrelated since they were realized profoundly by virtue of the networks in that country. The business domains in which the Holding operates were diversified during the internationalization process as new investment opportunities emerged. Therefore, this case study, unlike the others, does not focus on a sole business domain. Instead, it provides the entire case story of Çalık Holding with a focus on the textile, finance, and telecommunication industries in which the Holding has direct investments. The Holding’s project-based international operations in construction and energy are mentioned in the case as well; however, they do not constitute the main concern in the text due to the scope of this study.

Ahmet Çalık founded his first enterprise Ortadoğu Textile in 1981. In 1987, GAP Güneydoğu Textile, which is now one the largest denim manufacturer in the world, was established. The Group began its first cross-border operations in 1992 with a denim factory in Turkmenistan. In 1994, GAP Marketing was established to accelerate the Group international sales.

Another company in construction named as GAP Construction was organized and started to business development in 1996. Ultimately, Ahmet Çalık established Çalık Holding in 1997 to associate all his businesses under one organization. In the same year, two textile factories in Turkmenistan began their operations. Foundations of new companies followed each other. In 1998, Tuteks, the Group's energy firm, was reorganized and renamed as Çalık Energy. The Holding entered finance and established Çalık Bank in 1999 which was renamed later as Aktif Bank in 2008. Investments in Turkmenistan continued in 2000 and 2001 with two new textile facilities. In 2001, the partnership between Çalık and General Electric finished the construction of two power plants in Turkmenistan. Until 2013 operating as an EPC (engineering, procurement, and construction) contractor Çalık has completed several power plant constructions, renewal projects, industrial complexes and government buildings like hospitals and ports in the country ("Çalık Holding Corporate," 2014).

The Holding's international operations are not limited with Turkmenistan. Another location, where Çalık has operations in finance, telecommunication, and energy, is Albania. Holding's direct investments in Albania began in 2006 when Çalık and Şekerbank jointly acquired 60% of the ownership of Banka Kombetare Tregtare by privatization. Three years later the Holding bought the remaining 40% of the shares. In 2007 CETEL, a consortium consisted of Çalık Holding (80%) and Turk Telekom (20%), acquired the 76% of the ALBtelecom, Albania's largest fixed-line telephone operator and internet provider, by privatization. In 2008, Eagle Mobile began its operations as a GSM operator in Albania. Another country received Çalık's direct investments is Egypt where a textile factory was set up to take benefit of the low-cost labor in the country in 2009. Between 2010 and 2013 Çalık completed several power plants in Iraq, Libya, Georgia, and Uzbekistan. By the year 2013, its total assets are more than \$7.5 billion ("Çalık Holding Corporate," 2014). The mission and vision statements of the Holding as follows:

Mission

“To enrich all stakeholders in Turkey and in other countries we do business in, through our innovative, courageous and prudent business understanding.”

Vision

“To be the most valuable Turkish enterprise in three aspects: employees, management practices, and business portfolio.”
 (“Çalık Holding Corporate,” 2014)

Drivers of OFDI

Firm-level Drivers

The most notable firm capabilities that the Holding exploits during its foreign expansion are the entrepreneurial skills and the network ties of its founder. The investments abroad could not have been realized without the network ties between the Turkish government and the Holding’s founder. For example, the first opportunities in Turkmenistan were recognized through the relationship between Turgut Özal, the 8th president of Turkey from 1989 to 1993, and Mr. Çalık. As the Board Member of the Holding explains;

“After the collapse of the Soviet Union, Turkmenistan has become an independent country. At that time, Turgut Özal was going to visit the country. Turkmenistan is famous for its cotton production. Mr. President thought that there might be some opportunities in the textile industry. He knew Ahmet Çalık. Both were born in the same city; Malatya. Mr. President invited Mr. Çalık to participate its tour in Turkmenistan. At the time of that visit, the Çalık family had been in textile businesses for years. After that visit, we made our first investment by opening a factory in the country.” (“Çalık Executive Interview,” 2014)

A series of new projects in the country were handled after that first contact. In 1997, the Holding established and started to operate two more textile factories in Turkmenistan. These successes strengthened the relationship between the Holding and the Turkmen government which made new investments possible in the country. In the same year, Ahmet Çalık was honored with Turkmenistan Order of Merit. He also accepted the positions of the Assistant Minister of the Turkmenistan Textile Industry, and Representative-in-Charge of Gas, Petroleum and Electricity Sales from Turkmenistan to Turkey (“Çalık Holding Corporate,” 2014).

Following the operations in the textile, investments were made in energy and construction in Turkmenistan. The Holding could diversify its operations abroad owing to the entrepreneurial skills of its Chairman and the networks with the host-country governments. The rapid diversification of the Holding businesses are explained by the Board Member as follows:

“As new opportunities emerged abroad, Mr. Çalık attempted to exploit them, even if they were new to the Holding. For instance, when opportunities in construction were available abroad, he created teams in Turkey responsible for the project. These teams began and completed the project. In the end, we had entered a new business area.” (“Çalık Executive Interview,” 2014)

Industry-level Drivers

The FDIs of the Group in Turkmenistan is a result of the entrepreneurial orientation of the top-level management as well as the government guide. The acquisitions in Albania made to grow the Holding businesses in finance and to diversify the operations by entering a new industry which is telecommunications. The impacts of industry conditions on these investment decisions are weak. The production facility established in Egypt aims to utilize host-country cost advantages associated with the diminishing margins in the textile industry due to the increasing cost of inputs at home.

Institution-level Drivers

The first foreign operation of the Group started after 1990s, when the Soviet Union collapsed, and Central Asian Republics became independent. Turkey with its historical and national ties began to develop close relations with these countries. Turgut Özal, who was the president of Turkey at that time, encouraged Turkish businessmen to be involved in business relations with newly independent countries. The reference of Özal played a significant role and facilitated the first investments of Çalık in Turkmenistan (“Çalık Executive Interview,” 2014).

The proximity of target countries to Turkey is also another institutional-level driver for the Holding’s international expansion. Turkmenistan, Albania, and Egypt are close to Turkey not only in

geographical terms but also in cultural and historical relations. Another driver of OFDI is the lack of qualified workforce in host-countries. Therefore, foreign governments needed foreign investors' engagement in their local markets to attract the required expertise and know-how to their countries ("Çalık Executive Interview," 2014).

Motives for OFDI

Çalık's motives for OFDI include resource-, market-, and efficiency-seeking motives. The targeted countries are emerging countries with high energy supplies, resource endowments, and unsaturated but high potential markets. Çalık transfers its home-country human capital to the countries that are in need of know-how and technology in order to use host-country resources such as raw materials or low-cost labor, or to differentiate its businesses ("Çalık Executive Interview," 2014).

Internationalization Process

Location Choices

Çalık prefers the markets that are geographically close to its home. The policy about the location choice of the Holding is summarized by Board Member as follows;

"Geographies that are five hours away from Turkey are in our interest." ("Çalık Executive Interview," 2014)

Turkmenistan is one of the largest cotton suppliers of the world. Availability of natural resources and government support were two important reasons to choose Turkmenistan as an FDI location. Albania was chosen as an FDI location as a result of the opportunity recognition through corporate networks. Egypt was chosen due to its low-cost labor and high proximity to Turkey ("Çalık Executive Interview," 2014).

Entry Modes

Çalık entry mode strategies are dependent on the host-country conditions such as availability of local partners and the nature of business itself. Due to the lack of local firms and poor infrastructure in Turkmenistan Çalık initially entered through a greenfield investment. From 1992 to 2003, the

Holding made greenfield investments to set up new production facilities from ground up or to extend the capacities of existing ones. In Albania, however, Çalık acquired BKT through a consortium with Şekerbank. Later, Çalık acquired the whole ownership of the company. In a similar vein, telecommunication was a new business for the Holding in Albania. Therefore, it chose to acquire ALBtelecom with a JV with Turk Telekom. For the facility established in Egypt, Çalık preferred a WOS and a greenfield entry mode, since they had experience with facility establishment in overseas and know-how to be transferred in textile business (“Çalık Executive Interview,” 2014).

Firm Strategies

Despite its main business was textile, Ahmet Çalık entered new domains owing to its good relations with the host-country government. The success of the initial investments in the latest technology strengthened the relation between Turkmenistan government and Ahmet Çalık and brought new investment opportunities in unrelated areas like construction and energy. To take benefit of these opportunities Çalık decreased its home-country operations (“Çalık Executive Interview,” 2014).

The success abroad brought financial resources for the Holding, which would be used to finance domestic grow at home later. At this point, the growth at home can be attributed to the effective foreign operations. Due to the difficulties in its foreign business environment, Çalık cooperates with the local society and the government. The holding leads numerous social responsibility projects in the host countries. *“We have to explain what we are doing in the foreign countries to the public and to the local governments. It s a difficult environment in which we operate”* says Holding Board Member and adds as follows:

”Perhaps, the most important advantage of our Holding is its ability in building a shared corporate identity. We need to be reliable and open to cooperation with local governments. At this point, representing the same principles in every country to every actor you deal with is essential.” (”Çalık Executive Interview,” 2014)

The Holding is very experienced in the textile industry. Çalık Denim, Çalık Cotton, and GAP marketing are the Holding's companies operating in the textile. Çalık Denim is among the largest ten denim manufacturers in the world. It owns one of the seven textile R&D centers of Turkey. GAP Marketing which manages the subsidiaries located in Turkmenistan cooperates with brands like Bershka, Pull&Bear, Tesco, River Island, Puma, U.S. Polo; and in the home textile sector with Jc Penney, Costco, BB&B, Sears, Kmart, Bonton, BJ, El Corte, Dunnes Stores, HSN, and Target. The experiences earned in textile businesses gave birth to Çalık Cotton, which offers consulting services to textile companies about yarn and cotton. The company operates in Turkey, the USA, China, India, and Turkmenistan. It is the only firm in Turkey that holds the AQSIQ certificate (the General Administration of Quality Supervision, Inspection, and Quarantine) required for exporting to China ("Çalık Holding Corporate," 2014).

BKT, the Holding's subsidiary in finance, acts as a pioneer in its geography with its innovative services. Many online services related to government operations and payment systems were introduced by BKT to its local market. Some of these services are explained by the Board Member as:

"BKT is really doing well in its industry. We are the first to provide many new services to our customers in finance. We offered services for SMEs and municipalities in Albania and Kosovo. The first loan product in the country for retirees...loan products for entrepreneurs...they were all new for our customers. It was selected as the "Bank of the Year by Euromoney and the Banker. We realized a first by receiving all the awards in that category." ("Çalık Executive Interview," 2014)

Despite its success in several industries, Çalık was unsuccessful in Russia where it attempted to enter retailing with its textile products through OFDI. After a period of time, the company exited from the business and finished its operations in retailing. The reason for failure was explained by the Board Member as follows:

"We were originally from the textile industry...and we are really good at manufacturing of denim. However, retailing design and market knowledge is essential. Despite the successful examples from Turkey, we could not succeed in Russia in retailing. Because we did not have relevant

competences...there are firms that became successful in the textile and retailing but they had a successful business model tested at home.” (“Çalık Executive Interview,” 2014)

The internationalization of Çalık is not a result of pre-formulated corporate strategies; instead it evolved during the foreign expansion of the Group. For example, the team worked for the acquisition of ALBtelecom in Albania was initially organized for Turk Telekom tender in Turkey. When Çalık did not succeed in tender, the team was directed to Albania (“Çalık Executive Interview,” 2014).

4.3. Summary

In this chapter, we have provided the individual case reports of the companies. The case reports exhibit the answers to the questions that were directed to the data. The summary of our findings is exhibited in Table 4.1. The discussion of the findings from case reports is provided in the following chapter.

Table 4.1. Summary of Findings

Firm	Drivers of FDI	Motives for FDI	Location Choices	Ownership Mode	Entry Mode	Strategic Behaviors
Ziylan Group	-Product knowledge -Sourcing capabilities -Earlier International Experience -Lack of brand -Gaining access to design centers -Recent economic growth and stability at home -Earlier internationalized successful Turkish firms -Government support -Risk diversification	-Asset-seeking -Market-seeking	-Developed countries (Italy) for market- and asset-seeking FDI -Close geography -Close culture -Export markets	-WOS	-Acquisition -Greenfield	-Uses its financial resources to grow in retailing both at home and abroad while outsourcing 85% of its production by exploiting its sourcing capabilities -Upgrades its design and product know-how through asset-seeking FDI -Develops synergy between the acquired assets (e.g. brand and networks) and its existing assets (e.g. product knowledge, retailing know-how, and domestic brands) to leverage its resource base -Attempts to duplicate its home-country retailing model abroad -Cooperates with its suppliers at home by benefiting from government support
Aydınlı Group	-Production and design capabilities -Licenses of famous brands -Reliable relations with license owners -Lack of brand -Diminishing profitability in the textile industry -Recent economic growth and stability at home -Liberalization of host countries	-Market-seeking -Asset-seeking	-Developed countries (Germany) for market- and asset-seeking -Emerging countries (Russia, Romania, Ukraine, and Kazakhstan) for market-seeking -Close geography -Export markets -Unsaturated markets	-WOS	-Acquisition -Greenfield	-Depends on its production and design capabilities to make license agreements with well-known brands -Enlarges its business domain depending on the reliable relations with license owners -Attempts to duplicate its home-country business model abroad -Continuously upgrades its existing production facilities -Signs sub-license agreements as the main license provider with the local manufacturers in Turkey in the product groups that the company does not have any operations

Table 4.1. Summary of Findings (continued)

Hayat Kimya	-Ability to enrich its product variety -Ability to enter niche markets -Rapid adaptation to changing market needs -Low-cost R&D capabilities -Scale advantages -Intense competition with DC MNEs at home -Recent economic growth and stability at home -Trade barriers in host-countries -Liberalization of host countries -Risk diversification	-Market-seeking -Efficiency-seeking	-Emerging countries (Algeria, Egypt, Iran, Bosnia, Ukraine, and Bulgaria) for market- and efficiency-seeking -Close geography -Unsaturated markets -Available niche markets -Export markets -Countries offer a base for further expansion	-WOS	-Acquisition -Greenfield	-targets emerging countries in which it can be competitive -first builds “bridgeheads” by targeting niche markets to extend its operations in host countries -uses its FDI locations as hubs for further expansion to nearby countries -uses its relative small size to shorten its decision-making process and offers customized products for different countries -try to be first-mover in some categories that DC MNEs consider unprofitable
Abdi İbrahim	-GMP and GLP standards in R&D and production -R&D ability to develop differentiated new products -Time to market in the development of generic drugs -Sales and marketing capabilities -Reliable relations with license owners -Competitive intensity at home -Decreasing margins at home due to the changing regulations -Host-country trade barriers -Ability to operate in weak institutional environments	-Market-seeking -Efficiency-seeking	-Emerging countries (Kazakhstan, Algeria, Georgia, and Azerbaijan) for market-seeking -Developed countries (Portugal) to access EU institutions and market-seeking -Close geography -Export markets -Attractive markets in terms of profitability -Less regulated markets for drug pricing	-JV -WOS	-Acquisition -Greenfield	-transfers its competences in R&D, production, and sales and marketing abroad - focuses on specific areas in order to realize specialization and scale advantages -engages in FDI to support its operations in target markets via its sales and marketing function to penetrate the markets -uses its network to get licenses from DC MNEs that do not prefer to enter the countries with weak institutional environments -attempts to be the first to offer the generic products to the markets -has a strategic flexibility to exploit emergent opportunities -enters related domains that offer high margins and growth opportunities at home and developed countries

Table 4.1. Summary of Findings (continued)

Vestel	-R&D and production capabilities resulting in product customization, time to market, and short lead time -TMT's growth orientation -Scale advantages -Customs union between Turkey and EU -Proximity to EU -ODM and OEM experience -Cost (efficiency) focus - organizational culture -Lack of brand -Necessity to be involved in foreign markets to obtain the local market knowledge -Unreliable, changing domestic economic conditions	-Market-seeking -Asset-seeking	-Both developed and emerging economies -Availability of brand and technology to acquire -Market size -Countries where it has cost advantages in taxation, tariffs, and transportation	-WOS	-Acquisition -Greenfield	- operates as ODM and OEM in Europe -maintains an own-brand presence in markets with low competition -acquires local brands in Europe in order to extend its own-brand presence in Europe -enters new markets with the acquired brands while penetrating their existing local markets -produces with its "house brands" for retailers - has different facets in developed and emerging countries -applies different practices as an ODM and OEM; and with its own brands
Kastamonu Entegre	-Differentiation advantage based on product quality -Supply of raw materials -Dominant position at home -Competition in export markets -Defense need for the domestic market -Competitors moves -Unreliable, changing domestic economic conditions -Recent economic growth and stability at home	-Market-seeking -Resource-seeking	-Emerging countries -Close geography -Export markets -Availability of raw materials -Countries offer a base for further expansion	-WOS	-Acquisition -Greenfield	-engages in FDI to protect and enlarge its existing domain -upgrades acquired facilities' technology and processes -conducts R&D activities in each subsidiary to refine the existing products and processes in order not to fall behind the competition -increases its capacity to achieve scale advantages and secure material flows for sustainable growth

Table 4.1. Summary of Findings (continued)

Boydak Furniture	-Advanced manufacturing practices (TQM, CAD, CAM, quality circles, and lean manufacturing) -Dominant position at home -Recent economic growth and stability at home -Earlier internationalized successful Turkish firms -Ability to enrich its product variety -Scale advantages -Host-country trade barriers in Russia -Political turmoil in MENA -Group affiliation	-Market-seeking	-Both developed and emerging economies -Close geography -Close culture -Available niche markets	-WOS	-Greenfield	-follows a brand building strategy in global markets - initially targets niche markets in developed markets, later extends its scope of operations -follows reference local brands to understand the local trends and to adjust its offerings -opens retail stores through franchising in all markets -establishes production bases in emerging countries with future growth potentials
Çalık Holding	-Founder's entrepreneurial skills -Networks with governments -Cooperation abilities with foreign firms -Liberalization of both home and host-country economies	-Resource-seeking -Efficiency-seeking -Market-seeking	-Emerging countries -Close geography -Availability of raw materials -Privatization opportunities	-WOS -JV	-Acquisition -Greenfield	-uses its networks with home-country government to recognize the opportunities in emerging countries -develops reliable and sustainable relations with the host-country governments and local public -focuses on few countries with successive FDI movements -brings new technologies and applications to the markets it serves -is initially driven by the emerging opportunities on its network, later settles in these markets

CHAPTER FIVE: DISCUSSION

5.1. Introduction

This discussion chapter is organized in two parts. In the first part, we discuss the drivers of, motives for OFDI of Turkish MNEs as well as their internationalization processes constituting location choices, entry modes, and firm strategies. This part provides a set of propositions about the relations among the variables related to the case study firms' internationalization. Based on the results, we follow an inductive approach in order to develop a model describing EC MNEs internationalization. The second part includes an assessment of mainstream and emergent perspectives and offers an integrated framework for the MNE internationalization.

5.2. A Discussion on Turkish MNEs' Internationalization

This part provides a discussion of the eight case study firms' drivers of and motives for OFDIs; and their internationalization process based on their location choices, entry modes, and firm strategies. The discussion allows us to compare the individual case reports and to build up some constructs and propositions to be used to develop a model representing the Turkish MNEs' internationalization.

5.2.1. Drivers of OFDI

Among others, some of the firm-, industry-, and institution-level drivers of OFDI made by the case study firms provide deeper insights and require to be discussed in a comparative manner. During cross-case analysis, we observed that MNEs in this study engage in OFDI by exploiting their product know-how and operational capabilities. In some cases, networks acted as a facilitator and enabler for OFDI. Lack of technology, design capabilities, and brand were found as other driving forces for Turkish MNEs OFDI. Industry growth and competitive intensity at home were observed as industry-level drivers for Turkish MNEs foreign expansion. Institution-level drivers from both home and host-country environments were discussed as well.

Product know-how and operational capabilities

Firms included in this study have operations in both manufacturing and service industries (see Table 3.1.). Each case study firm has effective *product know-how and/or operational capabilities* regardless of their industries, ages, and sizes. These product know-how and operational capabilities are developed on their experiences in their respective industries. For manufacturing firms, production capabilities are indispensable. However, it is observed that they have been playing a unique role in all case study firms' international expansions. It is valid for all firms that their product know-how and production capabilities allow them to develop a strong position at home prior to their internationalization. Four of the case study firms (Hayat Kimya, Kastamonu Entegre, Boydak Furniture, and Çalık) have product know-how and operational capabilities that they transferred abroad by establishing foreign production facilities. Their product know-how enabled them to enter foreign markets where they demonstrate an international presence with their brands and operations. Hayat Kimya targets niche markets and localizes its operations in emerging countries depending on its production and marketing capabilities. Kastamonu Entegre has developed export markets based on its product know-how and production capabilities. Later, they transfer their operational know-how to abroad by engaging in greenfield investments. Similar to these two companies Boydak Furniture expands to foreign markets with its brands and designs by virtue of its product know-how and operational capabilities. For the remaining four firms (Ziylan, Aydınli, Abdi İbrahim, and Vestel), product know-how and operational capabilities developed at home served more than *threshold capabilities* (Prange & Verdier, 2011). They played a central role in their OFDIs. They were exploited to develop strategic alliances, to realize market potentials, or to utilize firm resources more efficiently in order to compensate firm competitive disadvantages. Based on its product know-how Ziylan has distinctive sourcing capabilities that allow it to allocate its resources to grow in retailing both at home and abroad

rather than manufacturing. This efficient usage of resources resulted in a rapid growth in retailing and directed the firm to foreign markets where brand recognition is critical in order to be competitive. Ziylan resolved this problem by acquiring Lumberjack. Aydınli engages in licensing contracts with the brand holders by means of its product know-how and operational capabilities to compensate its disadvantage in branding. Abdi İbrahim exploits its operational abilities in manufacturing and marketing to make license agreements with DC MNEs to enter emerging countries in which DC MNEs do not prefer to operate alone. More importantly, the company holds GMP and GLP licenses that have been the key driving forces of the OFDI to Kazakhstan and Algeria. Vestel has been operating as an ODM/OEM to consumer electronics companies in Europe for years based on its product know-how and operational capabilities. Through its ODM/OEM experience, Vestel recognized new market opportunities in Europe and engaged in several acquisitions of local brands in EU markets. The company also transferred its manufacturing capabilities through a greenfield investment to Russia in order to build up a new production plant. These four firms have used their existing product know-how and operational capabilities not only to serve their markets with satisfying products but also to develop alliances, to access market knowledge, or to efficient use of their limited resources. The only exception is for Çalık expansion to Albania targeting the telecommunication industry in which the firm had no prior experience and aimed to diversify in an unrelated business. The Holding resolved the lack of experience by entering the bid as a consortium with Turk Telekom. Thus, our case findings revealed that existing product know-how and operational capabilities are firm-level drivers and facilitators of Turkish MNEs' OFDIs.

These findings are also in line with the literature. For instance, Haier had worked hard to develop domestic strengths such as high quality and innovativeness. These home developed assets were used by the firm in sophisticated developed countries (Child & Rodrigues, 2005). It is also found in all cases that these know-how and operational capabilities are

complementary to each other. As the capabilities are the link between the firm resources and international performance (Lu et al., 2009), sole possession of product know-how is inadequate to meet the requirements of foreign markets. For instance, as in the cases of Hayat Kimya and Abdi İbrahim, product know-how is exploited in foreign markets by virtue of these firms' marketing capabilities.

Proposition 1: *Turkish MNEs' product know-how and operational capabilities enable them to internationalize through FDIs.*

Role of partnerships and networks

Turkish MNEs partnerships with other firms and their networks with governments, their suppliers, and customers have a facilitator role in their international expansions. Five of the case firms heavily used their partnerships with their suppliers, license holders, DC MNEs, or their networks with home and host-country governments. Ziylan depends on its supplier network to move more on downstream activities in its value chain. The company outsources 85% of its production from domestic and foreign manufacturers that allow it to invest its resources to retailing. In addition to this, Ziylan has had relations with Lumberjack as a supplier and distributor for two years before the acquisition. In a similar vein, Aydınlı and Abdi İbrahim exploit their reliable relations with the licensors in their industries to expand foreign markets. Vestel as an OEM/ODM developed partnerships with DC MNEs and retailers in Europe, thus, accesses the local market knowledge by which it seizes new market and acquisition opportunities. Vestel's partnership with its customers like Philips also provided a learning channel for the company by which it enhances its product know-how and design capabilities. These findings are consistent with the existing literature (Child & Rodrigues, 2005; Mathews, 2006) suggesting that latecomer multinationals learn through the partnerships with DC MNEs. In Çalık case, the founder's network with Turkish government in 1990s provided the opportunity to make the company's first FDI to Turkmenistan. Later, Çalık Holding diversified its business in Turkmenistan based on Ahmet Çalık's

personal networks with the host-country government. The further international investments of the Holding in Balkans and MENA countries are mostly realized by virtue of the networks developed between home and host-country governments. In this case, the support of government as an institutional factor becomes a firm resource when it offers a suitable network. These findings are in agreement with the extant literature that highlights the role of networks (Eren-Erdogmus et al., 2010; Yaprak & Karademir, 2010) in internationalization of EC MNEs. Other three firms (Hayat Kimya, Kastamonu Entegre, and Boydak Furniture) diverge and follow a different route for internationalization in which they seek market opportunities where they can be competitive by demonstrating their operational superiority.

Proposition 2: *Turkish MNEs' abilities in building foreign partnerships and networks with home and host-country governments enable them to internationalize through FDIs.*

Gaining access to technology, brand, and design capabilities

Three MNEs in our study (Ziylan, Aydınli, and Vestel) engaged in OFDI due to their disadvantages in design capabilities, technology, and branding. Ziylan acquired Lumberjack to compensate its latecomer disadvantages in branding as well as to access the design centers in Italy by establishing a wholly-owned subsidiary in Milan. Although the firm has superior product knowledge and sourcing capabilities, its existing design know-how becomes less competitive as the firm moves to more sophisticated markets like EU as a retailer (Child & Rodrigues, 2005). Acquisition of Becon by Aydınli is another example for OFDI driven by lack of brand. Vestel acquired brands in Europe since its present brand remains incapable to attract the foreign customers. The company also acquired an R&D center from UK to obtain the digital broadcasting technology that it does not possess. R&D centers were established in Far East countries to access industrial knowledge by monitoring the recent trends in consumer electronics industry as well as to conduct R&D activities. Although among these three companies Aydınli

and Vestel possess design capabilities they even so felt the need for brands by which they can offer high-value for the foreign customers, particularly in developed markets. Other five firms (Hayat, Abdi Ibrahim, Kastamonu Entegre, Boydak Furniture, and Çalık) prefer to enter markets where they can exploit their existing technologies, designs, and brands without being in need of such firm-specific advantages. Hayat and Kastamonu prefer to build up their corporate brands in emerging markets. Boydak Furniture targets both emerging and developed markets in which its attempts to shown a presence with its brands. Abdi İbrahim operates in an industry in which product brands are less significant than the company reputation and acquisition of foreign firms to access sophisticated know-how is costly.

Lack of technology, brand, and design capabilities in the existing resource base of Turkish MNEs encourage them to engage in OFDI in developed markets. These findings are in line with the literature (Lu et al., 2011; Yamakawa et al., 2008) proposing that degree of R&D and technology intensiveness, and learning imperative motivate firms to engage in strategic asset-seeking FDI. These findings also demonstrate the interaction between the industry conditions and firm resource base.

Proposition 3: *Insufficiency of firm's resources and capabilities drive Turkish MNEs to engage in OFDI to compensate their latecomer disadvantages. This relation will be moderated by industry-specific conditions (i.e. competitive intensity, market dynamism).*

Domestic industry growth rate and competitive intensity

Home market growth and competitiveness acted as significant drivers for OFDI of Turkish MNEs in the study. Due to the economic and political stability in the country, Turkey has shown a rapid economic growth resulting in an increase in domestic consumption. For some companies, domestic consumption provided rapid growth resulting strong position in their home markets for their further foreign expansions. This cash rich position (Klein & Wöcke, 2007) enables Turkish firms to seize opportunities in foreign markets. Ziyilan, Aydınli, Kastamonu Entegre, and

Boydak Furniture have shown a rapid progress at home parallel to their growing markets. In other words, these firms grew up with their home markets and strengthened their financial positions for direct investments abroad. However, Abdi İbrahim and Hayat Kimya targeted foreign markets as a result of the high competitive intensity at home. Abdi İbrahim operates in a very fragmented industry in which competition is intense and margins are diminishing. Although it has shown a fast development in some categories, Hayat Kimya competes with DC MNEs like P&G and Unilever that makes it difficult to extend its market shares at home. These findings are consistent with the literature that highlights the relation between home-market competitive intensity and the OFDIs of EC MNEs (Gao et al., 2009; Lu et al., 2011; Luo & Tung, 2007; Yamakawa et al., 2008). Unlike these six firms, Çalık and Vestel were less influenced by the recent home market growth and competition since they had been engaged in international activities to a considerable extent through exporting and direct investments before.

Proposition 4a: There is a U-shaped relationship between the level of domestic industry growth rate and internationalization level of Turkish MNEs through OFDI in that at both high and low levels of industry growth rate, the internationalization level of Turkish MNEs will be higher.

Proposition 4b: There is a U-shaped relationship between the level of competitive intensity in domestic industry and internationalization level of Turkish MNEs through OFDI in that at both high and low levels of competitive intensity, the internationalization level of Turkish MNEs will be higher.

The Nature of Competitive Advantages in Industry

The OFDI of some case study firms is driven by the need for differentiation advantages that are necessary for the competitiveness in their markets. This need is observable in the cases of Ziylan, Aydınli, and Vestel. As these companies attempt to expand in more sophisticated markets (Child & Rodrigues, 2005) their need for design, technology, and brand increases and

encourages them to make OFDI in order to acquire the required assets. Thus, these firms eventually engaged in brand acquisitions in Europe. Hayat Kimya, Abdi İbrahim, Kastamonu Entegre and Çalık target emerging countries in which their existing firm-specific assets such as technology and brands are enough adequate to meet the market needs. Unlike these firms, Boydak endeavors in developed and emerging markets by exploiting its existing design abilities and technology to build up its own brand. The asset-seeking efforts of the three companies are simultaneous to their market-seeking FDI. These companies target to develop new markets or to penetrate the existing ones in Europe. Their need for brand recognition and design capabilities emerges after this orientation.

Proposition 5: *The need for seeking differentiation-based competitive advantage increases the level of Turkish MNEs internationalization through FDI.*

Home-country institutional context

Home-country institutional context has impacts on Turkish MNEs internationalization in three ways. First, liberalization of home-country economy after 1980s opened the domestic market to foreign firms which resulted in intense competition in certain industries (Erdilek, 2008; Karadeniz & Göçer, 2007). Second, factors such as recent economic and political stability, government support (Eren-Erdogmus et al., 2010), and the role model MNEs that internationalized earlier have propelling effects, which can be defined as a mimetic isomorphism means the imitation of successful peers (Wang et al., 2012) on case study firms' international expansion. Third, the national economic crises (Cuervo-Cazurra, 2008) that the country experienced in the late 1990s and early 2000s and the diminishing margins in certain sectors due to the government regulations served as pushed factors for the case study firms in our study. All firms except Abdi İbrahim grew rapidly by the virtue of economic stability after 2001 economic crisis. While the home-country institutional environment factors have direct effects on the Turkish MNEs internationalization, they

also have indirect effects on their international strategies. The home-country institutional environment factors affect the industrial factors such as market growth rate, profitability at home, and competitive intensity in domestic markets.

Proposition 6a: *Liberalization of home-country institutional environment induces the competitive intensity at home which will in turn push Turkish MNEs to internationalize through FDI.*

Proposition 6b: *Home-country government support induces Turkish MNEs to internationalize through FDI.*

Proposition 6c: *Home-country political and economic stability induces Turkish MNEs to internationalize through FDI.*

Proposition 7: *The previous internationalization success of Turkish MNEs induces other Turkish MNEs to internationalize through FDI.*

Host-country institutional context

Our findings revealed that host-country institutional environments have influences on Turkish MNEs internationalization in all cases. The collapse of Soviet Union opened new markets in Eastern Europe and Central Asia which are unsaturated and geographically close to Turkey. All of our case study firms except Ziylan, which is its initial stages of internationalization, have direct investments in these markets (see Appendix C). Aydınli, Vestel, Kastamonu Entegre, and Boydak Furniture made direct investments to Russia in order to access the local market. Hayat Kimya, Kastamonu Entegre, and Çalık exploited the privatization opportunities in the host countries that are results of the liberalization of host countries.

In addition, the trade barriers in host countries motivate Turkish MNEs make direct investments in their export markets. Abdi İbrahim, Hayat Kimya, and Boydak Furniture made direct investment due to the increasing trade barriers or obstacles to exporting.

In respect to the host-country pull factors, host-country governments incentives might be a pull factor. As in the case of Çalık, the Group

exploited the host-country government support and settled in Turkmenistan with its four production facilities and several project-based operations. In a similar vein, the Holding diversified its operations as it received the host-country government support.

Proposition 8a: *Liberalization of host-country institutional environment with cultural and geographical proximity to Turkey encourages Turkish MNEs to internationalize through FDI.*

Proposition 8b: *Increasing host-country related trade barriers induce Turkish MNEs to internationalize through OFDI.*

Proposition 8c: *Host-country government support induces Turkish MNEs to internationalize through FDI. This support encourages Turkish MNEs to make further investments in the same country.*

5.2.2. Motives for OFDI

Our findings reveal that Turkish MNEs' motives for FDI vary from one FDI transaction to another. Even so, all firms' internationalization stories contain market-seeking motives. Our case firms make FDIs to develop new markets or to protect their export markets. The market-seeking motive is encouraged by the competitive intensity at home as in the cases of Hayat Kimya and Abdi İbrahim. The future growth potential of host countries also another driver of the market-seeking motive as in the cases of Aydınli, Hayat Kimya, Abdi İbrahim, Vestel, Kastamonu Entegre, and Boydak Furniture. Çalık's motive for FDI to Albania can be considered as market-seeking by which the Holding developed new local markets in banking and telecommunication industries. Regardless of its drivers all companies target foreign countries to exploit their existing resources and capabilities. This argument is consistent with the ownership advantages of eclectic paradigm (Dunning, 1988). Another motive for FDI of our case study firms is asset-seeking. Ziylan, Aydınli, and Vestel engaged in FDI to access strategic assets. All of these firms acquired brands from developed economies while Vestel also made an acquisition to balance its disadvantages in digital broadcasting. These asset-seeking FDI transactions are in line with the

arguments of springboard perspective (Luo & Tung, 2007) and LLL model (Mathews, 2006). In each case asset-seeking FDI is parallel with the market-seeking motives of the MNEs, particularly in developed countries. This finding is consistent with the arguments of (Lu et al., 2011). Our findings also confirm the existing literature about the market-seeking and asset-seeking FDI locations (Makino et al., 2002). The locations of the market-seeking FDI include both developed and emerging markets whereas the asset-seeking FDI targets only developed countries. Two companies; Kastamonu Entegre and Çalık have resource-seeking motives in their FDI. Kastamonu Entegre operates in the wood industry where continuous supply of raw material is critical for the firm. While engaging in OFDI to Turkmenistan, Çalık considered the availability of the resources, which is cotton, in its FDI decisions as a textile manufacturer. In the cases of Çalık, Vestel, Abdi İbrahim, and Hayat Kimya, firms also target the efficiency advantages. Çalık made an FDI to Egypt to utilize the low-cost labor in the country. Vestel, Abdi İbrahim, and Hayat Kimya made OFDI in order to increase their efficiency by reducing the taxes and transportation costs.

Proposition 9a: *Turkish MNEs driven by market-seeking motives engage in FDI in both developed and emerging countries.*

Proposition 9b: *Turkish MNEs driven by efficiency-seeking motives are more likely to engage in FDI in emerging countries than developed countries.*

Proposition 9c: *Turkish MNEs will be driven by asset-seeking motives in developed markets as their involvement in these country markets increases.*

5.2.3. Internationalization Process

Location choice

Our cases indicate that Turkish firms FDI locations include emerging and developed countries. The location of FDI in terms of country development level is tightly linked to the motives for FDI. As discussed earlier case firms target emerging and developed countries with market-seeking motives, however, while they are seeking strategic assets they only target developed

countries. This view is in line with the location advantages proposed by the eclectic paradigm. Turkish MNEs aim at emerging countries with market-seeking motives in order to access unsaturated markets and to defend and serve their export markets better. They target developed markets with the market-seeking motive due to the high-income level and again to serve their export markets more effectively. Their asset-seeking FDI is directed to developed markets due to the availability of the required resources and capabilities in these countries. Many MNEs in our study also share a belief that they need to be in developed markets to build brands and global presence.

Our research also confirms the IPM model arguments about the location choices. All case study firms have operations in nearby countries to Turkey. Thus, geographical distance matters in Turkish OFDI. Aydınli expands geographically close countries owing to its license agreements. Hayat and Abdi İbrahim targets nearby emerging countries with market-seeking motives. Vestel direct investments aim at European markets as a result of Vestel's export markets. These export markets could be possible through the opportunities of the customs union between Turkey and Europe. In its origins, the export markets were developed by Vestel due to the cost reductions in exporting to Europe. Kastamonu Entegre views its close geography as its main operational area. Çalık direct investments in Turkmenistan, Albania, and Egypt again are in line with the IPM. Boydak Furniture investments in US are an exception. This investment made to develop a niche market in US for the following expansion in the North American market. The company is large and group affiliated, therefore, can tolerate long learning periods. The network ties and government involvement have also effects on the location choices of Turkish MNEs. Çalık Holding FDI in Turkmenistan and Albania were realized through government networks. This finding confirms the arguments of Cuervo-Cazurra (2008) that firms operate in the industries that witness high government involvement like construction can put their resources and

capabilities into use in the countries with similar culture. Here, it can be proposed that the higher level that the government network is, its influence on MNE internationalization increases.

The intensity of our case firms operations in emerging countries can be attributed to these firms' abilities to operate in difficult markets (Cuervo-Cazurra & Genc, 2008). However, considering the geographical location of Turkey, plenty of emerging countries close to Turkey are available with cultural and historical bounds. None of the firms responded that they chose emerging countries because they have the ability to operate in weak institutional environment. The choice of emerging countries is a result of industrial factors such as competitive intensity and market saturation in the developed markets or at home. As in the case of Abdi İbrahim, due to the DC MNEs avoidance from emerging countries, the available opportunities are exploited by the firm.

Proposition 10a: *Turkish MNEs are more likely to engage in FDI to the host countries characterized by low psychic distance.*

Proposition 10b: *Turkish MNEs will be more likely to engage in FDI in a host-country market with previous commercial association (e.g. exporting and licensing)*

Proposition 10c: *Turkish MNEs that are characterized by having niche marketing capabilities are likely to engage in FDI to the host countries with high psychic distance.*

Proposition 10d: *Turkish MNEs with group affiliation are likely to engage in FDI to the host countries with high psychic distance.*

Entry mode choice

Our case study firms exhibit a preference for full control mode in their FDIs. Besides a few JVs, they made investments through full acquisitions and establishments of wholly owned subsidiaries. In two cases, a preference for JV is observed. Abdi İbrahim made a majority acquisition (60%) in Kazakhstan where the company targets the government as its primary customer. A similar investment has made in Algeria by Abdi İbrahim as

well. Çalık made two acquisitions in Albania with two different Turkish companies. Acquisition of BKT was made by a consortium with Şekerbank while acquisition of ALBtelecom was made with Turk Telekom. In both cases, Çalık needed the assistance of a partner. The choice of WOS to transfer firm resources to abroad is in line with our other arguments that Turkish MNEs internationalize with firm-specific advantages such as know-how and operational capabilities. In our cases, acquisitions are made to purchase brands and technology or to enter foreign markets through purchasing existing facilities, particularly from by privatization. Ziylan, Aydınli, and Vestel used acquisitions as a mean to offset their disadvantages in brand recognition. Especially, Vestel has taken series aggressive acquisitions to develop a brand portfolio for local markets in Europe. Kastamonu Entegre and Hayat Kimya made acquisitions in order to purchase existing facilities in order to rapidly enter foreign markets and to increase their scales. Similar to these firms Boydak Furniture made acquisitions in Russia and Ukraine to begin local production in these markets. Çalık entered Albania through acquisitions to diversify its businesses.

Proposition 11a: *Turkish MNEs are more likely to prefer WOS to JV when they transfer ownership-based advantages to their foreign affiliates*

Proposition 11b: *Turkish MNEs are more likely to prefer WOS to JV when they seek new strategic assets in host-country markets*

Proposition 11c: *Turkish MNEs are more likely to prefer JV to WOS in order to cope with liability of foreignness*

Firm strategies

Our analysis to reveal the firms' strategic behaviors implies that our case firms have different facets for different market conditions in which they compete. During our analysis, we observed that these changing strategic behaviors are closely related to the underlying motives of firm foreign activities and the nature of competition in the target markets. As discussed earlier, we noticed that firms in this study target foreign markets to exploit

their firm-specific advantages or to explore new ones. We also noticed that our firms' behaviors in high-competitive markets diverge than their behaviors in less-competitive markets. Considering these two dimensions and changing behaviors of the firms we developed four strategies and labeled them as *niche marketing*, *playing the DC MNE*, *masking the EC MNE*, and *challenging to incumbents*.

Niche marketing is a strategic behavior that is used in high competitive foreign markets to exploit firm resources and capabilities. The level of the competition is not related to the development level of the country as will be seen in the following arguments. Niche marketing is applied in high competitive markets as a strategy, particularly to enter foreign markets for further expansion. In our study, the most typical example of niche marketing strategy is conducted by Hayat Kimya. Hayat Kimya targets emerging countries where it can show its production superiority against the local firms. However, DC MNEs like P&G and Unilever had already high market shares in those countries with their extended product lines. Competition with these MNEs necessitates adapted products for the local markets needs rather than regional mass markets. Ability to make fast decisions and to offer customized solutions and to develop marketing strategies for each local market allows Hayat to outperform to the incumbents from developed markets. In time, niche marketing strategy can transform into a more regional approach as the firm extends its offerings in a given country or enters neighboring countries as in Hayat case. For instance, the firm began its operations with a narrow product line in Algerian and Egyptian markets and extended it by adding new offerings. It also spreaded to neighboring countries by using its existing market as a base for further growth. Therefore, if successfully implemented, niche marketing in competitive markets can be used as a mean to develop a bridgehead in high competitive foreign markets. Another firm that applied niche marketing at its initial foreign expansion is Boydak Furniture. Boydak Furniture established a WOS in Germany to access Turkish consumers in

Europe, particularly Germany. As the firm generated local market knowledge about the consumer expectations, the initial foundation intent has transformed into a more fruitful growth strategy in Europe. Boydak, now, has been using franchising as a rapid way of foreign expansion to develop its own brand abroad, particularly in Europe. Same strategy is already being pursued by the firm in North American region as well. Boydak established a WOS as they did in Germany to access not only Turkish customers in North America, but also other potential consumers whose need can be met by the firm offerings.

Our arguments for niche marketing are in line with the existing literature. For instance, Haier initially targeted niche segments in its US operations. After gaining customer loyalty, the company expanded its operations (Child & Rodrigues, 2005; Ramamurti & Singh, 2009; Yang et al., 2007). While confirming the existing literature suggesting that EC MNEs need to be locally responsive, our findings demonstrate that the market conditions can be competitive even in emerging countries that have been dominated by large DC MNEs for a while. This view is in line with the arguments of Johanson and Vahlne (2009) that a country can include different markets with different psychic distances. Here, it is logical to approach the location of FDI from a market-level view rather than a country-level analysis.

Playing the DC MNE is the second strategic behavior we explored in our study. It is a strategy in which the firm exploits its firm resources and capabilities in the less sophisticated and emerging markets where it can show its superiority and satisfy the customer needs. In the less-competitive markets, Turkish MNEs pretend to be like DC MNEs based on their abilities that make them “enough” competitive within the local markets. Abdi İbrahim, Vestel, and Çalık are the typical examples of this strategy. Abdi İbrahim develops generic drugs and able to offer them in a short time by virtue of its R&D and production capabilities. The company also has experience in marketing and distribution activities that were developed at

home which is very competitive and dynamic. These firm competences are transferred to the emerging countries where competition is lower than the developed markets and where the markets are more profitable than home country. Abdi İbrahim is a 100-year-old company and has reliable relations with many DC MNEs that are not eager to operate in emerging countries where the markets are less developed and institutional environments are weak. This cooperation with DC MNEs combined with its abilities provides a strong position for the firm in emerging countries where it can operate like a DC MNE with sophisticated products and successful distribution and marketing abilities. Another example of playing the DC MNE strategy is Vestel. Vestel Group uses “Vestel” brand in emerging markets like MENA countries while offering its products under the acquired brand names in developed markets (e.g. Europe) and some of the emerging markets with high competition (e.g. Russia). Vestel does not feel itself uncomfortable with its corporate brand in emerging markets, due to the relative low competition in emerging markets. However, it is not applicable for Vestel to develop a presence in more advanced markets where many recognized brands have been available for decades with strong customer loyalty. Çalık case also offers insights about playing the DC MNE. The Holding’s early international investments were made in Turkmenistan, which became independent after the collapse of the former Soviet Union. Due to the ethnic and cultural ties with Turkey, the country welcomed and preferred the investors from Turkey rather than developed country firms. Çalık was one of the first foreign companies invested in Turkmenistan. Its early investments were on the textile industry, but later diversified into the unrelated areas such as construction and energy by the guidance and requests of Turkmenistan government. These investments were not the products of Çalık’s superior resources or capabilities directly related to the industry. They could be realized with the entrepreneurial skills of top-management and the effective usage of networks among the parties. In other words, despite its lack of experience Çalık was perceived as “a technology and know-how bringer” to the country. The investments made by Çalık in

divergent areas were results of the founder's skills and network ties with Turkish and Turkmen governments. In a similar vein, Çalık entered telecommunication and finance sectors in Albania without any prior experiences in the country. This expansion route was supported by the home country government and other Turkish firms operating in the country. Çalık initially entered Albania through cooperative acquisitions where it could offer advanced services for the local market.

Masking the EC MNE is the third strategy we extracted from our findings. The firms internationalizing to the developed and emerging markets exhibit that strategic behavior. Three firms; Ziylan, Aydınli, and Vestel use this strategy to compensate their late comer disadvantages in developed markets. These firms heavily target more developed and emerging markets through OFDI with market-seeking motives. However, as they engage or intend to engage in more sophisticated markets their existing brands and capabilities become less competitive. Therefore, they pursue acquisitions or strategic alliances to access the strategic assets that they lack. In other words, they camouflage their country of origin by accessing well-known brands in the target markets. We called it "masking" because all firms that are exhibiting this strategic behavior possess adequate back-end resources and capabilities. The missing part in their internationalization stories is brand recognition. Ziylan made a brand acquisition from Italy to accelerate its international expansion in developed markets, particularly in Europe. This acquisition allows the firm to use its home-developed core capabilities by covering them with a globally famous brand name. As a late comer MNE, Ziylan needed to improve its design capabilities to meet the requirements of more competitive markets such as continental Europe. By the virtue of its acquisition and the WOS established in Italy, the Group also gained access to the design houses in Italy to compensate its latecomer disadvantages. The second firm following this strategy is Aydınli. The direct investments of the company target to strengthen and support the foreign operations where there is a need for close control and coordination

due to the market size and weak institutional environment of the host country. Despite these investments, the leading role in Aydınli case can be given to the brand acquisition and licensing. Although the firm itself undertakes almost all of the design and production activities, it did not prefer to build up its brand, instead preferred to internationalize depending on its licenses and the acquired brand. The only benefit of the brands is to label the end products and retail stores for the customers. This benefit also accelerates the international expansion of the company. Another case displays the masking the EC MNE strategy is Vestel. Vestel has been using its corporate name branding strategy at its home and at the emerging countries it has operations. However, for the European market, where high competition exists among MNEs, it followed a series of radical acquisitions to pay off its late comer disadvantages in terms of branding. Vestel's acquisitions target local brands that are recognized in their respective markets. Through these acquisitions, the firm could rapidly develop new markets in the regional markets where its acquired brands have been already known for decades. Vestel has been enjoying its cost advantages (i.e. custom union and proximity to EU) for a long while. These acquisitions, however, offset Vestel's latecomer disadvantages in differentiation against the DC MNEs and EC MNEs competing in its target markets. These three firms compete in foreign markets by covering up their competitive disadvantages resulting from the country of origin or lack of strategic assets. Like any strategy, it has its advantages and disadvantages. This strategy allows Turkish MNEs to grow rapidly in foreign markets by exploiting their back-end resources and capabilities and exploring front-end competitive advantages for developed markets. However, there are some challenges. First, acquisition of brands is one thing, effective management of them is another thing. They have to apply effective marketing and branding strategies that do not harm the perceived value of the brand. These firms can be inclined to overuse of their acquired brands (e.g. Ziyilan), or they may need abilities to manage large portfolios of local brands (e.g. Vestel). In respect to Aydınli case, the company's competitive advantages are strongly

tied to brand licenses. The success of the firm also depends on its success in brand management. It is also too early to evaluate their performances for post-acquisition integration (Child & Rodrigues, 2005).

Challenging to incumbents is the fourth strategy type in which the firm aims to become a global player through internationalization by challenging its counterparts in foreign markets with its strategic assets such as technology, design, and brand. The typical firms exemplifying this strategic behavior are Boydak Furniture and Kastamonu Entegre. Boydak Furniture attempts to develop a global presence in both developed and emerging countries with its brand. İstikbal, one of the brands of the Group, has been positioned in foreign markets as a potential global brand for a while. The Group efforts to become a global player in the furniture industry are built on its advanced design and production capabilities developed at home for a long period. Boydak has also gained a certain amount of experience in developing distribution channels by cooperating with its retailers. The Group takes the benefits of franchising abroad in order rapidly to develop a global network of retailers in both emerging and developed markets. Another example for challenging strategy is Kastamonu Entegre, which competes with the large rivals in global markets with its brands for corporate customers. Kastamonu Entegre has a leading position at home which is reinforced with the following investments and acquisitions. In a similar vein, Kastamonu Entegre engages in greenfield investments and acquisitions abroad to counterattack its competitors and to prevent its dominant position at home. The firm has already been a regional power in its target markets and seeks to become a significant actor globally. In wood industry, access to the natural resources and scale advantages are significantly important for the firm competitiveness that is sustained by Kastamonu Entegre through OFDIs. FDI, here, plays a critical role to increase the firm capacity, to access natural resources, and to protect existing markets. Neither Boydak nor Kastamonu made any acquisitions to access strategic assets; rather acquisitions were made by these firms for

protecting and expanding the firms' present positions in overseas markets. That is to say, these firms challenge to develop a global existence mostly based on their existing firm resources and capabilities. In both cases, firms internationalize in rapid and aggressive way. Boydak Furniture grows abroad through franchising rather than intense direct investments. It has more than 300 stores, 62 of them are located in Europe. Kastamonu Entegre makes aggressive acquisitions both at home and abroad. The company is the 4th largest in Europe and 8th in the world. They are integrated across functional areas such as production, R&D, and marketing. Both companies also have group affiliations. Companies following this strategy should conduct exploration type activities internally since they do not engage in asset-seeking FDI. As discussed in the literature resource-, market-, and efficiency-seeking FDIs enhance the firm's supply reliability and protect the firm's present position (Cui et al., 2013) (e.g. the case of Kastamonu Entegre). However, they do not improve the existing resources and capabilities of the firm to a great extent that is supposed to result in differentiation advantages. Therefore, both companies should undertake explorative activities internally.

Table 5.1. summarizes the four strategies with some dimensions and typical examples. It shows the prominent firm resources and capabilities for each strategy, motives for FDI with target markets, and some possible challenges. Niche marketing requires integrated R&D, production, and marketing capabilities besides an ability to recognize niche opportunities abroad. In order to successfully follow this strategy, the firm needs to adapt its offerings to the targeted market needs. Niche marketing seems to be related to a gradual expansion within the host-country markets. However,

Strategy	Firm resources and capabilities	Motive for FDI/Target markets	Challenges	Typical Examples
Niche marketing: Organic growth starting by gaining bridgeheads in competitive markets and gradually expands within the market and to the nearby markets.	Integrated capabilities in production, R&D, and marketing Ability to recognize and exploit niche opportunities	Asset-exploitation / Competitive markets in developed or emerging countries	Learning imperative from the market Gradual expansion within the market	Hayat Kimya Boydak Furniture
Masking the EC MNE: Depending on the acquisitions of strategic assets to complement back-end firm resources and capabilities, particularly in developed countries.	Successful back-end operational capabilities Inter-firm abilities for acquisition and partnership	Both asset-exploitation and asset-exploration / Competitive markets in developed and emerging countries	Brand management issues Post-acquisition integration	Ziylan Aydınlı Vestel
Playing the DC MNE: Exploiting the firm resources and capabilities that are enough to meet the market needs, particularly in emerging markets.	Enough to demonstrate a superiority in emerging markets Transfer of know-how from home country Cooperation with DC MNEs; and host-country government and public when necessary	Asset-exploitation / Emerging countries	Cooperation with government and local partners for legitimacy Difficult markets in terms of the institutional environment and infrastructure	Abdi İbrahim Vestel Çalık
Challenging to Incumbents: Growth in both developed and emerging countries depending on existing firm resources and capabilities, usually in company with brand building	Internally developed not acquired resources and capabilities Low dependency on networks or partnerships	Asset-exploitation / Both developed and emerging countries	Internal exploration Competitive moves from incumbents Possible niche marketers	Boydak Furniture Kastamonu Entegre

Table 5.1. Internationalization Strategies of Turkish Multinationals

this process can be shortened by aggressive marketing tactics. In the case of Hayat Kimya, the company could demonstrate a quick success in Algerian and Egyptian markets through intense advertising, large sales force, and marketing campaigns.

Masking the EC MNE necessitates excellent supply-side activities. EC MNEs target sophisticated markets may suffer from lack of brand recognition, advanced technologies, and design capabilities. The industry conditions such as high competition and high need for differentiation-based advantages may drive firms to this strategy. Since it mostly depends on acquisitions of assets externally, firms intend to follow masking the EC MNE strategy should possess skills that enable them to develop partnerships or to conclude acquisitions of strategic assets. A potential challenge for this strategy maybe the brand management issues. EC MNEs can balance their latecomer disadvantages in terms of brand recognition. However, the acquisition of a brand does not simply ensure high returns from the acquired brand. They need to beware the perceived value of the brand for the existing customers of that brand. Overexploitation of the brand may reduce its value and result in loss of market share. This potential problem is again significant for the acquisitions of technological assets and design capabilities. The post-acquisition integration period is critical for the expected performance contribution of the gained asset.

Playing the DC MNE in emerging countries necessitates the transfer of ownership-specific advantages to the host countries. The ownership advantages should be enough to allow EC MNEs to be competitive in the host-country market. The cooperation with the host-country government may facilitate the effective implementation of this strategy. Because, the emerging countries are commonly characterized by weak institutional environments, cooperation with host-country governments may be valuable to cope with the uncertainty. Close relation with the public (e.g. social responsibility programs) may be useful to gain legitimacy in the host country.

Challenging to incumbents strategy demands firm resources and capabilities that can make the EC MNE competitive both in developed and emerging markets. These resources and capabilities are internally developed, in general. In the case of this strategy, acquisitions to gain strategic assets such as technology or design are rare or non-available. It does not mean that these firms do not engage in purchasing foreign firms. Here, acquisitions and mergers can be used as a mean to realize an inorganic growth rather than compensating firm competitive disadvantages. There are some possible challenges for these firms. First, they need to be aware of the counter-attacks from the incumbents. Their aspirations to develop a global presence may trigger these mature MNEs to be more offensive. Second, latecomer MNEs pursuing niche marketing strategy can reduce their markets shares. Third, this strategy requires a balance between the exploitation of FSAs and exploration of new ones internally. Because, challenging to incumbents heavily depends on the internally developed strategic assets rather than external acquisition of new ones.

5.3. A Model for Turkish MNEs' Internationalization

Based on the discussion of case study findings we have developed a set of propositions about the Turkish MNEs' internationalization. We have also identified four specific strategies pursued by these firms that are dependent on the host-country market conditions. The explored drivers for OFDI of Turkish MNEs and their strategies in accordance with the market conditions allow us to develop a model describing the internationalization of Turkish MNEs (see Figure 5.1.). The model does not include all the propositions developed in the previous section. It depicts the drivers of Turkish OFDIs and the strategies followed by Turkish MNEs in their internationalization process. The four strategies are closely related to the level of competition and market conditions in the targeted markets.

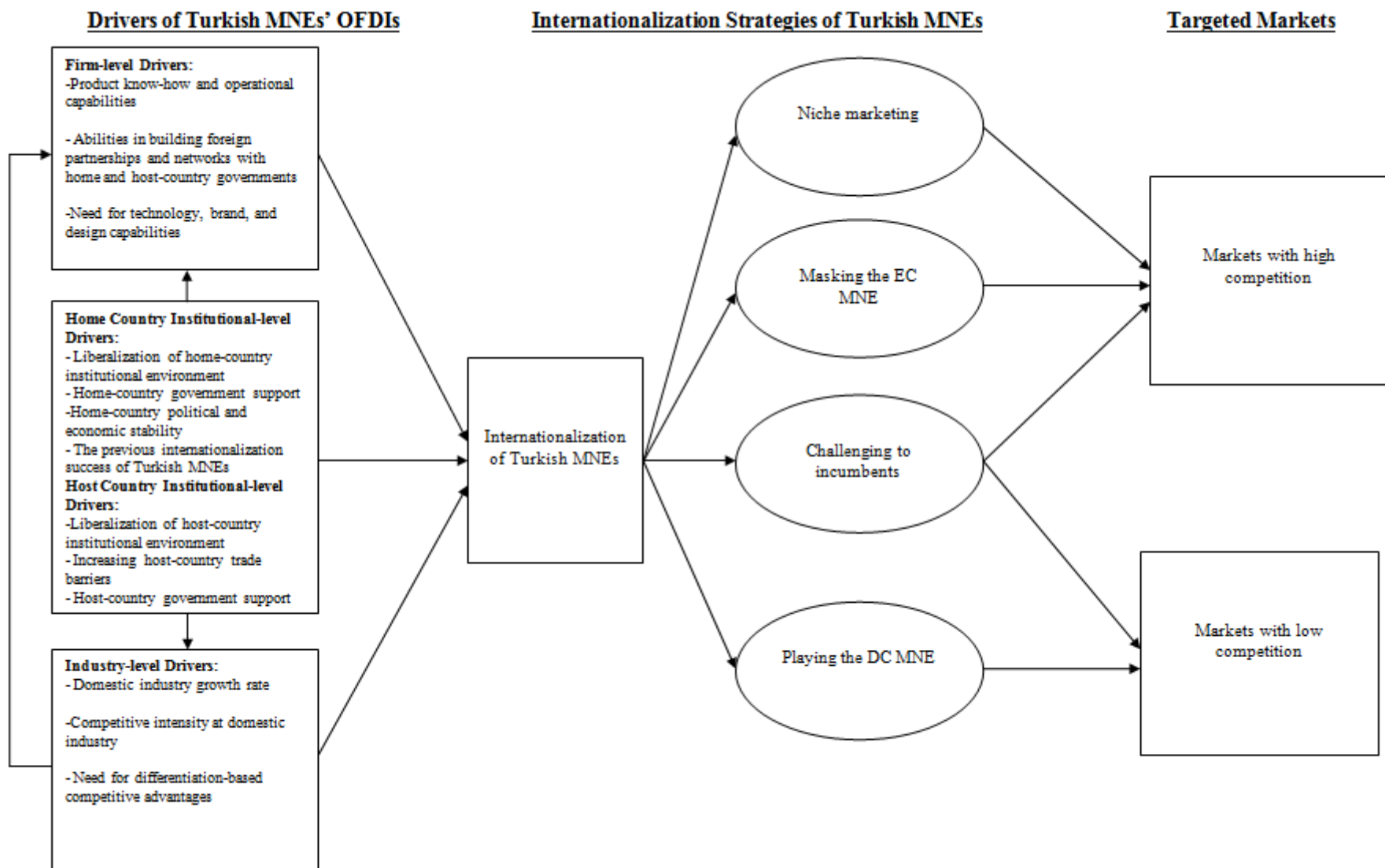


Figure 5.1. A Model for the Internationalization of Turkish MNEs

5.4. An Assessment of Theoretical Perspectives

The main proposition of IPM is that firms follow an incremental process through experiential learning during their internationalization. They commit more resources as they increase their local market knowledge gradually. The IPM model also argues that firms expand to foreign countries to exploit their firm-specific advantages. It uses psychic distance concept to predict the location choices and entry strategies of MNEs (Johanson & Vahlne, 1977). When we consider our study findings its arguments about the internationalization of the firm keep its exploratory power. Almost all of our case study firms engaged in other forms of international activities before their first FDIs. This development path is also in agreement with the findings in the literature about the EC MNEs (Cuervo-Cazurra, 2008). Considering the age of our case study firms and their first FDI activity, it can be proposed that Turkish firms take a long time to be MNEs. Regarding the geography that our case study firms operating in it can be concluded that the IPM offers an adequate theoretical base for the location choices of Turkish MNEs. This result can be attributed to the surrounding geography of Turkey. Turkey has proximity to Europe, MENA, and Central Asia of which it has historical ties and cultural similarities to a considerable extent. The close geography of Turkey includes emerging and developed countries that means any firm regardless of its motive can find an appropriate location for its strategic goals. The variety of surrounding countries offers opportunity fields for the firms that want to internationalize either asset-seeking or asset-exploiting motives. The recognition and exploitation of these opportunities in nearby countries can be explained by the updated version of the IPM, which is called as “the business network internationalization process model” (Johanson & Vahlne, 2009). However, there are some exceptions in our findings. First, some firms demonstrate deviations from the linear predictions of the original IPM. Çalık Holding expansions to Turkmenistan and Albania without any prior experiences imply that firms can follow a radical pattern by virtue of their networks

enabling them to recognize opportunities and to extend their operations rapidly. This view is in line with the network view that has been added to the refined version of the original IPM (Johanson & Vahlne, 2009). As an outsider Çalık could have succeeded in business development by virtue of its networks. For the EC MNEs, here, government support might be a factor to decrease the liability of outsidership. Moreover, Boydak expansion to US highlights the argument that firms may skip the stages or so-called establishment chain that the IPM is based on. The stage model is criticized by the researcher due to the rise of the born global firms and aggressive global expansions of EC MNEs. As Ramamurti (2012) states that, the world is now flatter than previous decades when DC MNEs experiences were examined, and mainstream IB perspectives were developed. In addition to these arguments, our findings also reveal that firms do not only exploit their firm-specific advantages in foreign markets but also explore new ones. Thus, another dimension that adds the explorative motives to IPM should be added to the model. EC MNEs seek international opportunities to upgrade their existing resource base in an explorative manner. As in the case of Vestel, the company learned and upgraded its design and technology base through its OEM/ODM experiences as the LLL model argues (Mathews, 2006). Ziylan, Aydınli, and Vestel engaged in acquisitions to develop a strong position in global markets rapidly. As in Ziylan case, our findings confirm the concept of the liability of outsidership. The company needed to direct investments through acquisition and greenfield investment not only to upgrade its resource base but also access the design networks in Italy. Therefore, EC MNEs aggressive FDIs, particularly in developed economies, can be attributed to their latecomer disadvantages. As in the case of Çalık a network tie with the host-country government and organizations operating in the industry to be positioned may accelerate the process by rapid transformation of the market knowledge. Therefore, networks and partnerships may result in a more quick way of gathering institutional market knowledge (Eriksson, Johanson, Majkgard, & Sharma, 1997) and might decrease the liability of outsidership in a short time (Johanson &

Vahlne, 2009). To conclude, although our findings mostly confirm the IPM proposing that firms incrementally internationalize to take benefits of opportunities available in the countries with low psychic distance, it also shows some variances as discussed above.

Second theoretical perspective that we used as a lens to understand Turkish MNEs internationalization is eclectic paradigm. Similar to IPM, our argument is mostly in line with the explanations of the eclectic paradigm about the FDI. First, as in our case findings, Turkish firms hold ownership advantages to be exploited in the foreign markets offering location advantages. Although their firm competences are different than the DC MNEs' competences, they still possess valuable advantages that enable them to engage in FDIs. Besides some conventional ownership advantages such as know-how and technology, they hold ownership advantages mostly associated to the EC MNEs such as entrepreneurial skills, cost advantages, networking abilities. In fact, the concept of advantage is a relative term. It is not logical to evaluate the value of EC MNEs ownership advantages by comparing them to DC MNEs' ones. The value of any firm resource or capability as an advantage depends on the ability of the firm in combining and utilizing them. Even so-called ordinary firm resources and capabilities can be superior when they are exploited in the appropriate locations. Thus, the location choice for EC MNEs or market selection is again important for their internationalization performance.

In our study, we discover findings confirming the proportions of the emergent perspectives for EC MNEs. As springboard perspective argues it, Turkish MNEs undertake FDI as a mean, or springboard, to upgrade their competitive advantages. These include strategic assets such as brands, technology, and design capabilities. These asset-seeking FDIs also include market-seeking motives. In another saying, their asset-seeking FDIs are in parallel with their quest for new markets, particularly in developed markets. This finding supports the argument in springboard perspective that EC MNEs internationalize to exploit their competitive advantages as well.

Specifically, acquisitions made by Turkish MNEs facilitate the internalization of the tangible and intangible resources that take time to develop internally and speed up their (Gubbi et al., 2009). This accelerated internationalization is also addressed in LLL model as a distinctive feature for EC MNEs. LLL model also stresses the latecomer disadvantages of this firm, and the learning imperative to catch up early movers (Mathews, 2006). As Johanson and Vahlne (2009) pointed out that the emerging phenomena such as leapfrogging and born-global firms are not included in the original IPM because they were not common among the Swedish firms these scholars analyzed at that time.

At this point, the mainstream IB perspectives highlight the exploitative nature of firm internationalization. However, MNEs also need to explore new firm resources and capabilities while they exploit the existing ones. This situation becomes more explicit for EC MNEs than DC MNEs considering their latecomer disadvantages. As they involve in foreign markets, they feel more competitive pressure, especially for differentiation advantages. These findings support the arguments that MNEs need to be ambidextrous that is simultaneous pursue of exploitation and exploration activities (Hsu et al., 2013; Keen & Wu, 2011; Luo & Rui, 2009).

5.5. A General Typology of FDI

Models or theories provide parsimonious representations of the reality. They shed light on a particular phenomenon, but they also cover some other aspects of it. The cross-sectional research dominating the contemporary management contributes much to our understanding of the specific factors and their effects on specific decisions while neglecting the historical context and the dynamic processes of strategic decisions (Meyer & Thaijongrak, 2012). As our findings confirm that, each perspective used in our study illuminates certain aspects of EC MNEs internationalization through FDI. IPM predominantly explains the process of internationalization in a dynamic view, whereas eclectic paradigm offers a theoretical framework to understand the FDI transactions. Springboard and

LLL model mostly, however, highlight the latecomer characteristics of EC MNEs and their accelerated internationalization. Based on the above discussion, we identified two dimensions that source the recent debates on MNE internationalization. They are the process in which the FDI is taken and the firm motive for FDIs. For each dimension, there are two categories. The process of firm expansion through FDI varies on the continuum of gradual vs. radical internationalization; whereas the firm motive for FDI can be either asset-exploitation or asset-exploration. Based on these two dimensions we developed a 2x2 matrix and identified four different types of FDI. As a result, we propose an integration of the mainstream and emergent perspectives in our study (see Table 5.2.).

In our framework, we identify four distinctive types of firm's cross-border investments. First, firms engage in FDI through incremental steps as the original IPM anticipates. This gradual investment process characterized by asset-exploitation motives are labeled as "diffusion type FDI". It refers FDIs made to exploit firm's resources and capabilities in foreign markets in an incremental manner. Second, FDIs that are realized in incremental steps with asset-seeking motives are labeled as "absorption type FDI" that denotes the FDIs made to explore new resources and capabilities in foreign markets in an incremental manner. The third type of FDI named as "leapfrog type FDI" implies FDIs made to exploit firm's resources and capabilities in foreign markets in a radical manner. The last type is named as "takeaway type FDI" meaning FDIs made to explore new resources and capabilities in foreign markets in a radical manner.

	Gradual Internationalization: International expansion through a series of incremental steps <i>Leading theoretical perspective: IPM</i>	Radical Internationalization: International expansion through aggressive, risk-taking, and rapid FDIs <i>Leading theoretical perspective: Springboard perspective, born-global view</i>
FDI as Asset exploitation FDIs to exploit firm's existing resources and capabilities <i>Leading theoretical perspective: IPM, eclectic paradigm</i>	Diffusion type FDI: FDIs made to exploit firm's resources and capabilities in foreign markets in an incremental manner	Leapfrog type FDI: FDIs made to exploit firm's resources and capabilities in foreign markets in a radical manner
FDI as Asset exploration FDIs to explore new firm resources and capabilities <i>Leading theoretical perspective: Springboard and LLL model</i>	Absorption type FDI: FDIs made to explore new resources and capabilities in foreign markets in an incremental manner	Takeaway type FDI: FDIs made to explore new resources and capabilities in foreign markets in a radical manner

Table 5.2. An Integrated Framework of Mainstream and Emergent Perspectives on Firm FDI

CHAPTER SIX: CONCLUSION

6.1. Synthesis

This study has a set of research outcomes. First, it provides new insights about the internationalization of Turkish MNEs. The firm-, industry-, and institution-level drivers behind their FDI decisions are explored. It is observed that their product know-how and operational capabilities, networking and partnership abilities enabled them to internationalize. Lack of technology, brand, or design capabilities is found a firm-level driver of OFDI. The competitive intensity in their domestic industries is discovered as a push factor for OFDI. The growth of their domestic industries and the industry requirements for differentiation-based competitive advantages are also detected as industry-level drivers of OFDI. The liberalization of Turkey and its neighboring countries, host and home country government supports, economic and political stability at home, the success of the earlier-internationalized firms are discussed as institutional-level drivers. The relation between the drivers of and motives for FDI; and the process of Turkish MNEs' internationalization are discussed. The relations between their non-FDI type international activities, which are exporting, licensing, and franchising, on their internationalization strategies are revealed. By examining the similarities and differences among their internationalization, this study identifies four strategy types followed by Turkish MNEs in global markets. Based on this first part of the discussion chapter several propositions are also developed.

Second, considering the developed propositions and the strategies followed by our case study firms, this study proposes a model describing the EC MNE internationalization. The model contains the drivers of EC MNE internationalization, their strategies in accordance with the target market conditions. Third, this study provides an assessment of mainstream and emergent perspectives from a different context. Based on the case study findings, it confirms that mainstream perspectives have an exploratory power on EC MNEs to a considerable extent. However, due to the variations

of EC MNEs internationalization from the DC MNEs, there should be some extensions to the existing perspectives. This extension could be realized by integrating the mainstream and emergent models in a framework demonstrating that MNEs not only from emerging countries but also from developed countries can engage in four different types of FDI.

6.2. Theoretical Contributions

This study contributes to the growing body of research about the EC MNEs in several ways. It provides an exploration of eight Turkish firms' drivers of and motives for FDI; and their internationalization process as EC MNEs. Findings from these case studies are also expressed as propositions and four different strategies applied by Turkish MNEs are revealed. This research extends the existing knowledge about the internationalization of Turkish MNEs (Erdilek, 2008; Eren-Erdogmus et al., 2010; Gülsoy, Özkanlı, & Lynch, 2012; Karadeniz & Göçer, 2007; Yaprak & Karademir, 2010; Yavan, 2012) with a more inclusive picture of their foreign expansion. These outcomes may shed some light on the changing behaviors of EC MNEs in the global marketplace from a different context. The existing literature of EC MNEs is heavily influenced by Chinese and Indian experiences (Jormanainen & Koveshnikov, 2012). These countries have different institutional environments and different home country resource endowments which in return firm behavior in a different way. Unlike the EC MNEs rising from the countries characterized by low-cost advantages, Turkish MNEs competitive advantages are more related to their product know-how and operational capabilities. Their international expansion is more dependent on effective production and marketing activities of their high-quality products with their less capital intensive R&D efforts. This makes Turkish MNEs unique when compared to DC MNEs and other EC MNEs.

At this point, we argue that a dual categorization of MNEs as DC MNEs and EC MNEs may result in biases. All EC MNEs do not share same characteristics and their stories of internationalization vary. Even EC MNEs

from the same country, as in our cases, may experience diverse stories. In a similar vein, a direct comparison between DC MNEs and EC MNEs in terms of their firm resources and capabilities, as always did in the literature, might be ill-equipped. Some of the EC MNEs demonstrate firm characteristics that are considerably close to DC MNEs. By having firm resources and capabilities in different parts of the value chain activities such as sourcing, production, and marketing; EC MNEs can outperform their rivals from developed countries. Many DC MNEs might have less effective and less fruitful firm resources and capabilities than EC MNEs. The country of origin itself is not enough to say that a firm is superior to other. Therefore, a categorization of MNEs based on their country of origins might result in biases to understand their behaviors. What we need here is a better understanding of the different stages of MNE evolution if we want to categorize them in a more healthy way.

This study also contributes to the extant literature. The assessment of existing perspectives based on our case study findings offers valuable insights about the MNE activity. Mainstream perspectives emphasize the asset-exploitation and gradual expansion of MNE since they were mostly developed by studying the DC MNEs. However, the asset-seeking FDI by EC MNEs made this foreign expansion route clearer. Although asset-seeking FDI is not new in MNE activity, it is more observable in the case of EC MNE internationalization, therefore, deserves more attention. As in the case of asset-exploitation and asset-exploration, MNE behavior can also diverge from the gradual expansion route to a more radical one. Depending on this assessment, we offered an integrated view to different ways of engaging FDI. Moreover, FDI decisions are influenced by many interrelated variables that make a bounded perspective on a certain aspect of the foreign operations of the firm less productive. Thus, scholars aim to study firm internationalization through FDI need to have a holistic view in order to grasp the complex reality of the phenomenon.

In this study, we identified four internationalization strategies undertaken by Turkish MNEs. To our knowledge, this is the first study providing specific strategies of Turkish MNEs foreign expansion. These strategies may provide a different perspective to the scholars attempting to understand their behaviors in further studies.

6.3. Managerial Implications

In respect to the managerial implications, first, the four strategy types could provide ideas to the practitioners in Turkey as well as in other emerging countries. Depending on the target market conditions, Turkish firms that aim to expand internationally may choose the appropriate strategy by considering their resources and capabilities. Turkish MNEs do not hold the cost advantages as their rivals in Far East countries. They do not also possess enough differentiation-based advantages for developed markets. Moreover, they do not receive the same level government support as in the case of other EC MNEs' international expansion (e.g. Chinese MNEs). Therefore, Turkish MNEs need to concern the efficiency and differentiation issues more at the same time. This requires more sophisticated strategic behaviors that are difficult to implement. They need to consider the cost issues while allocating enough resources to upgrade their existing competencies. At this point, Turkey's position may provide an advantage for them. It is close to emerging countries where they can be more competitive and gain access to cost advantages such as low prices for energy supplies and low-cost labor. They can also exploit their proximity to EU to reduce their costs in terms of transportation and tariffs. In order to compensate their latecomer disadvantages or to develop a global presence in advanced markets, they can target European markets. Our four strategies also offer insights for practitioners from developed countries about the EC MNEs behavior. For each type of strategy, we defined some potential challenges and problem sources to be considered during the implementation process.

6.4. Limitations and Avenues for Future Research

The empirical setting of this study is based on Turkey. For the future research, cross-cultural studies conducted in emerging country context (e.g. China, India, and Latin American countries) can be made to compare the EC MNEs from different countries. A comparison between DC MNEs and EC MNEs can also be made to show the differences and similarities between two types of MNEs clearly. Moreover, we deliberately focused on the large enterprises. Thus, our results are limited to the firm size. Similarly, firms included in this study are mature and old firms that make our findings limited to firm age. Besides, state-owned enterprises are not included in this study that may provide valuable insights about the role of government in MNE internationalization.

This study holds the limitations of its research method. It can be extended by following studies using different research methods. For instance, survey data can be utilized to test the existence of our four strategy types in EC MNEs from other contexts.

Our study did not make any attempt to reveal the performance consequences of different internationalization paths. Further research to study the relation between the strategies and firm performances might be taken. The performance of each identified strategy could be tested to propose prescriptive managerial implications. The post-acquisition integration period of EC MNEs can be studied to discover the integration mechanisms that are used to upgrade firm competences. Moreover, the performance impacts of these acquisitions can be tested.

Furthermore, the relationship between the strategies and organizational structure and systems can be analyzed. Regarding the FDI decisions, the co-existence of contradictory drivers, motives, and alternative paths could be studied.

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APPENDIX A: CASE STUDY PROTOCOL TO STUDY TURKISH MULTINATIONALS INTERNATIONALIZATION

This case study protocol is established to guide the researcher aiming to study “Internationalization Strategies of Turkish Multinationals”. Since it is an essential part of doing multiple-case study, the researcher must strictly follow the protocol during the data collection phase of the study. The rules and procedures presented below must be obeyed to sustain the *reliability* of the study.

1. Objectives of the Study

This multiple-case study has following research questions;

Research Question 1: Why do Turkish MNEs engage in OFDI?

RQ 1a: What are the firm-level drivers of Turkish MNEs’ OFDI?

RQ 1b: What are the industry-level drivers of Turkish MNEs’ OFDI?

RQ 1c: What are the institution-level drivers of Turkish MNEs’ OFDI?

RQ 1d: What are the strategic motives for Turkish MNEs’ OFDI?

Research Question 2: How do Turkish MNEs internationalize through OFDI?

RQ2a: Which host-country locations do Turkish MNEs prefer to expand their operations?

RQ2b: Which entry modes do Turkish MNEs prefer to enter into foreign markets?

RQ2c: What are the key strategic options underlying strategic behaviors of Turkish MNEs?

Research Question 3: To what extent the mainstream IB perspectives adequately explain Turkish MNEs’ internationalization? Do we need to develop novel theories or extend the existing ones to clarify EC MNEs internationalization?

This study aim to develop following research objectives depending on its research questions:

- An exploration of the drivers, motives, and the processes of Turkish MNEs international expansion; and –if possible- a typology classifying their OFDI strategies.

- A research model with propositions describing EC MNE internationalization
- An assessment of existing IB theories and perspectives under the light of our findings in order to refine/to refute/to extend existing theoretical knowledge about MNE internationalization and to contribute to the recent debates about EC MNEs from Turkish context.

2. The Unit of Analysis and the Data Source

The design of this research is multiple-case study. We prefer multiple-case study design instead of single case study because multiple-case study has some distinct advantages over single case study. It increases the quality of the research and single-case studies vulnerable and does not offer analytic benefits like multiple-case study design. Multiple-case study design enables the researcher to use replication logic during the research that ensures the external validity. Also, conclusions drawn from multiple-case studies potentially will be richer and deeper. Another advantage of multiple-case study is that we deliberately do not focus on a single industry and multiple-case study design enables us to study multinationals from different industries.

It is important to understand the unit of analysis of this study. The unit of analysis for each single case is that a multinational firm has an explicit desire for internationalization and has made OFDI abroad to realize its purposes. So the unit of analysis is the organization for each case, not their decision-making processes or their FDIs. To this end, we are interested in the Turkish companies that:

- have made OFDI abroad and are planning to make.
- are information rich cases and have interesting stories (e.g. the intensity and the scope of internationalization of the firm, experienced firms that are successfully develop a certain degree of international presence or novice firms that are at the beginning of their internationalization)
- are willing to participate in the study

This multiple-case study research will include 9 comprehensive cases of Turkish MNEs made FDI abroad. The data will be collected through (i) *semi-structured interviews* with senior executives of target companies and from (ii) the *documents* obtained directly from the company and their official websites. Also (iii) interviews and statements of top level managers released in *press* and (iv) *previous research* such as articles, research papers, reports and books will be included in each case database. All these diverse data sources satisfy the need for multiple sources of evidence to sustain *construct validity*.

3. Field Procedures

The field procedures will be followed by the investigator as follows:

Step One: Set Up

Prior to conducting the interview, firstly, the firm will be contacted by informing the prospective informant about the aim of the study and its scope. To do this an invitation letter including an introductory section, identity of the researcher, and the fundamental interview questions mailed by the researcher to the person contacted at the firm (see Appendix 2). Then, a following telephone call will be made to arrange the interview date and place according to the availability of the key informant. The informant must be a top level executive (i.e. CEO/Managing Director/General Manager or an executive from his/her management team) having the required information related to the subject of the study.

Step Two: Preparatory Work

Even though the firm is familiar to the researcher, after the interview arrangement a preparatory work is needed to establish a general background about the firm prior to visiting the company. This background information will include:

- ✓ The history of the firm
- ✓ The size and ownership of the firm
- ✓ The main operations of the firm
- ✓ The main markets, products, customers, suppliers and competitors of the firm

- ✓ The international operations of the firm
- ✓ The locations and the focus of the value creation activities of the firm
- ✓ The international markets that the firm is planning to invest

In order to establish such a background, the following sources will be used:

- ✓ Company website
- ✓ Previous research (articles, books, reports, research papers)
- ✓ Press

Step Three: Interview

The investigator should have a personal computer, a data storage device (e.g. USB), writing instruments, paper and paper clips and a voice recorder in the field. If the interviewee (and the firm) allows, the whole interview should be recorded. During the interview, the level 1 questions should be directed to the interviewee as it is a natural conversation. The investigator must avoid from directing or influencing the answers of the informant. If any opportunity emerges to contact with new informants, the investigator should act in an opportunistic way and be prepared against to the unexpected situations.

Step Four: Documentation

After the interview, the investigator should ask any supplementary documents as much as possible about the topic being investigated (i.e. strategy documents, management reports, performance reports, presentations and, briefing documents). In order to sustain the confidentiality, these documents must be stored in a secure manner by the investigator. If the organization does not allow the documents to be taken away, the investigator should ask to see the documents in the company.

Step Five: Case Database

All the data received from step two, three, and four will be combined in a case database for data analysis.

Step Six: Data Analysis

Each case database will be analyzed independently. The data will be used to develop answers to the research questions. To do this, level 2 questions will be directed to the data. Generated answers will be written as a draft. The

answers will be checked by applying to the whole data stored in the database. Answers should be extracted from the entire database, not only one data source (e.g. documentation).

Step Seven: Single Case Report

After the analysis of data, an individual case study report will be documented in detail. The structure of the individual case report will be as follows;

- ✓ Overview of the company (a brief history, operations, products, markets, firm size, mission and vision statements)
- ✓ Drivers for OFDI (Firm-, industry-, and institution-level drivers)
- ✓ Motives of OFDI
- ✓ Location Choices (emerging, and developed countries)
- ✓ Modes of Entry and Ownership (acquisition vs. greenfield; WOS vs. JV)
- ✓ Firm strategies (e.g. competitive or cooperative strategic behaviors of the firm)

Step Eight: Cross-Case Analysis

After all case reports documented a cross-case analysis will be conducted to develop an entire picture of the studied phenomenon depending on the similarities and differences across cases. The cross-case analysis will include the table depicting the variables questioned in the study.

4. Case Study Questions

During the data collection phase, the researcher must keep the research questions and the sub-questions that must be answered in his mind in order to focus on the topic being investigated. The questions are arranged in different levels based on the target points that they will be directed.

Level 1 Questions (Questions will be directed to each interviewee)

Introduction

- ✓ Inform the interviewee about the confidentiality and privacy issues
- ✓ Ask for a general information about the foreign operations of the firm

Industry

- ✓ Ask for an evaluation of the industry conditions
- ✓ Ask the effects of industry conditions on internationalization decisions

- ✓ Ask the way that the firm competes in foreign markets
 - ✓ Who are the major rivals?
 - ✓ What are the competitive strategies?
 - ✓ How are the competitive advantages adapted to foreign markets? Ask for examples.

Firm Resources and Capabilities

- ✓ Ask the firm resources and capabilities that enabled the firm to internationalize? Ask for examples.
- ✓ Ask the sources of competitive advantages.
- ✓ Ask the firm resources and capabilities targeted by internationalizing –if any. Ask for examples.

Institutional Environment

- ✓ Ask the effects of domestic institutional conditions (e.g. political, economic, and legal) on internationalization decisions. Ask for examples.
- ✓ Ask the effects of host-country institutional environment conditions (e.g. political, economic, and legal) on internationalization decisions. Ask for examples.
- ✓ Ask the way that the company adapts to the host-country institutional environment. Ask for examples.

Location Choice and Entry Strategies

- ✓ Ask the rationale behind the location choices
- ✓ Ask the rationale behind the selected entry modes

Closing

- ✓ Ask the changes about the initial internationalization motives –if any.
- ✓ Ask the overall role of internationalization for the entire organization
- ✓ Ask for any additional comments

Level 2 Questions (Questions will be directed to each individual case for data analysis)

Why does the firm internationalize its operations through FDI(s)?

- ✓ What type of resources does the firm have and need?
- ✓ What type of resources does the firm exploit and explore by internationalizing?

- ✓ What industrial factors (at home and abroad) have impacts on firm's internationalization process?
- ✓ What are the characteristics of the firm's industry?
- ✓ What are the home country and host-country institutional drivers of the firm's internationalization?

How does the firm internationalize and compete in foreign markets?

- ✓ What type of competitive advantages and firm competences does the firm have?
- ✓ What are the sources of these competitive advantages?
- ✓ What type of competitive advantages and competences does the firm leverage and acquire through internationalization?
- ✓ What factors being considered in terms of location choice and entry mode selection?
- ✓ How does the firm compete globally?
- ✓ How does the firm adapt its existing competences to the foreign markets?
- ✓ How does the firm develop and acquire new competences?

Level 3 Questions: Questions will be directed to reveal the findings across cases

- ✓ What are the similarities between this case and the previous cases?
- ✓ What are the differences between this case and the previous cases?
- ✓ What are the possible explanations for the differences?

Level 4 Questions: Questions will be directed to the overall study

- ✓ What can be learned from the experiences of case study firms?
- ✓ What are the similarities and differences between these firms and the EC MNEs discussed in the literature?
- ✓ What are the similarities and differences between these firms and the DC MNEs discussed in the literature?

Level 5 Questions: Questions will be directed to develop policy recommendations

- ✓ What are the opportunities and threats for these MNEs in the global markets?

- ✓ How do these MNEs develop sustainable strategies in order to survive and be competitive in the global markets?

5. Validity and Reliability

Construct Validity:

- ✓ Multiple sources of evidence will be used during data collection
- ✓ A chain of evidence will be established during data collection
- ✓ For each single case report, key informants must review the draft case report during composition

Internal Validity:

- ✓ Address rival explanations during data analysis

External Validity:

- ✓ Replication logic must be sustained during the research design

Reliability:

- ✓ Be sure that the case study protocol tightly followed during data collection
- ✓ Develop case study database during data collection

APPENDIX B: INVITATION LETTER TO THE EXECUTIVES AND SAMPLE INTERVIEW QUESTIONS³

(In Turkish)



ÇOK ULUSLU TÜRK ŞİRKETLERİNİN ULUSLARARASILAŞMA STRATEJİLERİ

Sayın Yönetici

Elinize ulaşmış bulunan bu yönetici davet mektubu, Fatih Üniversitesi (İstanbul) İşletme Bölümü'nde yürütülen “Çok Uluslu Türk Şirketlerinin Uluslararasılaşma Stratejileri” adlı bir doktora tezi çalışması ile ilgilidir.

Çok uluslu Türk şirketlerince gerçekleştirilen uluslararası yatırımlara ve yatırım sürecinde takip edilen stratejilere dair eldeki bilimsel veriler oldukça sınırlıdır. Bu araştırmanın siz firma yöneticilerine ve konu ile ilgili araştırmacılara ulusal ve uluslararası alanda sonuçları itibarıyla faydalı olacağı kanaatini taşıyoruz.

Araştırmamızın kapsamı çerçevesinde doğrudan yabancı yatırım yoluyla yurtdışına açılmış çok uluslu Türk şirketlerinin üst düzey yöneticileri ile yönetici mülakatları yapmaktayız. Ekte kabul etmeniz halinde sizinle de gerçekleştirmeyi dilediğimiz mülakata dair sorularla ilgili bir listeyi bulacaksınız. Mülakat şirketinizin uluslararası yatırım süreci ve yurtdışı operasyonları hakkında bilgiye sahip bir yönetici tarafından cevaplanabilecek soruları içermektedir. Eğer mülakatta bulunmanız mümkün olamayacaksa, konu ile ilgili yetkinliğe sahip bir meslektaşınızın bulunması da bizim için uygun olacaktır. Mülakat fazla bir zamanınızı almayacak ve araştırmamıza çok önemli bir katkıda bulunmuş olacaksınız.

Bu davet mektubunu müteakip randevu tarihini belirleyebilmek için sizinle iletişime geçeceğiz. Şimdiden göstereceğiniz ilgi ve destek için teşekkürlerimizi sunuyoruz.

Saygılarımızla.

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³ Please note that the question section does not include all the questions and sub-questions that are asked to each interviewee. The interview should be conducted by the investigator as if it is a natural conversation

ÇOK ULUSLU TÜRK ŞİRKETLERİNİN ULUSLARARASI LAŞMA STRATEJİLERİ

Temel sorular

- 1- İşletmenizin uluslararasılaşma sürecinde ve yabancı pazarlardaki operasyonlarında faydalandığı rekabet avantajları ve firma yetenekleri nelerdir?
- 2- İşletmenizin uluslararası yatırımlar yoluyla ulaşmayı hedeflediği rekabet avantajları ve firma yetenekleri var mı? Varsa nelerdir?
- 3- İşletmenizin yatırım için tercih ettiği pazarlar ve bu pazarlarda rekabet etme şekli hakkında bilgi verebilir misiniz?
- 4- Sektörel koşulların yurtdışı yatırım kararlarınızda ne gibi etkileri oldu? Sektörünüzde başarılı olmak için uluslararasılaşma ihtiyacınızı nasıl değerlendiriyorsunuz?
- 5- Türkiye’deki siyasi, ekonomik ve hukuki altyapının yurtdışı yatırım kararlarınızda ve uluslararasılaşma sürecinizde etkisi oldu mu? Evet ise nasıl?
- 6- Uluslararasılaşma sürecinde başlangıçtaki niyetleriniz ve stratejileriniz süreç içerisinde değişti mi? Evet ise nasıl değişti?
- 7- Uluslararası yatırımlarınızın ve operasyonlarınızın bir bütün olarak ana işletmeniz açısından ne gibi bir rolü var?

APPENDIX C: FDIs OF THE CASE STUDY FIRMS

Firm	Investment year	FDI Location	Entry Mode	Ownership Mode	Scope of the FDI
Ziylan Group	2012	Italy	Acquisition	Wholly owned	Brand acquisition
	2012	Italy	Greenfield	Wholly owned	Establishment of a subsidiary
Aydınlı Group	1997	Germany	Acquisition	Wholly owned	Brand acquisition
	2008	Russia	Greenfield	Wholly owned	A subsidiary and retail stores
	2008	Ukraine	Greenfield	Wholly owned	A subsidiary and retail stores
	2008	Romania	Greenfield	Wholly owned	A subsidiary and retail stores
	2008	Kazakhstan	Greenfield	Wholly owned	A subsidiary and retail stores
Hayat Kimya	1998	Bulgaria	Greenfield	Wholly owned	Production plant
	2000	Ukraine	Greenfield	Joint venture	Production plant
	2005	Bosnia-Herzegovina	Acquisition	Wholly owned	Production plant
	2005	Algeria	Greenfield	Wholly owned	Production plant
	2007	Algeria	Greenfield	Wholly owned	Production plant
	2011	Iran	Greenfield	Wholly owned	Production plant
	2012	Egypt	Greenfield	Wholly owned	Production plant
	2013	Iran	Greenfield	Wholly owned	Production plant
Abdi İbrahim		Algeria	Greenfield	Wholly owned	Production plant
	2005	Azerbaijan	Greenfield	Wholly owned	Establishment of a subsidiary
	2005	Georgia	Greenfield	Wholly owned	Establishment of a subsidiary
	2010	Portugal	Greenfield	Wholly owned	Establishment of a subsidiary
	2012	Kazakhstan	Acquisition	Joint venture	Production plant
	2014	Algeria	Greenfield	Joint venture	Production plant
Vestel	2001	UK	Acquisition	Wholly owned	A software company
	2003	Russia	Greenfield	Wholly owned	Production plant
	2006	Finland	Acquisition	Wholly owned	Brand acquisition
	2006	Sweden	Acquisition	Wholly owned	Brand acquisition
	2007	Germany	Acquisition	Wholly owned	Brand acquisition
	2008	Denmark	Acquisition	Wholly owned	Brand acquisition
	2011	Italy	Acquisition	Wholly owned	Brand acquisition
	2013	Italy	Acquisition	Wholly owned	Brand acquisition

APPENDIX C: FDIs OF THE CASE STUDY FIRMS

Firm	Investment year	FDI Location	Entry Mode	Ownership Mode	Scope of the FDI
Kastamonu Entegre	1998	Romania	Acquisition	Wholly owned	Production plant
	2000	Bulgaria	Acquisition	Wholly owned	Production plant
	2005	Bosnia-Herzegovina	Acquisition	Wholly owned	Production plant
	2012	Russia	Greenfield	Wholly owned	Production plant
Boydak Furniture	1997	Germany	Greenfield	Wholly owned	A subsidiary
	2012	Russia	Acquisition	Wholly owned	Production plant
	2012	Ukraine	Acquisition	Wholly owned	Production plant
	2002	USA	Greenfield	Wholly owned	A subsidiary
	2012	Iraq	Greenfield	Wholly owned	Production plant
Çalık Holding	1992	Turkmenistan	Greenfield	Wholly owned	Production plant
	1997	Turkmenistan	Greenfield	Wholly owned	Production plant
	2000	Turkmenistan	Greenfield	Wholly owned	Production plant
	2001	Turkmenistan	Greenfield	Wholly owned	Production plant
	2006	Albania	Acquisition	Joint venture	State-owned bank
	2007	Albania	Acquisition	Joint venture	State-owned enterprise
	2008	Egypt	Greenfield	Wholly owned	Production plant
	2009	Albania	Acquisition	Wholly owned	State-owned bank ⁴

⁴ Purchase of the issued shares of BKT