THE RELATIONSHIP BETWEEN INTERNATIONALIZATION AND INNOVATION IN EMERGING COUNTRY MULTI-NATIONAL COMPANIES

A THESIS BY

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ABSTRACT

Motivated by the growth of the Emerging Country Multinationals' (EMNCs) role in the global business and the importance of innovation as a vital source of survival, the objective of this dissertation is to contribute to the theoretical and empirical literature on the interrelationship between innovation and internationalization of EMNCs. This research aims to answer three questions:

1. What is the relationship between innovation and internationalization?

2. How do EMNCs develop and use innovations to adapt to the host markets?

3. How do EMNCs use open innovation (OI)?

Our literature review contributes to international business literature by explicitly linking it to innovation and, vice versa, to innovation literature by explicitly linking it to international business. By defining the limitations of the literature, we define some future research areas.

Our second study, contributes to the literature on EMNCs and to the business model innovation (BMI) field by exploring the link between internationalization and innovation. Our findings contribute to the literature on EMNCs by exploring the adaptation phase and innovations made after the firms' entry to new markets. We also contribute to the literature on the BMI by showing the effect of internationalization on BMI. Finally, by conducting an inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation and innovation.

Our third study, contributes both EMNCs and OI literature. It complements prior research by describing the reasons to do OI for EMNCs, how EMNCs use OI, and what types of partners they prefer.

Özet:

Bu tezin motivasyonu, gelişmekte olan ülke firmalarının global iş dünyasındaki rolü ve inovasyonun firmaların hayatta kalma kaynağı olarak öneminden kaynaklanmaktadır. Tezin amacı, inovasyon ve gelişmekte olan ülke firmalarının uluslararasılaşması arasındaki ilişki hakkında teorik ve ampirik literatüre katkıda bulunmaktır. Bu tezin kaynağı olan araştırmalar gelişmekte olan ülke firmalar ve inovasyon konularında bilgi sağlamak suretiyle literatüre katkıda bulunmaktadır. Bu araştırma üç soruyu cevaplamayı amaçlamaktadır:

1. İnovasyon ve uluslararasılaşma arasındaki ilişki nedir?

2. Gelişmekte olan ülke çok uluslu şirketleri (GÇUŞ), ana pazarlara uyum sağlamak için yenilikleri nasıl geliştirir ve kullanır?

3. GÇUŞ'ler açık inovasyonu nasıl kullanır?

Literatür taramamız, uluslararaşılaşma ve inovasyonu, çift yönlü olarak ilişkilendirerek uluslararası işletme literatürüne katkıda bulunur. Literatürün sınırlılıklarını tanımlayarak, gelecek için bazı araştırma alanlarını tanımlar.

İkinci çalışmamız, uluslararasılaşma ve inovasyon arasındaki bağlantıyı keşfederek GÇUŞ hakkındaki literatüre ve iş modeli inovasyonu (İMİ) alanına katkıda bulunuyor. Bulgularımız, adaptasyon aşamasını ve firmaların yeni pazarlara girmesinden sonra yapılan inovasyonları keşfederek GÇUŞ'ler hakkındaki literatüre katkıda bulunuyor. Uluslararasılaşmanın İMİ üzerindeki etkisini de göstererek İMİ ile ilgili literatüre katkıda bulunuyoruz. Son olarak, tümevarımlı niteliksel bir analiz yürüterek, GÇUŞ'lerin uluslararasılaşması, adaptasyon ve yenilik arasındaki ilişkilerle ilgili yapıları tanımlıyoruz.

Üçüncü çalışmamız, hem GÇU'lere hem de açık inovasyon literatürüne katkıda bulunmaktadır. GÇUŞ'ler için açık inovasyon yapma nedenlerini, GÇUŞ'lerin açık inovasyonu nasıl kullandıklarını ve ne tür ortakları tercih ettiklerini açıklayarak önceki araştırmaları tamamlar.

I dedicate this work to my beloved mother Reyhan Buldanlı, who had always believed in me.

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ABBREVIATIONS

BMI: Business Model Innovation

CEO: Chief Executive Officer

EMNC: Emerging Country Multi-National Company

FSA: Firm Specific Advantaged

IB: International Business

IMF: International Monetary Fund

KBV: Knowledge Based View

LSA: Location Specific Advantages

MNC: Multi-national Company

OI: Open Innovation

R&D: Research and Development

RBV: Resource Based View

SBSS: Spanish Business Strategy Survey

TIP: Technology Innovation Panel

WoS: Web of Science

CHAPTER 1

INTRODUCTION

1.1 Importance of the research and motivation

> Anthropologists at the Smithsonian's National Museum of Natural History and an international team of collaborators have discovered that early humans in East Africa had—by about 320,000 years ago—begun trading with distant groups, using color pigments and manufacturing more sophisticated tools than those of the Early Stone Age.
>
> Smithsonian Museum, News Release, March 15, 2018

The research conducted by the Smithsonian teams proves that the early humans came up with innovation to deal with the "Unpredictable and uncertain environment". Although the act of "innovating" is almost as old as the human being, in terms of business literature, one of the first and most accepted works on innovation is Schumpeter's work published in 1934. By emphasizing the need to distinguish innovation and invention, Schumpeter opened a new discussion that is still attractive among business scholars today. Innovation is considered crucial for the survival of the firm. The reason for this interest is likely to be the realisation that innovation is of key importance for survival of an organisation by helping it reach success metrics, such as market share and profit (Cooper 2005, Hamel and Prahalad 1994, Kaplan and Norton 1992). As Cooper calls it "innovate or die"; innovation is vital for firm survival (Cooper, 2005, p. 4).

Internationalization is another important factor for the growth of the firm (Vila and Kuster, 2007). As defined by Welch and Luostarinen (1988), internationalization is 'the process of increasing involvement in international operations.' Internationalization can be considered as a form of innovation (Crossan and Apaydın, 2010; Prashantam 2005) it-self. Considering the importance of these two concepts for the survival and growth of the firm, it is not surprising that during the last few decades, the relationship between innovation and internationalization has been an increasingly popular subject among business scholars.

According to the World Economic Outlook Report pPublished by the International Monetary Fund in April 2019, 59.81% of the World GDP comes from the emerging markets. Considering the fact that the number of emerging market multinationals (EMNCs)firms in the Global Fortune 500 List has been rising steadily, emerging country multinationals (EMNCs), it is very important to understand how these firms use strategies to expand abroad. World Economic Forum defines the EMNCs as follows:

> Emerging multinationals are globally active enterprises originating in such emerging economies as Brazil, South Africa, India, the People's Republic of China, Turkey, Nigeria, and others. They are new poles of business excellence achieved via inspiring leadership and innovative approaches to traditional and tough problems.
>
> World Economic Forum's Network of Global Agenda Councils Reports (2011-2012)

EMNC literature has examples of works suggesting that EMNCs follow different paths and use different strategies when they expand abroad than MNCs from developed countries. The decision to expand in international markets (Cuervo-Cazurra, 2012; Kothari, Kotabe, Murphy, 2013; Makino, Lau and Yeh, 2002;

Meyer, 2015), ownership advantages and disadvantages (Amighini, Cozza, Giuliani, Rabellotti, Scalera, 2015; Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra and Ramamurti, 2017) and entry mode choices (Cui and Jiang, 2012; Meyer, Estrin, Bhaumik, and Peng, 2009) are considered to be examples of such differences. For example, firm-specific advantages (FSAs) and disadvantages are considered to be different in the case of EMNCs. The FSAs, such as technological advantages and strong brand names (Rugman, 2009; Hennart, 2012) may not exist in EMNCs (Dunning, 1998; Hennart, 2012, Narula, 2012, Ramamurti, 2012). However, EMNCs use some other advantages such as low cost to compensate for the missing FSAs (Hennart, 2012). Therefore, theories that are developed based on the developed market contexts are not always relevant for firms from emerging (developing) markets (Buckley & Hashai, 2014; Govindarajan & Ramamurti, 2011; Ramamurti, 2012).

1.2. Research Objective

Motivated by the growth of the EMNCs role in the global business and the importance of innovation as a vital source of survival, the objective of this dissertation is to contribute to the theoretical and empirical literature on the interrelationship between innovation and internationalization of EMNCs. We aim to answer three questions.

First, we aim to answer the question "What is the relationship between innovation and internationalization?" Though this question has been researched by many scholars in the past, the literature on it is fragmented and the conclusion of the discussions is unclear. Therefore, we conduct a systematic literature review to analyze the current status of the literature in this field. The field of research that we

review is in itself an explicit link between the distinct fields of international business and innovation. While significant progress has been made in answering these questions, a lot of work remains to be done. Moreover, although earlier review or review-like studies have explored specific topics or specific relationships (E.g. Aggarwal, Kapoor, 2018; Barbossa , Romero, 2016; Cantwell, 2017; Papanastassiou, Pierce, Zanfei, 2020), there is a need for a review with broader scope to answer this question. Therefore, we conduct a systematic literature review to analyze the current status of the literature in this field. The findings of our literature review indicated that the number of qualitative (theory-grounding) research in this area is limited. Similarly, the is a small number of works discussing the relationship between internationalization and innovation in the EMNCs context. Moreover, several works in our sample focus on the effect of internationalization on innovation, they explain this effect as the result of tangible and intangible assets gained through the international expansion (Eg. Salomon and Shaver, 2005; Kafouros, Buckley, Sharp, and Wang, 2008, 2008). In our sample, there was only one study (Cao, Navare, Jin, 2018) that explores business model innovations made with the purpose to adapt to the host markets. However, firms' need to innovate doesn't end once they enter a new market. As Doz, Bartlett, and Prahalat (1981) put, the restrictions coming from the effects of the host country conditions, constrain the MNCs in terms of having a well-integrated and consistent global strategy. In other words, the obligation to fulfill the host country requests frequently doesn't match with the global strategies that firms may have. In their host country, firms may face challenges which they solve with innovative solutions.

Therefore, the second question we aim to answer is "how Emerging Market Multi-National Companies (EMNCs)' develop and use innovation to adapt to their host

markets?" and it focuses on the above-mentioned gap in the literature. To the best of our knowledge, only a few studies have addressed how companies use innovation to facilitate their adaptation to the markets they enter (e.g. Cuervo-Cazurra, Newburry, Park, 2016; Lee and Slater, 2007). Our context is Turkish Multinationals expanding both to developed and developing countries. We found that one of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their resources with the tangible or intangible resources of local partners, they create new advantages when they face a challenge in the international markets. Dominantly, companies create BMI driven by these collaborations. In other words, the EMNCs search for partners to collaborate in the newly entered markets. Once the collaboration is decided, they do the necessary BMI to make these collaborations work.

Consequently, in the fourth chapter of our study, we aim to analyze further the collaborations related to the innovations. These collaborations may be in the form of collecting outside ideas and building partnerships to generate innovations (Chesbrough and Crowther, 2006; Laursen and Salter, 2006). This is used as a way to gain competitive advantages and compensate for the lack of tangible and intangible resources by implementing Open Innovation (OI) (Miller, Fern, and Cardinal, 2007; Kafouros et.al, 2008). However, a major part of the open innovation literature covers studies in developed market contexts (e.g., Chesbrough, 2003; Huston and Sakkab, 2006; Ullrich and Vladova, 2016). There is, to date, limited insight into how EMNEs use open innovation (Kafouros and Forsans, 2012; Thomas, 2018). A literature review conducted by Hossain et al. (2016) explicitly calls for further investigation on the topic. Therefore, with our study presented in the fourth chapter of this dissertation, we aim to complement the OI and EMNCs

literature. Our research question studied in the fourth chapter is: “How do Emerging Country Multinationals Use Open Innovation and Collaboration to Innovate?”

1.3. Core Logic of the Thesis

The relationship between innovation and internationalization is studied under a few disciplines. These two concepts are commonly used not only in the research but also in business practices. However, the impact of these two concepts on each other is still not clear due to the multi-disciplinary nature of this relationship. The relationship between internationalization and innovation is researched by a few researchers within the past. Whereas noteworthy progress has been made in this research area, the discussions in this field are still not complete. Additionally, to the best of our knowledge, earlier review studies focus on specific parts of this relationship rather than providing a broad view of the field. As a result, the research question that we point to reply in Chapter 2 is “What is the relationship between advancement and internationalization?” The findings of our literature review indicate some further research areas. We found that the number of qualitative studies, especially analysing the effects of internationalization on innovation is limited. Considering the importance of qualitative studies in terms of building and expanding theory in a field, further research using inductive methods is necessary. Moreover, we found that while recently more studies have addressed emerging market contexts, there is a need for research that addresses the question of whether effects within or from emerging markets are different from those within or from established. Furthermore, many studies use single variable metrics of internationalization, especially exports, while evidence suggests that

internationalization is a multi-dimensional construct. Both research using alternative dimensions, and research integrating dimensions would be relevant to build a more robust body of knowledge on any of the relationships. Besides, internationalization is a process, and therefore pre-entry and post-entry activities should be included. Chapter 3 of this dissertation aims to respond the above mentioned further research areas defined in Chapter 2. Our purpose in Chapter 3 to explore the adaptation phase and innovations made after the firms' entry to new markets in the EMNCs context. Finally, by conducting an inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation and innovation. The findings of Chapter 3 suggest that EMNCs face challenges not only before or until but also after they enter to the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their own resources with the tangible or intangible resources of local partners, they create Recombinant FSAs (Collinson and Narula, 2014) to overcome the challenge in the international markets. Collaborations built in the host country to overcome this challenges give rise to different types of innovations including product, process and marketing. In Chapter 4, we analyse further the collaborations made to create innovations. In this chapter, we aim to answer the research question “How do Emerging Country Multinationals Use Open Innovation?” Open innovation is a way of accessing assets and an alternative to cross-border acquisitions. It is based on the collaborations made with different partners. However, open innovation literature has dominantly focused on advanced-market MNEs. Consequently, there is limited knowledge on how EMNEs use open innovation, and on whether EMNEs are still 'emerging' in this respect. Therefore, in Chapter 4, we aim to focus on the

OI practices used by the EMNCs. As described above, while we start our analysis in a broad area, namely the relationship between internationalization and innovation, as we move further in the thesis, we aim to narrow down our focus and understand the specific approach of EMNCs in this area (see Fig. 1).

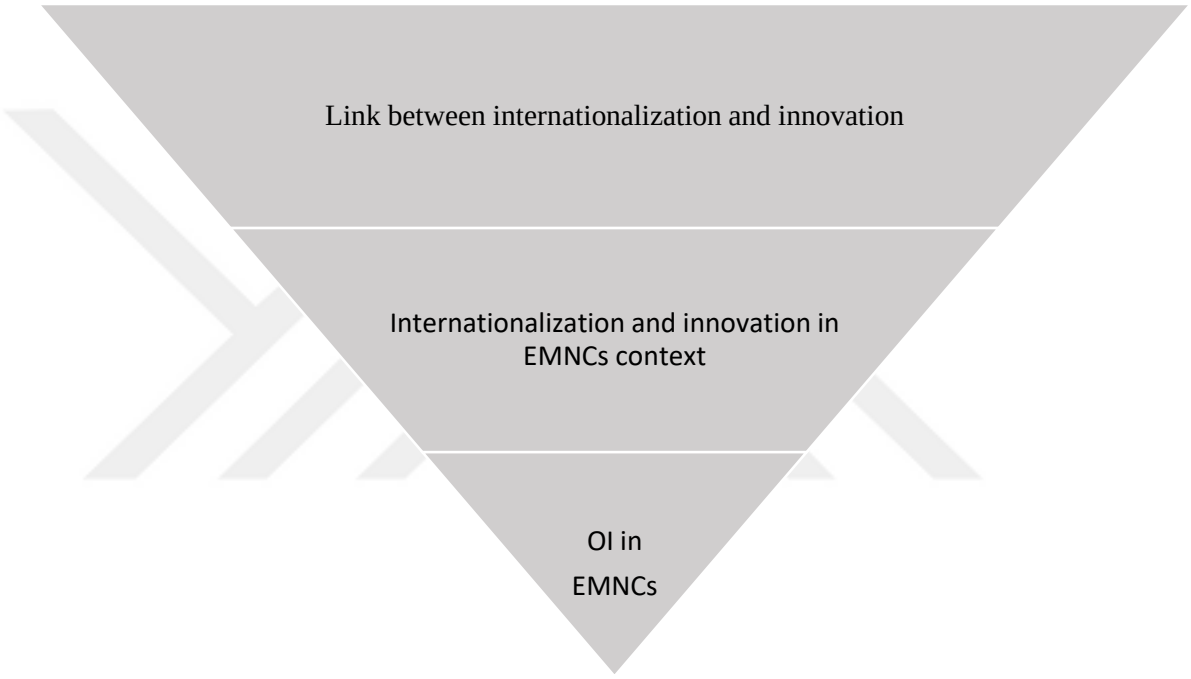


Figure 1: The logic used in the thesis

1.4. Methodology and Scope Decisions

Chapter 2 is a literature review article analyzing the literature on the relationship between innovation and internationalization. Chapter 3 and 4 are inductive qualitative studies based on the Turkish business context. The literature review chapter focuses on the relationship between innovation and internationalization. To collect the data for the review, we first searched the articles from the "Web of Science" (WoS) database. Additionally, we added the highly cited articles that were

not found in the WoS database search and added these articles to our sample. We included in our search only the articles published in peer-reviewed journals. The time scope of our research included the years between 1998-2018. In our preliminary research, we found that the literature on the subject gained momentum after the beginning of the 2000s. We started our search not from 2000, but from 1998 to be able to cover two complete decades.

As suggested by Eisenhardt, Graebner, and Sonenshein (2016), inductive methods can help the research to make a deeper analysis of the data. Therefore, they are more effective than the deductive methods when they are used to explain the processes and to answer the questions concerning "how" by enabling us to get a more detailed view of the phenomenon (Eisenhardt and Graebner, 2007; Golden-Biddle and Locke, 2007). Since our research questions are related to "how" EMNCs use innovations as a means of adaptation and we aim to have a deeper analysis of a theoretically sampled small number of cases, we use inductive methods in our research. The ground for our methodology choices and the description of how they are used are discussed in detail in each chapter as well as Appendix 1.

The decision to choose the Turkish business context is the growing size and importance of the Turkish companies in the global business. Turkish Multinationals such as Turkish Airlines, Beko, and Vestel have strong positions in the global markets. Moreover, Forbes, "The World's Largest Public Companies – 2018" list includes five Turkish companies.

In Chapter 3, we conduct an inductive qualitative study focusing on the innovations made by the EMNCs after they expand to a new host country based on the

interviews we conducted with company managers. The Turkish business context is a complex business environment and the research focusing on the innovations made by Turkish EMNCs in their host countries is limited. These two characteristics and our desire to compose a comprehensive description of the subject make in-depth exploratory research and an inductive approach suitable for our purposes (Cuervo-Cazurra et al, 2016; Welch, Piekkari, Plakoyiannaki, and Paavilainen-Mäntymäki, 2011).

For comparability purposes and to bring greater generalizability to our findings, we included in our sample internationalizing Turkish firms that are active in different industries. Choosing different firms from different industries could show us if the differences and similarities in firm strategies are related to the type of industry. Though we expected some industry effects, we found similar patterns in the cases we studied. The differences we found were related to company administrative heritage and strategy, not to industry effects.

The method used in Chapter 4 is an inductive multi-case study of four Turkish multi-national companies. In Chapter 4, by using the multiple case study methodology, we conduct both within-case and between case analysis. As it was the case for Chapter 3, our context in Chapter 4 is the Turkish Business context. For comparability purposes, the firms that are included in our sample are chosen among internationalizing and innovating Turkish firms active in different industries. Choosing different firms from different industries could show us if the differences and similarities in the firm strategies are related to the type of industry. Although there may be some industry effects, we found similar patterns in the cases. Regarding the differences, we found that they were not related to the industry

differences, but then to the differences coming from the company history and strategies.

1.5. Chapters Forming the Dissertation

1.5.1. Chapter 2

Chapter 2 is a systematic literature review where we analyze and discuss the literature on the relationship between internationalization and innovation. Innovation and internationalization are two concepts that are used not only by scholars from different fields such as innovation, international business, and strategy but also by practitioners (E.g. Molero, 1998; Vila and Kuster, 2007; Wakelin, 1998). However, the multi-disciplinary nature of the relationship between innovation and internationalization makes it difficult for scholars to come to a clear conclusion. The open discussions in this field motivated us to conduct a systematic literature review on this relationship. Therefore, the aim of this literature review is to answer the question: "What is the relationship between innovation and internationalization?"

Considering the expanding number of works and changing patterns in the literature, the reason for this review is to draw together an update of the current state of the innovation and internationalization literature. Hence, the point of this paper is to summarize and analyze the existing literature in terms of theories and findings, and based on this to recommend future research areas.

As a result of this review, we don't just describe the trends in the field since 1998, but also we offer several suggestions and research areas that necessitate further investigation. The findings of the literature review confirm that the number of works that were limited in the past has been increasing. Yet, the discussion still

didn't reach a conclusion and need further investigation. Moreover, most of the research focusing on the effects of internationalization and innovation considers the asset seeking motives as the basis of this relationship. This is based on the idea that it would be easier for the internationalized companies to innovate since they reach new knowledge and resources that they cannot reach in their home countries (Eg. Salomon and Shaver, 2005; Kafouros et. al, 2008). Notwithstanding, firms may develop innovations special to the host countries in order to facilitate their adaptation and increase their performance. A study that investigates the innovations made especially for a host country could show another aspect of the relationship between internationalization and innovation.

Furthermore, our analysis shows that although the number of papers in EMNCs contexts increased slightly during the recent year, they are still limited compared to the studies conducted in the developed market context. As it is the case for the internationalization literature, earlier literature on the innovations of EMNCs argues that EMNCs have different innovation strategies than MNCs (E.g. Govindarajan and Ramamurti, 2011; Immelt, Govindarajan and Trimble., 2009; Mudambi, 2011; Kothari et al., 2013). Therefore, exploring the relationship between innovation and internationalization in the emerging markets context can provide new insides and contribute both to the innovation and EMNCs literature.

1.5.2. Chapter 3

Chapter 3 is titled "Innovations by Emerging Country Multinationals as a Means of Adaptation: Evidence from the Turkish Business Context". This chapter is motivated not only by the growing importance of EMNCs but also by the gap in the literature defined in our Literature Review Chapter (Chapter 2 in the dissertation). The purpose of this study is to explore how EMNCs' develop and use innovation to

increase their international adaptation. In order to answer this question, we first analyze the motivation behind their expansion decision and the challenges EMNCs need to overcome both in developed and developing host countries. We then focus on the strategies used by EMNCs to solve these challenges in the new markets. The aim of this paper is to explore how EMNCs' develop and use innovations to adapt to the host markets after their entry. To understand how firms, do this, we focus on the challenges and the strategies used by EMNCs to solve these challenges in the new markets.

The findings of this chapter, confirm that EMNCs encounter challenges both before and after they enter the host markets. EMNCs use innovation to increase their performance in the new markets, as well as using resources and learnings acquired from the foreign markets to develop new innovations. Moreover, EMNCs use collaboration to adapt to new markets. By recombining their own resources with the tangible or intangible resources of local partners, they create Recombinant FSAs to overcome the challenge in the international markets. Collaborations built in the host country to handle these challenges become the source of different types of innovations including product, process, and marketing innovations. Although collaboration is a common strategy followed by EMNCs (Kumaraswamy, Mudambi, Saranga, Tripathy, 2012; Rui, Cuervo-Cazurra, Annique, 2016), most of the time pursuing these collaborations is not possible by using the already business models, which drives the BMI in host markets. Dominantly, companies create BMI driven by these collaborations. In other words, the EMNCs search for partners to collaborate in the newly entered markets. Once the collaboration is decided, they do the necessary BMI to make these collaborations work.

1.5.3. Chapter 4

Chapter 4 is titled “How do Emerging Country Multinationals Use Open Innovation and Collaboration to Innovate? A Multiple Case Study Based on Turkish Context”. The purpose of the third paper in my dissertation is to investigate how open innovation and collaboration approaches are used in Emerging Market Multinational Companies.

As described above, the theoretical background and the main question of this research is to explore how Emerging Country firms use open innovation and collaboration strategies. The process-model provided by Eisenhardt (1989) and supported by Ghauri (2004) and Yin (1994, 2008, 2018) describes the steps for building theory through cases. In this research, we follow the below mentioned steps described by Eisenhardt (1989) to explain the theory through cases. The analysis is conducted based on the information collected through interviews with managers, news, company web pages, and annual company reports published by the Turkish companies included in the case studies in this dissertation.

1.6. Contributions

This dissertation contributes to the literature on the theoretical and empirical literature on the interrelationship between innovation and internationalization. We do this by answering three questions following:

1. What is the relationship between innovation and internationalization?

2. How do EMNCs develop and use innovations to adapt to the host markets?

3. How do EMNCs use OI?

To answer the first question, we review the literature on the relationship between internationalization and innovation. Our review includes studies focusing on the effects of internationalization on innovation, the effects of innovation on internationalization, and reciprocal effects. The growing number of studies on these topics indicate a development into a relevant field of study on its own, a process that our review may contribute to. Our review, and the studies it reviews, contribute to international business literature by explicitly linking it to innovation and, vice versa, to innovation literature by explicitly linking it to international business. Moreover, by defining the limitations of the literature, we define some future research areas.

Furthermore, the findings of Chapter 3, contribute to the literature on EMNCs and to the BMI field by exploring the link between internationalization and innovation. Our findings contribute to the literature on EMNCs by exploring the adaptation phase and innovations made after the firms' entry to new markets. Former studies on EMNCs have mostly focused on the motivations and entry strategies of these companies, as well as whether they require new theories to explain their behavior. Our work complements this research by focusing on how these companies adapt to their surroundings. We also contribute to the literature on the BMI by showing the effect of internationalization on BMI. Finally, by conducting an inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation and innovation. Therefore, this study gives directions for further empirical analysis that will test these relationships. This study contributes to the literature on EMNCs and to the BMI field by exploring the link between internationalization and innovation.

Our findings contribute to the literature on EMNCs by exploring the adaptation phase and innovations made after the firms' entry to new markets. Former studies on EMNCs have mostly focused on the motivations and entry strategies of these companies, as well as whether they require new theories to explain their behavior. Our paper complements this research by focusing on how these companies adapt to their surroundings.

Finally, Chapter 4 contributes both EMNCs and OI literature. It complements prior research by describing the reasons to do OI for EMNCs, how EMNCs use OI, and what types of partners they prefer. Based on our research question analyzing how open innovation is used in mid-size to large Turkish EMNCs, we also assess how 'emerging' is Turkish multinationals in terms of OI. Our study provides deep insights into the open innovation practices of Turkish EMNCs. It provides a nuanced image of how emerging Turkish EMNCs still are: adopting the practice like advanced-market MNCs but for different reasons, with an emphasis on intangible resources, with limited partner breadth and with limited openness. This contributes to the limited knowledge on how EMNCs use open innovation, and to the debate on whether EMNCs are different in this respect from advanced-market MNCs.

1.7. Overview of the thesis

Chapter 1: Introduction

Chapter 2: "The Relationship between Innovation and Internationalization: A Review of the Literature"

Chapter 3: "Innovations by Emerging Country Multinationals as a Means of Adaptation: Evidence from the Turkish Business Context"

Chapter 4: “How do Emerging Country Multinationals Use Open Innovation and Collaboration to Innovate? A Multiple Case Study Based on Turkish Context”

Chapter 5: Interpretation of the findings, Conclusion and Discussion

Appendices

CHAPTER 2

THE RELATIONSHIP BETWEEN INTERNATIONALIZATION AND INNOVATION

Abstract

In this chapter, we review the literature on the relationship between internationalization and innovation. Our review includes studies focusing on the effects of internationalization on innovation, the effects of innovation on internationalization, and reciprocal effects. The growing number of studies on these topics indicate a development into a relevant field of study on its own, a process that our review may contribute to. Our review, and the studies it reviews, contribute to international business literature by explicitly linking it to innovation and, vice versa, to innovation literature by explicitly linking it to international business. Studies on the topic have been published in international business literature, innovation literature, and strategic management literature.

2.1. Introduction

Research on internationalization and innovation is conducted under few disciplines, with noteworthy contributions in innovation, international business, and strategy research. In spite of the fact that the phenomenon is broadly utilized in both research and business practices, the effect of these two concepts on each other is still not clear due to the multi-disciplinary nature of this relationship.

Through a systematic review of 60 articles on the relationship between internationalization and innovation published in academic journals for two decades,

this paper analyses the relationship between internationalization and innovation within the firm's boundaries. Based on this examination, we outline extant literature on the subject and we display an integrative framework of this relationship for further research.

As the descriptive results of our study suggest, only a limited number of review articles have studied the relationship between internationalization and innovation. Furthermore, none of the articles that we are aware of has covered the studies analyzing both sides of the relationship between these two concepts.

Eiriz, Faria and Barbossa (2013), examine firm growth and innovation. As a result of their review, the authors build a typology. Their typology includes four innovation strategies that they call “product development; Learning by experience; discovery; and restructuring”. They suggest that is related to the firms’ strategy regarding the growth. Hagen, Denicolai and Zucchella (2014), study different approaches and highlight the impact of innovation on the internationalization. However, they don’t consider the effect of internationalization on innovation. The study conducted by Cantwell (2017), reviews the literature the importance of the knowledge-seeking motive for IB networks using a locational perspective. The findings suggest that international knowledge connectivity is essential for innovation and growth of the company. Moreover, the “techno-socio-economic paradigm” related to the information age has an effect on the changing nature of the international business and innovation. A more recent review of Aggarwal and Kapoor (2018) focuses on “knowledge transfer and international strategic alliances”. The authors suggest a framework using dynamic capabilities framework.

Although, they all are related the relationship between innovation and internationalization, these reviews are concentrating only on specific parts of the relationship between these two constructs. Unlike the earlier reviews, the aim of our review is tosummarize the state of the art of the literature and see how it evolves and provide suggestion on further research areas.

This research gap is the inspiration for this literature review. The purpose of this study is to provide an integrated view of the current literature including the empirical and conceptual works on the relationship between internationalization and innovation in a time frame of two decades. Our main objectives are to analyze and integrate the methodological and theoretical approaches used by the scholars working in this area; to analyze the similarities and differences in the findings of the works in our sample; to define the gaps and discussions left open in this area; and finally provide suggestions on further research topics.

Over the last two decades the relationship between the firms' internationalization and innovation has become a subject that has attracted not only the practitioners', but also the scholars' interest (E.g. Molero, 1998; Wakelin, 1998; Vila and Kuster, 2007; Bratti and Felice, 2012; Halilem, Amara, and Landry 2014).

It seems that at the beginning of 2000s, most of the theories of the relationship between internationalization and innovation are focused on explaining the influence of the firms' international expansion on the innovations (E.g. Basile, 2001; Birkinshaw and Hood, 2001; Salomon and Shaver, 2005). Although there are some earlier examples (such as Wakelin, 1998; Roper and Love, 2002; Knight and Cavusgil, 2004), it is after 2005 that the authors increasingly used the research questions analyzing the effect of innovation on the initiation of internationalization

(Lachenmaier and Wossman, 2006; Vila and Kuster, 2007; Gudanescu, 2009) and on the international performance (Kirbach and Schmiedeberg, 2008; Williams and Shaw, 2011). In case of EMNCs, innovation-based internationalization is considered as a motivation for the expansion of emerging market multinationals (EMNCs). This suggestion is based on the idea that by using the innovations in other emerging markets, EMNCs gain a competitive advantage and balance their weakness coming for the underdeveloped home country institutions and economic conditions (Cuervo-Cazurra and Ramamurti, 2017).

Finally, during the last decade a strand that looks at the reciprocal effects of these two concepts emerged in the literature (E.g. Kafouros, Buckley, Sharp, and Wang, 2008; Filipescu, Rialp and Rialp, 2009; Hagen, Denicolai and Zucchella, 2014).

Correspondingly, the total number of researches analyzing the relationship between these two variables has increased considerably. We have collected our data by the Web of Science (WoS) database. Moreover, in order to prevent the exclusion of any important works, we have analyzed the bibliographies of the articles and included highly cited articles to our data. As a result of the elimination based on our selection criteria, the initial number of 1055 articles is reduced to 60 articles. We have analyzed these articles in detail.

Both the empirical and conceptual works included in our review aim mainly to answer whether there is a relationship between innovation and internationalization. When we elaborate this question, we see that the authors analyze the direction of this relationship, as well as the mediators and moderators that may increase the strength of it (Rodriguez-Duarte, Sandulli, Minguela-Rata, Lopez-Sanchez, 2007; Kafouros et al., 2008; Kirbach and Schiedeberg, 2008). In particular no study, to

our knowledge, has considered both the causality and reverse causality between the internationalization and innovation constructs.

In spite of the expanding literature, it is still fragmented and under theorized, requiring more systematic studies, considering diverse contexts such as developed and emerging countries. Several scholars have examined the impact of innovation and internationalization on each other. Nonetheless, even though they analyzed comparable variables, they find varying degrees of association with respect to the effects of these two factors.

The findings of the analysis made in the literature review show that there are some inconsistencies, gaps, and necessities for further investigation in the literature. The gaps and unclear topics in this area are as follows. First, the results of the studies on the effects of internationalization on innovation are mixed, even contradicting each other. Second, most of the works in the second strand analyze export activities in order to measure internationalization. However, in business life, exports are not the only means of internationalization. Third, the studies in this strand and informing from EMNCs literature are primarily focused on the impacts of innovation on the international expansion and entry mode choices, but the international activities of a firm don't stop after the entry. Business life have examples of EMNCs innovating in order to adapt to the international markets. The number of works examining how companies utilize innovation to increase their adaptation to the host country is restricted (e.g. Cuervo-Cazurra, Newburry, Park, 2016; Lee and Slater, 2007). Finally, the number of works studying the reciprocal relationship between innovation and internationalization are limited and the discussion is not concluded yet.

We aim to contribute to the literature in several points. Our paper summarizes and integrates 60 papers that are relevant in terms of examining our research question that is "What is the relationship between innovation and internationalization?" With our review, we offer a summary of the state of the art and define the gaps in the literature. The point of this evaluation is to investigate and look at the key findings of these works and define the similarities and differences in the findings. Therefore, our review paper contributes to the literature by defining the gaps and providing eight suggestions for on further research topics.

The paper is structured as follows: The review begins with the description of the research methodology used. Following the methodology description, the findings are discussed and some prominent articles in each area are compared and contrasted. The paper concludes with the discussion of the emerging subject, inconsistencies, and gaps in the literature followed by the suggestions for future research subjects.

2.2. Methodology of the literature review

The research method used in this chapter is a systematic review of the literature (Tranfield et al., 2003). It involves the analysis of the publications made on the topic of the relationship between internationalization and innovation. The data were systematically collected and analyzed by using qualitative and descriptive data analysis techniques.

2.2.1 Data Collection

The data collection involved the four steps described below:

Step 1 - The collection of data from the data basis: The data were collected from the Web of Science (WoS) database. The primary search of WoS database is done by using the keywords: “internationalization” and “innovation”, their derivatives and related terms which include, “international expansion, export, performance, innovation types of innovation, innovativeness”. This primary search based on the keywords resulted in a sample of 1055 articles.

To begin with, we have decided on our research and we have created the guidelines for collecting the literature. Following, we have established the steps for classifying, describing, and coding the data. Finally, the data is coded and the findings of the review are synthesized. Since this study aims to investigate and synthesize different conceptualizations of the relationship between internationalization and innovation, the first step of our analysis is to identify conceptual or empirical research articles that incorporate these two constructs. To reach this aim, we have set the inclusion and exclusion criteria. In order to avoid excluding relevant articles, during the first step of our data collection we have used broad criteria:

• focus on both innovation and internationalization;

• published in peer-reviewed journals;

• empirical or conceptual papers;

• published in English;

• full text access.

Our research investigates works that incorporate the terms “internationalization” and “innovation” in their titles, keywords and/or abstracts. To get a full review, a

few concepts that might show up related to internationalization and/or innovation such as “innovativeness” or “international performance” are included. However, to remain focused, books, conference proceedings and reports were excluded. As a result of the keywords analysis that we have conducted, 1055 articles are selected to be included for further analysis.

When the literature is analyzed, one can see that the literature has very few examples of the relationship between the innovation and internationalization before the 2000s. Therefore, as the time frame of our review, we searched the literature in the two decades leading to 2018. The data collection is limited with the peer-to-peer reviewed articles in academic journals to get a comparable body of research. To incorporate research from a larger range of research areas, the search incorporates a more extensive range of journals and isn't restricted to a certain cluster of journals.

Step 2– Elimination of the articles based on the titles and the abstracts

As mentioned above, our search consists of keywords, abstract; and full content. Despite several articles include the terms innovation and internationalization in their abstracts, only few analyzed or conceptualized the relationship between these concepts. Therefore, we have developed a second elimination criteria that helped us to remain focused on our research question. After analysing the 1055 articles based on this second and more detailed criteria, we have eliminated 833 articles that were not relevant. As a result, based on the below described inclusion criteria, 222 articles are selected for the third step of our analysis.

Inclusion criteria used in the second step of our analysis:

• Focus on the relationship between innovation and internationalization;

• A link between the innovation and internationalization is hypothesized

• and tested or conceptualized;

• Published in peer reviewed journals;

• Empirical or conceptual works;

• Published in English;

• Full text access.

Step 3. – Second elimination

As the third step of our analysis, we looked at the selected articles in more detail by reading them to decide if they are matching the subject of this literature review. In this step, the abstract and full-text of 222 scholarly works have to be analyzed, to eliminate any irrelevant works. This final elimination process is conducted based on the quality appraisal criteria given below.

1. The focus of the work is innovation and internationalization

2. Purpose of the study is clearly mentioned.

As a result of this last elimination process 60 articles are included in our review (See Fig. 2).

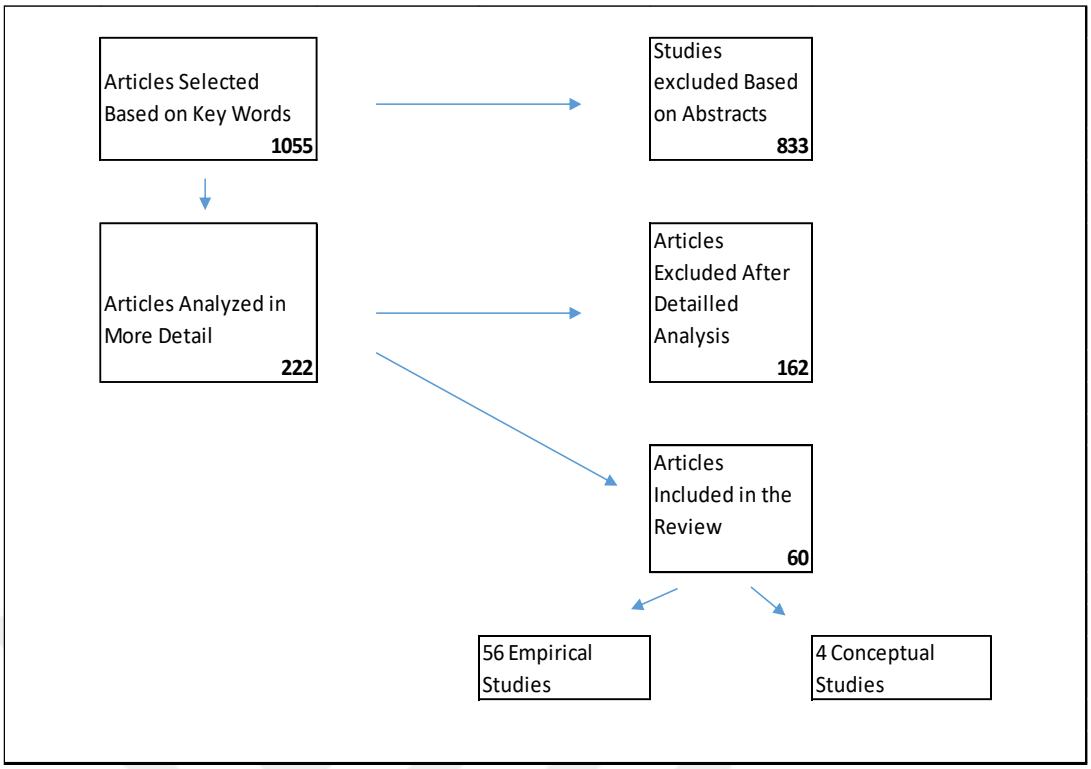


Fig. 2 – The elimination process of the articles

All 60 articles are put in an Excel file including the article information such as publication year and outlet, authors and objective of the research. We found that some information was missing. Therefore, we have used web search to find the missing information and complete the Excel table used to enlist the data included.

2.2.2. Coding of the data

In order to efficiently describe and analyze academic discussions on our research subject, a literature classification system is created. As suggested by Wolfswinkel, Furtmueller, and Wilderom (2011), we identified the categories for this classification by using an inductive approach informed by grounded theory.

Initially, we have read the 60 papers chosen after the elimination process. During the initial coding stages, we associated open coding methodologies and created a wide expand of codes to capture the subjects discussed in each study [Strauss and Corbin, 1998]. Based on the keywords, abstracts and full articles, we have created a coding list.

A coding list helped coders with a common outline of reference. For the purpose of refining it to provide consistent coding between the authors, the initial coding list is assessed utilizing twelve arbitrarily chosen articles. These extra refinements were basic for guaranteeing usefulness, consistency, and flow in coding. In this stage, the two authors worked independently on coding the 12 articles. Discussion and agreement between the authors eliminated the contradictions emerging from coding. Consequently, we have coded the articles and reached the following 10 categories:

1. Year

2. Publication outlet

3. Author

4. Objective / type of research

5. Theories used

6. Approach (e.g., conceptual, empirical, analytical)

7. Empirical method

8. Data (e.g. secondary, interviews, survey)

9. Causality

10. Key findings

Once the two authors agreed on every aspect of the analysis methods and coding, we have analyzed the remaining 48 articles.

2.3. Findings

2.3.1. Descriptive Analysis

Although the literature analyzing the innovation goes back to Schumpeter's work (1934) at the beginning of the 20th century and the literature on internationalization has its grounds after World War II period (E.g. Hymer, 1960; Johanson and Vahnle, 1977; Lall, 1983), scholars didn't focus on the relationship between these two important influencers of firm growth until the late 1990s. The literature in this area gain speed after 2000 and the number of works done increased sharply.

By conducting a descriptive review, we aim to find out if there is an accountable pattern in the literature [Guzzo et al., 1987]. Therefore, we have analyzed using a few evaluation criteria, such as publication time, research methods used, and research results. We have conducted our review by using a systematic process in every step including searching, coding, analyzing, and classifying. After conducting a comprehensive literature search, we have treated each work included in the review as one data point. Thus, we have conducted a within-case and a between case analysis to identify the patterns and trends in our sample [King and He, 2005].

Our purpose is to describe the landscape of the literature between innovation and internationalization as an evolving research area. We present a picture of the current status of the literature. We aim to provide suggestions for the future

development of the research field. Therefore, offering the results of our descriptive analysis is not only suitable but also necessary for this aim.

Conceptual Works vs Empirical Works

As seen in Figure 2 below, among 60 articles included in our sample only four are conceptual works. 3 out of these 4 conceptual pieces are focused on the effects of internationalization on innovation (Birkinshaw and Hoods, 2001; Rask, 2014; Gammeltoft and Hobdari, 2018). The only conceptual work in our sample focusing on the effect of innovation on internationalization is written by Cuervo-Cazurra and Ramamurti (2017). In this article, the authors first discuss the literature on the effects of internationalization on innovation in EMNCs, then argue that innovation has a positive effect on the internationalization of these firms. Similar to Cuervo-Cazurra and Ramamurti's article, Gammelhoft, and Hobdari (2018) base their work on the "Emerging Country" context.

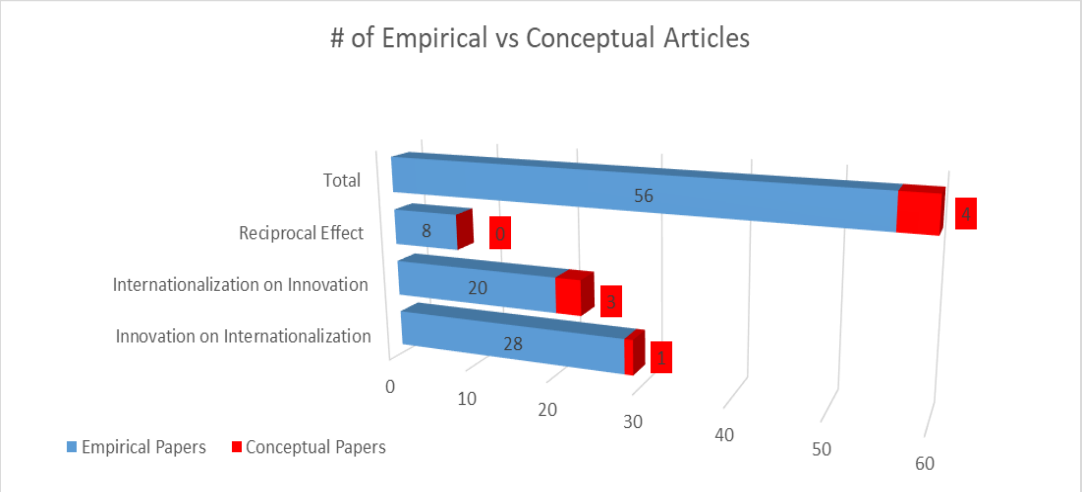


Figure 3: Number of empirical and conceptual articles

Empirical Methods Used

Table 1 below shows the methods used in the works included in our sample. When we analyzed the methodologies of the articles included in our literature review, we found that several articles use multiple methods. That is why the number of methods listed in the table is higher than the total number of articles. In terms of both quantitative and qualitative methodologies, we found that some methods were used more often. Regression is the most commonly used method. 45 articles out of 60 use different types of regression. The frequency and the popularity of the regression method used don't depend on the causality or the subject discussed in the articles. Qualitative methods described as cases and/or interviews are used in 9 works. Unlike regression, we see that the articles examining the effects of innovation on internationalization use qualitative methods more often than the articles looking at the reverse causality. Furthermore, 7 out of 8 articles focusing on the reciprocal effects of innovation and internationalization use regression, while one article is a literature review.

Moreover, our findings suggest that in top journals the number of papers using multiple methods is increasing. 3 papers out of 60 were using multiple methods.

Table 1: Methods used

Methods Used	**Innovation on Internationalization**	**Internationalization on Innovation**	**Reciprocal Effect**	**Total**
Regression	22	16	7	45
Literature Review	0	2	1	3
Qualitative Methods (Interviews and cases)	7	2	0	9
Factor Analysis	1	1	0	2

Descriptive	1	0	0	1
Event Study	0	1	0	1
Total Number of Empirical Methods Used (3 papers using more than one method)	31	22	8	61
Total Number of Empirical Papers	28	20	8	56
Conceptual Papers	1	3	0	4
Total Number of Articles	**29**	**23**	**8**	**60**

Data Sources

When describing the data sources, 18 articles indicated the use of primary data collected through surveys and interviews. Among the works using secondary data, publicly available secondary sources, academic research, media, company documents and patent portfolios are listed as data sources. Moreover, most of the empirical studies using secondary data sources acknowledge the names of the databases used. The list of the databases used in the articles included in our sample can be found in Table 2 below.

Table 2: List of the databases used

2002 Ifo Innovation Survey, Germany
APS- Global Data; Compustat; UK R&D Scoreboard Survey
Belgian Innovation Survey from BELSPO

China's Third Industrial Cencus conducted by State Statistics Bureau of China
Danish cluster of Welfare Tech
Data collected from "Infocamere" official database of the Union of the Italian Chambers of Commerce and CATI Survey
Data from official survey commissioned by UK Trade & Investment (UKTI)
Data from the National Industry Confederation database (Brazil)
Data from the Spanish Technological Innovation Panel (TIP)
EFIGE Data set collected within the EFIGE-European Firms
FAME Database
Firm level annual accounts information from the Belfirst database
Ghana Export Promotion Authority Database
Global Entrepreneurship Monitor
Micro data from the MIP, a representative survey of the German manufacturing sector provided by the ZEW (Center for European Economic Research)
OSIRIS database by Bureau van Dijk Electronic Publishing (BvDEP)
Poland Community Innovation Survey
Register of the Foreign Trade Database in Bosnia Herzegovina
Survey data collected by Mediocredito Centrale, Italy
Swedish Community Innovation Survey
The ESEE survey data sponsored by Spanish Minsitry of Industry
The Technological Innovation Panel (PITEC)
WIPS database
World Bank's World Development Indicators database

Although most of the databases listed above are used in only one article, we observe that data sources related to the Spanish government are used by several authors using Spain as the context of their works. 7 works indicate that the data used in the analysis is based on Spanish Business Strategy Survey (SBSS) data while three works indicate Infotel and three works, Spanish Ministry of Industry Data and two works Technology Innovation Panel (TIP).

Context

The high number of works using Spanish databases explained in the earlier section is also reflected in the context choice of the works. As seen in Table 3 below, 16 out of 60 works have Spain as the context. Among the empirical works, 10 works are having several countries both from Emerging and Developed Markets. Moreover, there is one work comparing the UK and Germany. Only 12 out of 56 empirical papers use the Emerging Country context. While two out of four conceptual works focus on emerging county firms (Cuervo-Cazurra and Ramamurti, 2017; Gammeltoft and Hobdari, 2018), while the two others write in more global terms and don't relate their theories to any contexts (Birkinshaw and Hood, 1991; Rask, 1994). The number of empirical works on EMNCs is limited while two out of four conceptual papers are focused on EMNCs. The discussions on the relationship between innovation and internationalization suggest that this relationship is different in the case of EMNCs than MNCs from DCs (eg. Cuervo-Cazurra and Ramamurti, 2017; Gammeltoft and Hobdari, 2018). Therefore, there is a need for empirical works investigating this relationship in Emerging Market contexts.

Table 3: List of contexts used

Context	**# of Works**
Mixed (DCs, ECs)	**10**
Spain	16
UK	3
USA	4
Germany	2
Italy	2
Sweden	1
Belgium	1
Russia	1
Canada	1
Denmark	1
Australia	1
UK and Germany	1
Total of DCs	**34**
China	5
Eastern Europe	3
Latin American Countries	3
Ghana	1
Total of ECs	**12**
Total Empirical Papers	**56**
DCs	2
EMNCs	2
Total Conceptual Papers	**4**
Total Number of Papers	**60**

Publication Outlets

We have analyzed the publication outlets of the articles in our sample. Internationalization and innovation-related articles have appeared in most of the top, theory-oriented academic journals such as International Business Review,

Journal of International Studies, and Journal of Business Research. This is an indicator of the attention paid to the subject by the scholars. However, 57% of the articles (35 articles) are published in 9 journals (see Table 4). Each of the 26 remaining journals has published only one article from our sample. Although the articles are spread among several journals, the number of journals with a high concentration of articles in our research subject is limited. Table 3 below shows a list of the journals and the number of articles from each journal included in the literature review. After ranking based on the number of articles, we analyzed the scopes of the top six journals with the highest number of articles included in the review. International Business Review and the Journal of International Business Studies are focused on international business, while World Economy has a broader scope covering subjects related to international trade. Canadian Journal of Administrative Sciences is a multidisciplinary journal on administrative sciences. The aim of the Journal of Business Research is to link theory developed in a broader business research area to the actual business settings. Among these top six journals, Research Policy is to the only journal where "innovation" is included as the main criterion in the scope of the journal. This analysis of the scopes of the journals with the highest number of articles focused on innovation and internationalization indicates that this relationship is considered more as an international business and strategy subject rather than an innovation issue.

Table 4: List of the journals

Journal	**# of Articles**
International Business Review	7
Journal of International Business Studies	5
Research Policy	6
Journal of Business Research	4
Canadian Journal of Administrative Sciences	3
World Economy	3
Journal of Business Research	2
Industry and Innovation	2
Journal of International Entrepreneurship	2
Competitiveness Review	1
Journal of Economics and Management Str.	1
Academy of Management Journal	1
Annals of Tourism Research	1
Economics Letters	1
Economics of Innovation and New Technology	1
Entrepreneurship and Regional Development	1
European Journal of Marketing	1
HBR	1
Innovation-Organization & Management	1
International Journal of Business	1
International Journal of Innovation Management	1
International Journal of Technology Management	1
International Marketing Review	1
Journal of Business Venturing	1
Journal of Economic Policy Platform	1
Journal of International Management	1
Journal of International Marketing	1
Journal of Strategy and Management	1
Multinational Business Review	1

Oxford Economic Papers	1
Review of Management Science	1
Service Industries Journal	1
Technology Innovtion Management Review	1
Technovation	1
The Journal of Iberoamerican Academy of Management	1
Grand Total	**60**

Theories Used

As shown in Table 5 below, authors based their works in this area on several different theories. The list includes only the theories that are explicitly mentioned in the papers. While some of the papers that are primarily based on the empirical testing didn't explicitly mention the theories used, there were also papers based on more than one theoretical basis. We have analyzed the theories used only based on the articles that explicitly mention theories that are used in the article. According to these criteria, theories used are mentioned only in 30 out of 60 articles included in the review. Moreover, 15 out of these 30 articles are based on more than one theory. Accordingly, we have analyzed the 30 papers including the information on the theories used.

While one conceptual article doesn't explicitly mention the theories used, three out of four of the conceptual papers indicate that they are informed from IB theory. Moreover, two of them also mentioned that they base their theories on FSA and EMNCs along with DC mentioned in one of them and LSA in the other.

Concerning the empirical works, one can see that the use of theories as a basis is not related to either the methodology or the causality of the paper. 11 empirical

articles are informed from the RBV, which is the theory used most often in our sample (E.g. Galende and De la Fuente, 2003; Rodriguez-Duarte et al, 2007). While RBV is the most popular theory among the empirical works, none of the conceptual works is based on RBV.

Moreover, as mentioned earlier, combinations of different theories are also applied to study the relationship between innovation and internationalization. For example, Molero (1998) studies the effect of innovation on future strategies by using the "Uppsala Model" and Innovation theory, while Lynch and Jin (2016) base their qualitative research on the Innovation Theory and the resource-based view. Hence, they create a framework of strategic alternatives to EMNCs in their international expansions. The authors of the articles in our sample mentioned that their works are informed from literature terms and/or theory names such as "International Business Literature", "Innovation Theory" and "Internationalization Theory". In this case, we have listed and evaluated the theories used based on how they are called in the articles (see Table 5).

Table 5. List of the Theories (as Mentioned by the Authors)

Theory or Literature (as mentioned in the articles)
Dynamic Capabilities
Eclectic Paradigm
Economic Geography
EMNCs Literature
Evolutionary Theory
Firm Specific Advantages

Innovation Literature
International Business Literature
Knowledge Based View
Location Specific Advantages
Micro-economic Theory
Organizational Capabilities
Organizational Learning
Resource Based View
Social Exchange Theory
Transaction Cost Theory
Upper Echelon Perspective
Uppsala Internationalization Theory
The Stage-model View of the Internationalization

2.3.2. Patterns

The search included the journal articles published between 1998 and 2018. The period of 20 years was chosen since it reflects a wide range of articles and helps to display the changes in the innovation and internationalization literature. Figure 3 indicates the yearly changes in the number of articles between 1998 and 2018. We can observe from the figure that the total number of articles has increased sharply after 2005.

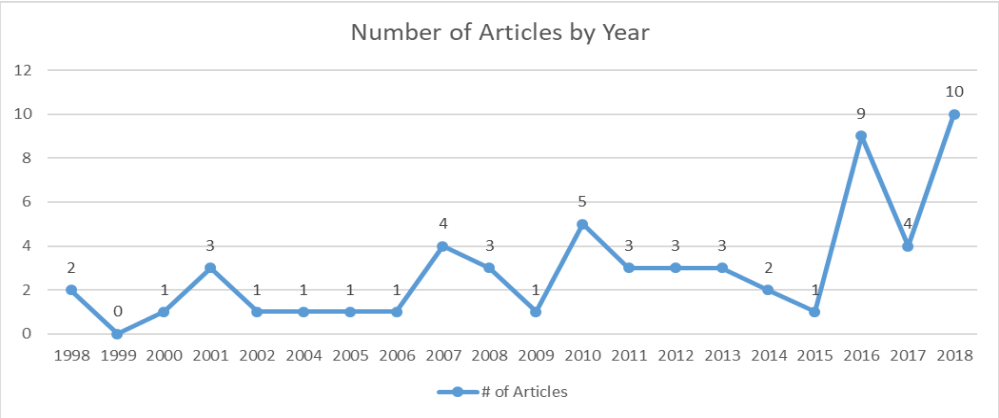


Fig. 4: Number of papers published in academic journals and included to the review

The classification of articles based on the review criteria has yielded 60 selected articles under three prime research streams, namely the effects of innovation on internationalization, the effect of internationalization on innovation, and the reciprocal effect of these two constructs. It is important to analyze how the number of articles in each stream changes over time since these changes indicate how the field evolves. Table 6 below shows the authors and the dates of the articles in each group. The dates of the articles in the table go back to 1998. However, the number of articles published before 2000 is limited. Moreover, the number of articles increase sharply by 2009. On the other hand, the number of articles comparing the effects of different types of innovation on internationalization is not significant until 2010.

Table 6: Works by year, by subject

	Internationalization – Innovation	**Innovation – Internationalization**	**Reciprocal**	**Total**
1998-2004	4	4		8
2005-2011	3	12	3	18
2012-2018	16	13	5	34

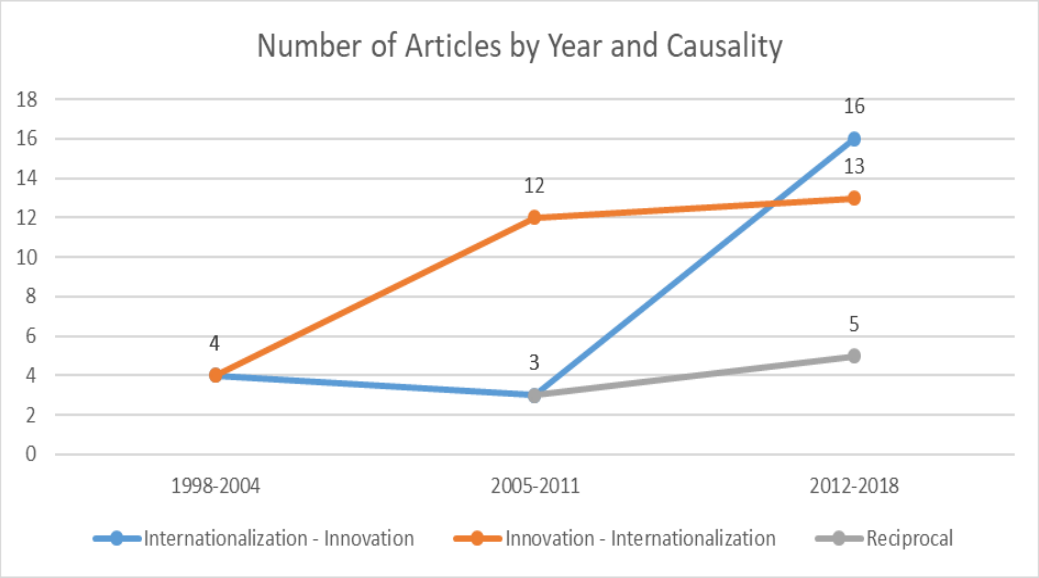


Figure 5: Number of Articles by year, by causality

2.3.3. Theoretical Discussions

The findings of the systematic review indicate that the articles studying the relationship between internationalization and innovation can be grouped into two large and one relatively smaller and newer groups. The first group consists of the articles arguing that internationalization is one of the antecedents of the innovation. The second group which includes the highest number of the articles concerns the

works analyzing the effects of innovativeness and innovation on the two dependent variables that are internationalization and international performance. As seen in Figure 5, the third group is relatively narrower than the first two. The authors of the articles in the third group are looking for the reciprocal effect between innovation and internationalization.

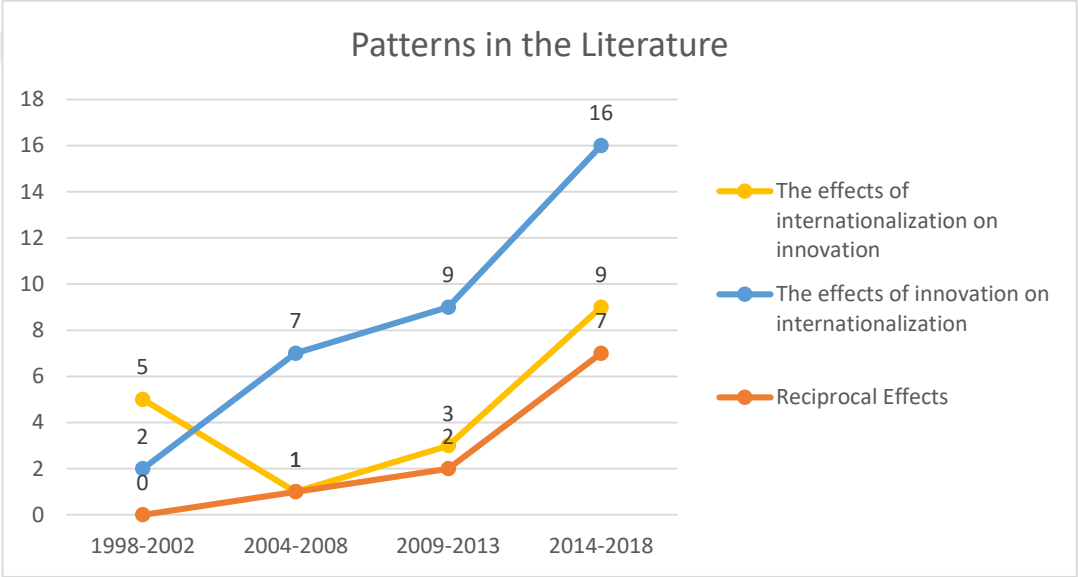


Fig. 6: Patterns in the literature

In the next section, we compare and contrast the works from above-mentioned strands.

2.3.3.1. The effect of the internationalization on innovation

The first stream in the innovation and internationalization literature concerns the studies investigating the effect of international diversification on innovation (e.g;

Zahra, Ireland, Hitt, 2000; Kafouros, et.al, 2008; Casadeus-Massanel, Ricart, 2010; Bratti and Felice, 2012). Scholars bring different explanations as to the reason for this relationship. One of the earliest works analyzing the causality between innovativeness and international expansion is Molero's 1998 paper. Molero considers the factors influencing the international growth of SMEs (Small and Medium Sizes Enterprises) by using the Uppsala Model (1998). According to Molero's findings, the effect of internationalization on the companies' future strategies comes from the R&D activities acquired over their international trade activities. Molero claims that the learning acquired by trading internationally doesn't impact innovations and firm strategies. Contrarily to Molero (1998), Salomon and Shaver's findings (2005) support a positive effect of learning on innovations. Unlike the studies claiming that innovation increases the possibility of the firms to export (Wakelin, 1998; Roper and Love, 2002), Salomon and Shaver (2005) aim to bring a new point of view to the relationship between innovation and internationalization. Thus, the authors investigate the reverse causality between innovation and exports. Their findings support a positive relationship between innovation and exports. The authors explain this relationship by introducing the "learning by exporting" argument. Based on this argument, international expansion gives exporting companies the possibility to access new knowledge that cannot be accessed through their activities in the domestic markets. The findings of the study support that exporting activities affect positively the product innovation of the firm, as well as its number of patent applications. Similarly, Bratti and Felice (2012) build their study on Salomon and Shaver's (2005) "learning by exporting" argument and analyze the relationship between a firm's export status and its ability to introduce product innovations. Their findings suggest that the export status of a

firm has a significant positive effect on the increase of the product innovation introductions or the R&D investments of that firm.

Similarly, Kafouros and friends relate the effect of internationalization on innovativeness to the knowledge and resources acquired in the host country. According to their study, the utilization of a wider range of resources and gathering knowledge through activities in different countries helps the firm to increase its innovative capacity. The authors also suggest that by reaching several markets, international firms can receive higher returns from their innovations. Consequently, the impact of the innovation on firm performance is positively moderated by the internationalization of the company (Kafouros et. al, 2008). Thus, Kafouros et. al use both KBV and RBV theories to explain the positive relationship between internationalization and innovation. Likewise, informing from RBV, Hanley, and Perez (2012) suggest that the positive relationship between exports and innovation is caused by the impact of higher exporter innovation rates on the "technology upgrading" of the innovating firms. Contrarily to the above-discussed RBV arguments, Li et. al (2012) argue that internationalization causes a split of the resources resulting in a negative relationship between internationalization and innovation.

Another reason considered as the source of the relationship between internationalization and innovation is the connection and knowledge transfer between the subsidiaries and the home offices of the international firms. In their paper dated 2001, Birkinshaw and Hood explain the positive relationship between internationalization and innovativeness based on the argument that most of the MNEs (multinational enterprises) aim to foster the innovation in their subsidiaries. According to the authors, to encourage innovativeness, the headquarters should see

the subsidiaries as peninsulas, in other words as semi-attached entities, rather than islands. Contrastingly to the work of Birkinshaw and Hood, Lo (2016) studied the intra-MNE advantage transfer and subsidiary innovativeness. The findings of the empirical study support that international diversification of intra-MNE advantage transfer has a moderating effect on the relationship between subsidiary innovativeness and performance (Lo, 2016).

Besides the learning, knowledge acquisition, and resource-based arguments, another view in the literature is that the degree of internationalization has an impact on the firms' innovations.

Freixanet, and Churakova, (2018), find that an increase in the level of product innovation as companies moves forward in the internationalization stages. Therefore, firms in higher international stages will become more innovative. Similarly, Hurtado-Torres, Aragon-Correa, and Ortiz-de-Mandojana (2018) argue that the firm's innovative performance is affected by the degree and the geographic diversification of a firm's R & D internationalization. The authors find an inverted U-shaped relationship between these variables. In their study, Hurtado-Torres et. al, aim also to expand the theory by investigating the effect of international collaborations on innovation. Their findings confirm that collaboration among R & D units from different countries acts as a moderator that decreases not only the positive effects but also the difficulties coming from the degree of R & D internationalization. Rodrigues, Nieta, and Santamara (2018) explain that the effect of international collaborations on innovation is a result of the knowledge acquired during these collaborations. They claim that this impact is especially effective in knowledge-intensive businesses. Therefore, the effects change depending on the industry and location (Rodrıgues et. al, 2018). By focusing on international

coopetition, Vanyushyn, Bengtsson, Nasholm, and Boter (2018) bring another point of view to this discussion. According to them, although international coopetition increases the possibility of having radical innovations, it differs from other types of collaborations. Coopetition that is the collaboration made with competitors has a higher risk of failure. Therefore, both positive and negative effects of this type of collaboration highly depend on the level of adjustments made by the firm (Vanyushyn et. al, 2018).

To sum the conclusion of these studies up, scholars doing their research on the effects of internationalization on innovation suggest several reasons for this relationship. Transfer of knowledge between MNEs and their subsidiaries (Birkinshaw and Hood, 2001; Lo, 2016), new knowledge acquired as a result of the international activities (Salomon and Shaver, 2005; Bratti and Felice, 2012; and utilization of a wider range of resources (Kafouros et. al, 2008) are considered among the reasons why internationalization has a positive effect on the innovations developed by the firm. Moreover, during the period between 2012 and 2018, the explanations regarding the possible reasons for this positive effect evolved in a new direction focusing on the relationship of the firm with outside players.

2.3.3.2. The Effect of the Innovation on Internationalization

There is a large body of literature on the effect of innovation and innovativeness on the internationalization of the company. The researchers used two different approaches to analyze this effect. The first approach is focusing on the effect of the innovation on the international growth and performance (Cassiman and Golovko, 2009; Molero, 1998; Pino et. al, 2016), while the second approach concentrates on the initiation of the internationalization (Caldera, 2010; Cassiman and Golovko, 2009; Lynch and Jin, 2015). Moreover, recently, there is an increase in the number

of works that study this relationship especially in terms of initiation of the internationalization in EMNCs.

In their literature review Hagen, Denicolai, and Zucchella (2014) investigate different approaches to the relationship between entrepreneurship, internationalization, and innovation. Their literature review focused on a large number of studies examining the effect of innovation on internationalization and the findings suggest a positive relationship between innovation and internationalization.

Contrarily to Hagen et. al's (2014) review, our findings suggest that not all of them find a positive relationship between these two concepts. As one of the earlier scholars working in this area, Wakelin compares innovating ad non-innovating firms in terms of the effect of innovation on the export behavior (1998). The author defines export behavior as a combination of probability and the propensity of the export activities. Contrarily to the findings of the following literature, Wakelin's findings support that the probability of exporting is higher for non-innovative firms than it is for innovative firms. However, when innovative firms are considered, the number of past innovations is positively correlated to the exporting activities.

Similar to Wakelin (1998) measuring both the probability and the propensity of export activities, Cassiman and Golovko (2011) investigate two different effects of the innovation on the export initiation. The findings support that innovation has a positive impact on the firms' export activities. probability of exporting. The second finding of the paper concerns the relationship between product innovation and the firm's likelihood of entering an export market. According to the authors, this relationship is mediated by "firm productivity". In other words, product innovation

causes an increase in firm productivity, which in return will lead to a higher likelihood of exporting. However, the authors claim that this increase in productivity is significant only for product innovation and not for the other types of innovations.

Correspondingly, Roper, and Love (2002) inspect the impact of the innovation-decision on the export performance of the company by using product innovations as the independent variable. The findings of their study support that product innovation has a strong influence on the export probability. Like Wakelin (1998), Roper and Love compare innovative and non-innovative firms and find differences in terms of spill-over effects. Their results suggest that the effect of co-location is not only related to the level of innovativeness but also the context. Being close to other innovative firms encourage UK firms to export, while it discourages German firms.

In recent research, Romero-Martinez, Garcia-Muina, and Ghauri (2017) examine the effect of international inbound open innovation on the international performance measured based on the number of international patents of the firms. As a result, the scholars find that opening to the international areas by collaborating for inbound open innovation increases the international performance by increasing the number of patents.

Scholars working on the EMNC literature suggest that the findings in international business research may show differences between multi-national companies from developed and developing countries. The under-developed economic and institutional conditions in the emerging country context may affect the internationalization and innovation journeys of the EMNCs (Prahalad, 2004;

Cuervo-Cazurra and Ramamurti, 2013). Therefore, a part of the research on how innovation affects the internationalization focuses on the EMNCs. The conceptual work of Cuervo-Cazurra and Ramamurti (2017) suggest that innovation-based internationalization is one of the two motives for the emerging market multinationals (EMNCs) to expand internationally. The idea behind this suggestion is that to handle underdeveloped home country institutions and economic conditions, the EMNCs aim to get a competitive advantage in international, especially other emerging, markets. They realize this by using innovations made at home. Correspondingly, the work of He, Fallon, Khan, Lew, Kim, and Wei (2017), analyses the changes in the internationalization of innovation caused by the increasing number of Chinese innovative firms. Informing from the IB, economic geography, and development studies literature, the authors also consider the impact of these firms on the global economy. Unlike the earlier works suggesting that innovation has an impact on internationalization, this study gives additional information on the effect of EMNCs' innovation on the global economy. Besides, Bortoluzzi, Kadic-Maglajlic, Arslanagic-Kalajdzic, and Balboni (2018) study the relationship between different types of innovations and the level of expansion of EMNCs. Their findings suggest that there is a U-shaped relationship between both product and organizational innovation and the level of international expansion in the emerging country context. However, the relationship between the level of internationalization and marketing innovation is an inverse U-shaped. Furthermore, the findings support that all three types of innovations have a positive impact on the firm performance measured as the relative position to the competitors. Finally, Cao, Navare, and Jin (2018) bring another point of view to the discussion. Informing from organizational learning theory and internationalization literatures, the authors

suggest that based on the firm capabilities and their strategies in the host countries, business model innovation helps the international retailers to reconstruct their core businesses and adapt in the new international markets.

As a conclusion to the discussions on the effects of innovation on internationalization, the scholars suggest different explanations. One of the first explanations, also considered in the later works, suggests that innovations, especially product innovations, made at home are seen as a reason that would initiate a search for new markets (Roper and Love, 2002; Cassiman and Golovko, 2011). Similar to IB literature in general, EMNCs literature also suggests that innovation-based internationalization is one of the main drivers of EMNC's internationalization. However, in the case of EMNCs, innovations made at home are not seen only as a reason to market seeking activities, but also as a source of competitive advantage in similar institutional contexts as the one in the home country (Cuervo- Cazurra and Ramamurti, 2017; He et. al, 2017).

2.3.3.3. The reciprocal effect of innovation and internationalization

In their article dated 2008, Kafouros et al. provide a new point of view to the discussions on how innovation affects international firm performance. They suggest that having some degree of earlier international activities increases the positive effects of innovation on the international performance of the firm. Informing from KBV and RBV, the source of the positive effect comes from the ability to acquire knowledge, technologies, and skilled labor. Knowledge and resources reached in the international markets increase the innovativeness, which in return has a positive effect on the international performance and local responsiveness. Golovko and Valentini's 2011 study support this idea. The authors' un-balanced panel study of Spanish manufacturing firms, finds robust support on the hypothesis that the export

activities and innovations are complementary to each other on a firm's growth and they have a reciprocal effect on each other. According to Filipescu et. al (2013), the literature has examples of works suggesting both that technological innovations lead to internationalization and vice-versa. Filipescu and her friends (2013) suggest that although there are few works in this area (such as Golovko and Valentini, 2011), the possibility of a reciprocal effect under-studied. Their findings based on their panel data set of 696 Spanish firms (2013), supports the idea of a reciprocal causality between innovation and exports. Their arguments are based on RBV. Similar to Kafouros et. al (2008), Filipescu and her friends suggest that the source of exports are technological resources and innovations. They argue that one hand, R&D intensity, product, and process innovations increase the breadth and the depth of the exports. On the other hand, the breath and the depth of exports increase the R&D intensity as well as product and process innovations. The findings of their study support that there is a reciprocal causality between exports and innovations.

In 2011, Williams and Shaw bring another point of view to the discussion. They suggest that "internationalization is a form of innovation". To succeed in internationalization, firms need to innovate and vice-versa. Filipescu et al (2013) and Denicolai, Hagen, and Pissoni (2015) focus each only on one type of innovation and this specific type of innovation's relationship with internationalization. Flipescu et al.'s study is an interview-based qualitative study using RBV and internationalization theories to analyze the relationship between technical innovation and internationalization. The findings of this study suggest that the effect is reciprocal. Although Damijan et al. (2010) hypothesize both the effect of innovation on internationalization and vice versa, their first hypothesis that is either product or process innovation increase the possibility for a firm to become

exporting activities is not supported. However, their findings suggest that export activities have a positive impact on productivity improvements about process innovations. Furthermore, the studies conducted by Golovko and Valentini (2011) as well as Williams and Shaw (2011) find that innovation and internationalization affect each other positively.

Although the studies mentioned above have similar findings suggesting that innovation and internationalization has a reciprocal effect, they bring different explanations as to the reasons for its basis. For example, Moreno-Mendez, (2018) looking at the reciprocal relationship between innovation and internationalization with open innovation and cooperation between both internal and external agents including clients, suppliers, and foreign intermediaries. The author's explanation for the effect of exports on innovation is based on the "learning by exporting" theory, as well as the capability to reach potential innovation partners. In return, the international innovation partnerships and open innovation activities help the firms to explore new markets (Moreno-Mendez, 2018).

In their article where they study how innovation and internationalization are interlinked, Rasmussen, and Petersen (2017) argue that high-tech global start-ups face many difficulties concerning both internationalization and innovation. Similarly, Kriz and Welch (2018) suggest that international expansion and innovations requiring new technologies become a challenge for company management. Basing their study on the Uppsala Internationalization Model, the authors find that the patterns of internationalization are uneven and discontinuous as a result of these challenges.

To summarize, the authors in this area agree that there is a mutual relationship between innovation and internationalization. This relationship is reflected not only as a positive but also as a challenging one. As some of the above-mentioned examples suggest there may be another reason for the correlation between innovation and internationalization such as the positive effect of collaboration on both constructs. The result of our analysis indicates that only 10 out of 60 papers in our sample deals with the reciprocal effects of innovation and internationalization. Moreover, the findings of these 10 articles show differences. Therefore, the discussions in this area are not concluded.

2.4. Discussion, Suggestions for Future Research, Limitations and Contributions

2.4.1. Discussion of the findings

As discussed in the findings section, the literature has examples of works discussing the effects of internationalization, works discussing the effects of innovation on internationalization, and works suggesting a reciprocal effect. When we analyzed the subjects of the papers in terms of the published works, we find that there is a chronological pattern. The strand analyzing the reciprocal effects of the innovation and internationalization is informed by the two earlier strands.

The findings of the analysis made in the literature review show that there are some inconsistencies, gaps, and necessities for further investigation in the literature. The gaps and unclear topics in this area are as follows. First, the results of the studies on the effects of internationalization on innovation are mixed, even contradicting each other. Second, most of the works in the second strand analyze export activities to measure internationalization. However, in business life, exports are not the only

means of internationalization. Third, the studies in this strand and informing from EMNCs literature are primarily focused on the impacts of innovation on the international expansion and entry mode choices, but the international activities of a firm don't stop after the entry. Business life has examples of EMNCs innovating to adapt to international markets. The number of works examining how companies utilize innovation to increase their adaptation to the host country is restricted (e.g. Cuervo-Cazurra, Newburry, Stop, 2016; Lee and Slater, 2007). Finally, the number of works studying the reciprocal relationship between innovation and internationalization are limited.

In the second strand looking at the effects of innovation on internationalization, there are two approaches. The first approach uses international performance as the dependent variable, while the second approach uses the initiation of internationalization. The findings of studies using approaches are in line with each other. Authors in this strand agree that innovation has a positive effect on the internationalization or international performance of the firm. On the other hand, most of the works proposing a relationship between the innovativeness of the company and its internationalization examine exporting activities as the mean of internationalization. The reason for this approach is that export activities are assumed to be the first stage of the internationalization process. Our findings show that several works we analyzed (Wakelin, 1998; Bratti and Felice, 2012; Hanley and Perez, 2012) are informed from the Internationalization Theory of Johanson and Vahlne (1977; 1990). However, as it is the case in the born global firms (Knight and Cavusgil, 1996; Tanev, 2012), exports are not always the first step of the internationalization. Therefore, measuring the effects of innovation only on the initiation of exports as the mean of internationalization may be insufficient. Since

the effect can change with the internationalization strategy of the firm, there is a need to study other international entry forms as well.

According to Golovko and Valentini (2011), innovation and internationalization are complementary to each other. On the other hand, being a relatively new strand, the literature analyzing the reciprocal effects of innovation and internationalization needs further investigation. Moreover, the number of works suggesting the reciprocal effect is limited. Therefore, there is a need for works that will expand the literature. Consequently, further empirical research is required to fill this gap in the literature.

Moreover, our analysis indicates some other conclusions regarding the context and the trends in the literature. When we examine the change in the subjects and context, we find that the interest in the Emerging market context has increased in recent years. Cuervo-Cazurra and Ramamurti's work discussing the motivation of EMNCs to internationalize is focusing on a different reason why innovation affects international expansion. Furthermore, different aspects of this relationship are discussed by scholars such as He et al. (2017) and Bortoluzzi et al. (2018). As Ramamurti (2012) suggests the internationalization theories that are developed for developed market firms are not capable of explaining the rise of EMNCs. Our analysis that is related to both innovation and internationalization concepts shows that the number of works in EMNCs contexts is still limited compared to the works in developed market contexts. Therefore, there is a need for further studies in the EMNCs area to be able to conclude the discussion on the relationship between innovation and internationalization from emerging markets.

Consequently, an idea that appears among the works studying both the effects of innovation on internationalization and the reciprocal effects is the collaboration. As well as the coopetition, international R&D collaborations, and international open innovations are discussed (E.g. Hurtado-Torres et. al.

2018; Romero-Martinez et. al, 2017; Vanyushyn et. al, 2018). However, among the 60 articles that we have studied there were not any works analyzing the relationship between EMNCs' innovation and internationalization, from a collaboration based point of view. Similarly, to the internationalization, earlier literature on the innovations of EMNCs suggest that these firms follow a different path than their counterparts in the developed markets (E.g. Govindarajan and Ramamurti, 2011; Immelt et al., 2009; Mudambi, 2011; Kothari et al., 2013).

Therefore, further research looking at the innovation and internationalization relationship about international collaborations of EMNCs would be helpful to complement this literature.

Although there is a growing literature, it is still fragmented. There is a need for further research in several areas such as the reciprocal effects of innovation and internationalization, the constructs that can moderate or mediate this relationship, and the innovations used by the EMNCs as a means of international adaptation. A few researchers have examined the effect of innovation and internationalization on each other. In any case, although they analyzed comparable factors, they find varying degrees of association concerning the impacts of these two variables.

2.4.2. Suggestions for Future Research Areas

1. Compared to the empirical works the number of conceptual papers is limited. While 56 empirical papers are focusing on the relationship between innovation and

internationalization there are four conceptual works. Two of these conceptual papers focus on emerging county firms (Cuervo-Cazurra and Ramamurti, 2017; Gammeltoft and Hobdari, 2018), while the two others write in more global terms and don't relate their theories to any contexts (Birkinshaw and Hood, 1991; Rask, 1994). 3 out of these 4 conceptual pieces are focused on the effects of internationalization on innovation and only one is on the effect of innovation on internationalization. As discussed in the "Theories Used" section, researchers have based their studies on existing theories such as RBV, KBV, and Uppsala Internationalization Theory. However, conceptual works are an effective way to start intellectual discussions in a new area. The limited number of conceptual works indicates that there is room for new theory development that may provide new lenses to the relationship between innovation and internationalization.

2. Similar to conceptual works, the number of qualitative studies is limited. Our study shows that 45 articles out of 60 use different types of regression and 9 articles use qualitative methods. Qualitative research concerns inductive theory building (Corbin and Strauss, 2015) that is necessary to construct and expand the theory in a field. Therefore, there is a need for more inductive qualitative works to expand the theory in this area.

3. The number of literature reviews is also limited. Literature review studies are necessary to present a state-of-the-art understanding of any research field. They give some basic discussions on a particular research area by writing and synthesizing the earlier literature. Thus, they provide an understanding of the research gaps and suggest new areas of future research (Bem, 1995; Marabelli & Newell, 2014; Paul and Criado, 2020). Therefore, more review papers in this are necessary to indicate the gaps and important discussion questions left open.

4. The findings of our review show that a big part of the empirical papers (45 out of 56) are based on a single context. Even though our findings indicate 10 studies being engaged with several countries from both developed and emerging contexts and one study compares German and UK contexts, the rest of the empirical works are based on single countries. Moreover, except for the 12 studies focusing solely on the emerging countries, the multiple-country studies don't examine the possible effects of the context. Future research that will be conducted on multiple-countries may help to see if and how the context influences the relationship between internationalization and innovation.

5. Recently, there is an increase in the number of works that study this relationship especially in terms of initiation of the internationalization in EMNCs. EMNCs scholars argue that EMNCs have different capabilities and weaknesses compared to their counterparts in developed countries. However, in all three streams, the number of works focusing on EMNCs is limited. Only one-fifth of the empirical papers and two out of four conceptual papers in our sample are focused on EMNCs. The EMNC literature suggests that the relationship between innovation and internationalization is different in the case of EMNCs than MNCs from DCs (eg. Cuervo- Cazurra and Ramamurti, 2017; Gammeltoft and Hobdari, 2018). Therefore, there is a need for both conceptual and empirical works investigating this relationship in Emerging Market contexts.

6. During the period between 2012 and 2018, the explanations regarding the possible reasons for the positive effect of the internationalization on innovation evolved in a new direction focusing on the relationship of the firm with outside players. International business has abundant examples of firms going to international partnerships to create and implement innovations. Therefore, this new

area of research has room for more works that will bring both theoretical and practical contributions to the discussion.

7. Although numerous works are suggesting that internationalization affects innovations positively, the results are mixed and the key question about this relationship remains unsolved. For example, opposite to Bratti and Felice's (2012) argument suggesting that export status positively affects the possibility of increasing product innovations and R&D spending, Li, Wu, and Zhang's (2012) findings support that international expansion has a negative impact on the innovation performance at the home market. Therefore, although the studies in this area go back to the end of the 1990s, the discussion has still didn't conclude. To finalize this discussion, there is still a need in the literature for further empirical research in this area. A research that will clarify how strong and in which way the internationalization affects the innovation will not only contribute to the literature but also have practical implications. Such an analysis can help practitioners in building their strategies.

8. Regarding the papers studying the effects of innovations on internationalization, we have observed that most of the works consider exports as the main entry mode to a foreign market. However, as it is the case in the born global firms (Knight and Cavusgil, 1996; Tanev, 2012), exports are not always the first step of the internationalization. Therefore, measuring the effects of innovation only on the initiation of exports as the mean of internationalization may be insufficient. Since the effect can change with the internationalization strategy of the firm, there is a need to study other international entry forms as well.

9. The result of our analysis indicates that only 10 out of 60 papers in our sample deals with the reciprocal effects of innovation and internationalization. Moreover, the findings of these 10 articles show differences. Therefore, the discussions in this area are not concluded. There is room in this area for new works that will provide a better understanding of the reciprocal effects.

10. Most of the works in our sample analyzing the effect of internationalization on innovation relate this effect to the tangible and intangible assets gained through international expansion (Eg. Salomon and Shaver, 2005; Kafouros et. al, 2008). However, to adapt to the new markets, firms may need to innovate. The only example from our sample studying the innovations made to adapt is Cao et al.'s work (2018) that studies the BMI in host markets. However, the innovations made to adapt may have different effects on the international performance of the firm than the home country based innovations. Therefore, there is a gap in the literature and further investigation of this question is needed.

2.4.3. Limitations

This study doesn't come without any limitations. The first limitation of this literature review is that it includes only the studies looking at the relationship between innovation and internationalization. Hence, the study is limited with regards to analyzing the works on other subjects that may be conceptually or theoretically not directly related but maybe close to this subject. However, limiting the scope gives us the possibility of providing a detailed analysis of the subject.

The second limitation of this study is that our database search is limited with WoS database. To overcome this limitation, as the second step of our analysis, we have

conducted a second analysis based on the citations. We have searched for the papers that are cited by several other studies and included them in our research.

2.4.4. Contributions

This article has three contributions. This review paper contributes to the writing, to begin with by portraying diverse strands and evolution considering the relationship between internationalization and innovation. The paper summarizes and integrates 60 papers that are relevant in terms of examining our research question that is "What is the relationship between innovation and internationalization?" With our review, we offer a summary of the state of the art and define the gaps in the literature. The point of this evaluation is to investigate and look at the key findings of these works and define the similarities and differences in the findings. Last but not least, we recognize the limitation of these studies for future research and we give eight suggestions on further research topics.

Transition from Chapter 2 to Chapter 3

The findings of Chapter 2 indicate some further research areas. We found that the number of qualitative studies, especially analyzing the effects of internationalization on innovation is limited. Considering the importance of qualitative studies in terms of building and expanding theory in a field, further research using inductive methods is necessary. Moreover, we found that while recently more studies have addressed emerging market contexts, there is a need for research that addresses the question of whether effects within or from emerging markets are different from those within or from established. Furthermore, many studies use single variable metrics of internationalization, especially exports, while evidence suggests that internationalization is a multi-dimensional construct. Both research using alternative dimensions, and research integrating dimensions would be relevant to build a more robust body of knowledge on any of the relationships. Besides, internationalization is a process, and therefore pre-entry and post-entry activities should be included. Chapter 3 of this dissertation aims to respond the above mentioned further research areas defined in Chapter 2. Our purpose in Chapter 3 to explore the adaptation phase and innovations made after the firms' entry to new markets in the EMNCs context. Finally, by conducting an inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation and innovation (see Fig. 7).

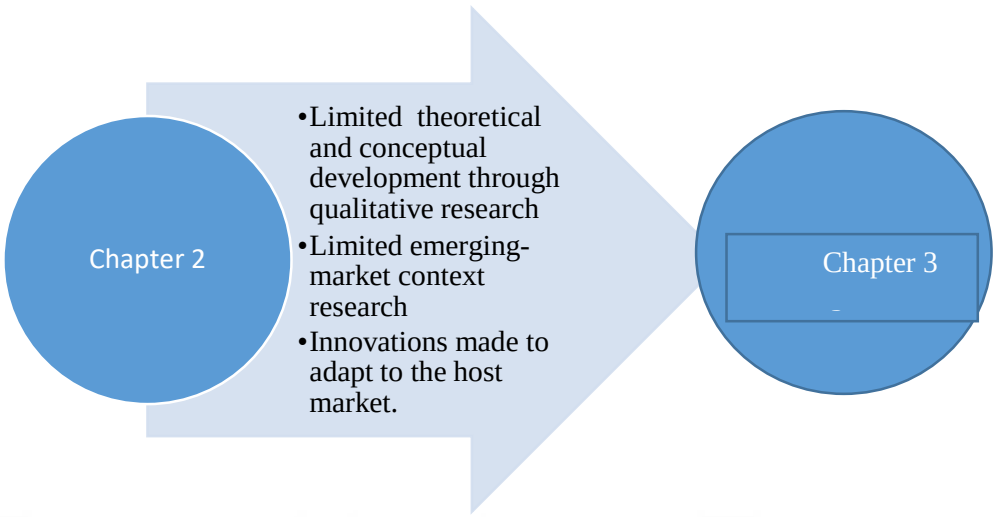


Figure 7: Transition from Chapter 2 to Chapter 3

CHAPTER 3

INNOVATIONS BY EMERGING COUNTRY MULTINATIONALS AS A MEANS OF ADAPTATION: EVIDENCE FROM THE TURKISH BUSINESS CONTEXT

Abstract

In a large part of the EMNCs literature, the studies on the internationalization of EMNCs concentrate mostly on the activities conducted until the firm enters to the host country. In any case, the examples from international business show us that the survival or adaptation of a firm in a host market build upon not only on activities carried out before or until the entry, but also on the strategies defined after the entry to the host market. The aim of this paper is to explore how EMNCs' develop and use innovations to adapt to the host markets after their entry. We analyzed the research problem using two qualitative methods: in-depth interviews and archive research based on news and company reports. Our findings suggest that EMNCs face challenges not only before or until but also after they enter to the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their own resources with the tangible or intangible resources of local partners, they create Recombinant FSAs to overcome the challenge in the international markets. Although collaborations built in the host country give rise to different types of innovations including product, process and marketing, dominantly, companies create BMI driven by these collaborations.

3.1. Introduction

It is well-established in the international business literature that adaptation to the host country environment is one of the critical forces impinging on the multinational enterprise, and a major determinant of its success (Bartlett and Ghoshal, 1989; Peng 2004; Prahalad and Doz, 1987). In this paper, we explore how Emerging Market Multi-National Companies (EMNCs)' develop and use innovations to adapt to the host markets.

The importance of EMNCs in the global business area has strongly increased during the last decade. In 2019, the top 6 out of the top 25 companies in Fortune Global 500 are EMNCs. In 2009, there were no emerging market companies among the top 25 companies listed in the Fortune Global 500 list. While studies focusing on EMNCs from China and Brazil are dominant in the literature (Thomas, 2018; Zhang and Zheng, 2017), companies from other emerging markets such as Mexico, Indonesia, and Turkey are also successfully expanding both to Developed and Emerging Markets. EMNCs are increasingly competing with their counterparts from Developed Countries in the global business arena (Ramamurti and Singh, 2008; Gammeltoft, 2008; Luo and Tung, 2007).

The relationship between innovation and internationalization is a subject studied by scholars concentrating on Emerging Market Multinationals (EMNCs) (e.g. Bartlett and Ghoshal, 2000; Child and Rodrigues, 2005; Govindarajan and Ramamurti, 2011). The literature is mainly focused on the effects of innovation on the expansion and entry mode decisions (Duysters, Jacob, Lemmens and Yu, 2009; Estrin, Nielsen, and Nielsen, 2017). In a large part of the literature, the studies on the internationalization of EMNCs concentrate mostly on the activities conducted

until the firm enters to the host country. In any case, the examples from international business show us that the survival or adaptation of a firm in a host market builds upon not only on activities carried out before or until the entry, but also on the strategies defined after the entry to the host market. The Turkish architecture firm (from our sample) partnering with another, but the UK based, architecture firm to solve the liability of origin challenge and the telecom firm partnering with local banks to overcome the challenge caused by the accounting laws in the host country are two examples of firms partnering with locals in order to facilitate their adaptation.

The number of works studying how companies use innovation to facilitate their adaptation to the host country is limited (e.g. Cuervo-Cazurra, Newburry, Park, 2016; Lee and Slater, 2007). The aim of this paper is to explore how EMNCs' develop and use innovations to adapt to the host markets after their entry. To understand how firms, do this, we focus on the challenges and the strategies used by EMNCs to solve these challenges in the new markets.

We analyzed the research problem using two qualitative methods: in-depth interviews and archive research based on news and company reports. We have conducted in-depth interviews with the managers of 15 Turkish EMNCs. We used an inductive approach during the analysis of interview transcripts and field notes.

Our findings suggest that EMNCs face challenges not only before or until but also after they enter the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their own resources with the tangible or intangible resources of local partners, they create Recombinant FSAs (Collinson and Narula, 2014) to overcome the challenge

in the international markets. Collaborations built in the host country to overcome these challenges give rise to different types of innovations including product, process, and marketing. Dominantly, companies create BMI driven by these collaborations. In other words, the EMNCs search for partners to collaborate in the newly entered markets. Once the collaboration is decided, they do the necessary BMI to make these collaborations work. Although BMI is the most often used type of innovation, our findings suggest that it is not the only type. After entering a host country, the firms in our sample also develop product, process, and marketing innovations in order to overcome the challenges that they face in their new market.

This study contributes to the literature on EMNCs and to the BMI field by exploring the link between internationalization and innovation. Our findings contribute to the literature on EMNCs by exploring the adaptation phase and innovations made after the firms' entry to new markets. Former studies on EMNCs have mostly focused on the motivations and entry strategies of these companies, as well as whether they require new theories to explain their behavior. Our paper complements this research by focusing on how these companies adapt to their surroundings. We also contribute to the literature on BMI by showing the effect of internationalization on BMI. Finally, by conducting an inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation, and innovation. Therefore, this study gives directions for further empirical analysis that will test these relationships.

Throughout this chapter, the term “EMNCs” will be used for the corporations fulfilling three key criteria defined by Luo and Tung’s (2007) definition: the origin of the international company is an emerging market country; the corporation is

engaged in outward FDI; the corporation has value-adding activities in at least one foreign country (Luo and Tung, 2007).

Similarly, through this chapter, the term "innovation" is used as defined by Damanpour (1991): "…adoption of an internally generated or purchased device, system, policy, program, process, product, or service that is new to the adopting organization." (Damanpour, 1991, p. 556)

The chapter is structured as follows. The theoretical background gives a summary of the existing literature on the relationship between innovation and internationalization in both EMNCs literature and in general and indicates a gap in the EMNCs literature. The second part explains briefly the methodology used to conduct the study. The third part concerns the findings of the in-depth interviews conducted so far. Finally, the conclusion part discusses the theoretical implications, contribution, and the limitations of the study.

3.2. Theoretical Background

In the "Theoretical Background" section, we give a discussion of the literature that comprehends the directions of innovation and international expansion of EMNCs.

3.2.1. EMNCs and Internationalization

In connection with the relationship between innovation and internationalization of EMNCs, the motivation behind the international expansion is a subject that is highly discussed among the scholars.

According to the Eclectic Theory (Dunning, 1980) and MNCs theory (Dunning, 1993; Narula and Dunning, 2010), the foreign direct investment decision of MNCs

is related to the company resources that they desire to exploit and relocate to the international markets. Unlike to the MNCs theory, scholars working on the EMNCs area suggest that the reason for the international expansion of EMNCs is based on the desire to acquire resources and on their ability to find market niches that were not addressed by MNCs (Cuervo-Cazurro and Genc, 2008; Kothari, Kotabe, Murphy, 2013). A large number of works in the literature argue that one of the reasons for EMNCs' investments in developed countries is the desire to acquire knowledge that will help them innovate (Elia and Santangelo, 2017; Meyer, 2015). In other words, the literature suggests that one of the main motives for EMNCs to expand is their asset and knowledge-seeking behaviors (Makino, Lau and Yeh, 2002; Ramamurti and Singh, 2009).

The findings of the empirical studies conducted by Bertoni, Elia, and Rabbiosi (2013) and Buckley et al. (2007) and case studies by Duysters et al. 2009 support that asset and knowledge-seeking are the strongest reason for the expansion of EMNCs. According to the literature, assets, and knowledge acquired in the host country increase the companies' innovativeness both in the case of emerging and developed country firms. Kafouros; Buckley and Sharp relate the effect of internationalization on innovativeness as increasing the utilization of a wider range of resources and gathering knowledge through activities in different countries that in return helps the firm to increase its innovative capacity (Kafouros et. al, 2008). According to the EMNCs literature, this is a very strong motive for the expansion of EMNCs, especially when they aim to increase their technological capabilities (Luo and Tung, 2007).

Additional, as suggested in the literature, another motivation for the international expansion of EMNCs is the desire to acquire resources and on their ability to find

market niches that were not addressed by MNCs (Kothari, Kotabe, Murphy, 2013; Barthlett and Goshal, 2000; Cuervo-Cazurra and Genc, 2008). Moreover, the literature has examples of works arguing that the EMNCs expand to find new markets because of the disadvantageous economic or administrative conditions at home. According to Amighini et al. (2015), these motivations defined as "market-seeking" forms are the core of the location advantages suggesting that the size and conditions in the host markets are effective on the entry decision of firms from both emerging and developed countries (Loree and Guisinger, 1995; Flores and Aguilera, 2007; Kedia, Gaffney,& Clampit, 2012). In relation to the "market-seeking" motives, an extensive part of the literature considers innovations as an ex-ante to the international expansion (Cuervo-Cazurro, 2012; Kumar, Mudambi, and Gray, 2013; Cuervo-Cazurra and Ramamurti, 2017). In other words, the expansion is made possible thanks to the innovation made by the EMNCs that are willing to sell their products to new markets.

3.2.2. Firm Specific Advantages and EMNCs

Previous studies in International Business literature have emphasized the role of Firm-Specific Advantages (FSAs) on the international expansion of the MNCs. Firms with overseas production counterbalance their disadvantages when competing with local firms that are more familiar with the environment (Hymer, 1976). The literature agrees that FSAs are a combination of two different types of assets, namely technology-type and transaction type (Dunning 1980, 1988). Technology type FSA include R&D outputs, while transaction-type FSAs concern managing the firms' activities and reducing the transaction cost (Narula, 2017). Moreover, some scholars suggest that there is a third advantage that is the capability to recombine FSAs by using internal assets or assets gained by external

actors (Verbeke, 2009; Narula; 2012). On the other hand, when considered in the light of Damanpour's (1991) definition of innovation, these recombinations resulting from the new ways of achieving similar outcomes (Narula, 2014) can be considered as an innovation. Although FSAs are necessary for the international activities of a firm (Dunning, 1988; Rugman, 1981), some of the FSAs owned by the firms may be context-specific. Therefore, firms may not be able to exploit these advantages in a different location than their home countries, or similar contexts (Rugman and Verbeke, 1992; Collinson and Narula, 2014).

Regarding EMNCs, FSAs are considered as being different in cases of emerging and developed country firms in host markets (Dunning, 1998). For example, Rugman and Li (2007) suggest that firms from emerging markets have to first accumulate their missing FSAs in order to build strong investments in the long-term while Amighini et al. (2015), argue that EMNCs' advantages come from the production capabilities and networks. EMNCs may not have the well-accepted FSAs necessary for internationalization (Dunning, 1998; Hennart, 2012, Narula, 2012, Ramamurti, 2012), such as strong technology and brands (Rugman, 2009; Hennart, 2012), but they compensate the lack of these advantages with other advantages such as lower costs to access resources (Hennart, 2012) and process innovations made to reduce the costs (Zeng and Williamson, 2007). Additionally, their experience and knowledge about the unstable institutional conditions in their home country, help EMNCs to adapt to the host country when they expand to other emerging countries (Cuervo-Cazurra and Genc, 2008). Furthermore, by using recombination FSAs, a firm can overcome its locational disadvantages. The idea behind the positive effect of recombination FSAs on the international expansion is that when they recombine their resources in a partnership, firms can gain new assets

and capabilities (Narula, 2012; Verbeke, 2009; Verbeke and Yuan, 2010). Creating new FSAs by recombining their assets with local partners is also used by EMNCs. As put by Collinson and Narula (2014, p.3), "seeking privileged access to location-specific advantages which compensate for the disadvantage, and where its current location doesn't provide such access, in a new location", EMNCs partnering with local players may acquire recombinant FSA. Thus, they may have new FSAs to compensate for the unused context-specific FSAs (Collinson and Narula, 2014). According to Collinson and Narula's findings (2014), the recombinations increase the EMNCs' innovation performances.

3.2.3. Innovation and Internationalization in EMNCs

The literature studying the relationship between internationalization and innovation in EMNCs has built on the literature of innovation and internationalization in general. The scholars studying the effects of innovation in multinational companies (MNCs) use two different approaches to analyze this effect. The first approach focuses on the effect of the innovation on the international growth and performance (Cassiman and Golovko, 2009; Molero, 1998; Pino, Felzensztein, Zwerg-Villegas, and Arias-Bolzmann, 2016), while the second approach concentrates on the initiation of the internationalization (Caldera, 2010; Lynch and Jin, 2016).

The literature on the international expansion of EMNCs is mostly focused on the decisions of the firms before they internationalize. These decisions include the decision to expand in international markets (Cuervo-Cazurra, 2012; Kothari, Kotabe, Murphy, 2013; Makino et al., 2002; Meyer, 2015), ownership advantages and disadvantages (Amighini, Cozza, Giuliani, Rabellotti, Scalera, 2015; Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra and Ramamurti, 2017) and entry mode choices (Cui and Jiang, 2012; Meyer, Estrin, Bhaumik, and Peng, 2009). As

discussed above, the literature has several examples of studies concentrating on the processes and decisions before the internationalization is completed. Although there are examples of numerous studies suggesting that the expansion is made possible thanks to the innovation made by the EMNCs, in these studies the innovation is considered ex-ante to the international expansion (E.g. Cuervo-Cazurro, 2012; Cuervo-Cazurra and Ramamurti, 2017; Kumar, Mudambi and Gray, 2013). On the other hand, considering the real business life situations, it is known that in some cases firms realize the need to develop innovations to increase their performance in the host market after their entry. For example, as reported by Financial Times (January, 4th, 2011), the German originated industrial group Siemens, suggests that it is important to innovate in emerging markets in order to localize western-designed products. Although used in the business life, to the best of our knowledge, the number of works studying innovation as a strategy ex-post to expansion is limited (Fleury, Fleury and Borini, 2013; Lee and Slater, 2007).

To summarize, when we look at the literature we see that scholars in most of the works that we are aware of the scholars studied the companies until they entry decision to the new markets. The questions asked are: "Where and how EMNCs decide to expand?" and "Which advantages or disadvantages do they carry from their home countries and firms when they enter a new country?" On the other hand, the strategies developed by international companies are not limited to the location and entry mode choices. Therefore, the questions "How EMNCs develop and use innovations to adapt to the host markets?" still need to be researched. The purpose of our study is to explore the actions and the innovations of EMNCs after the decision to enter is made. Therefore, we intend to first examine how the existing theories fit the Turkish context. Subsequently, we aim to explore the answer to the

unanswered question that is “How EMNCs’ develop and use innovations to adapt to the host markets?”

3.3. Methodology

3.3.1. Research Context and Qualitative Methods

To study the EMNCs, as the context of our research, we have chosen the Turkish companies active in the international arena. According to the statistics of the International Monetary Fund (IMF, 2018), the GDP of Turkey, in 2018 is expected to reach 909,9 Billion USD that makes Turkey the 17th biggest economy in the World. Moreover, Turkey is listed by the IMF as an “Emerging Country”. The uncertainties coming from the early elections in 2018, the geopolitical situation, and the volatile exchange rates render the business environment-sensitive (OECD, 2018).

Our research question examines the relationship between internationalization, adaptation, and innovation in EMNCs. An inductive qualitative methodology based on interviews was preferred to investigate our question. By using this methodology, we aim to appoint the key constructs of the developing theory and determine the relationships between the constructs. This analysis based on qualitative data can form a basis for future quantitative analysis (Eisenhardt, 1989). As discussed in the literature, the survey methodology is more appropriate for theory testing rather than theory building (Eisenhardt, 1989; Yin, 2009). The answer to our research question focuses on how the relationship between internationalization, adaptation, and innovation is built is not quantifiable. Conducting multiple interviews with managers regarding the challenges and the solutions they face during their internationalization

journey can help us to understand how they make sense of this process (Weick, 1995). Moreover, the complex business environment of the Turkish business context, as well as the low number of researches focusing on the innovation of EMNCs after their entry to the host markets necessitates explorative research in this area. Therefore, we use an inductive approach suitable for our purpose (Cuervo-Cazurra et al, 2016; Welch, Piekkari, Plakoyiannaki, and Paavilainen-Mäntymäki, 2011).

3.3.2. In-Depth Qualitative Approach

In this research, semi-structured interviews are used because knowledge and evidence are contextual, situational, and interactional (Mason, 2002). Along with semi-structured interviews, we have collected data through archival research and observations (Denzin and Lincoln, 2000; Welsch et al. 2011). During our data collection stage, we have repeatedly compared the data coming from interviews, archives, and observations. The purpose of this comparison was to identify similarities and differences within and between the firms (Pratt, 2009).

3.3.3. Sample Selection and Participants

To create some variation, firms with industry and host market diversification are preferred. By selecting firms active in both developed and developing markets we aim to create some market diversification thus analyze different strategies used in different markets. Table 7 below shows a list of the industries and types of the country (Developed or Emerging) where the firms in our sample are active. For the purpose of privacy, we didn't list the names of the countries where these firms operate.

Table 7: Descriptive of the firms in our sample

Firm	Industry	Destination Country	Firm Age	International Experience	Innovation Type
1	Mining	DC, EC	> 20	> 10	BM, Process
2	Food Production	DC, EC	> 20	>20	BM, Product, Marketing
3	Architecture	DC, EC	>5	<5	BM
4	R&D Consultancy and Gaming	DC, EC	>10	>10	BM, Product
5	IT Consultancy	DC	<5	<5	BM
6	Rugs and Carpeting	DC, EC	<10	<10	BM, Product
7	Holding Co	DC, EC	> 20	<20	BM, Product, Process
8	Bank	DC	> 20	>10	Product, Process
9	White Goods	DC, EC	> 20	>10	BM, Product
10	Leather Goods	DC, EC	> 20	>20	BM, Product, Marketing
11	Furniture	DC, EC	>20	>10	BM, Product
12	Airport Services	DC, EC	>20	>10	Product, Process
13	Automotive	DC, EC	>20	>20	BM, Product, Process
14	Telecom	DC, EC	>20	>5	BM, Product
15	Beverages	DC, EC	>20	>20	Product, Process

In this research, semi-structured in-depth interviews are used. The informants are chosen based on their current or past companies and positions. On the other hand, willingness to share information was a part of our participant selection criteria. The participants are the executive managers of internationally expanding Turkish companies active in different industries. The participants include country managers, directors of international divisions of Turkish Companies, strategy managers, and CEOs who are the decision-makers of the innovation strategies for the firm. In other words, the respondents are chosen from people in positions that provide familiarity with several aspects of the work such as finance, innovation, and marketing strategies. They are the people who decide to implement these strategies and understand the reasoning behind them.

3.3.4. Interview Process and Data Collection

We have conducted the interviews in Turkish that is the native language of both the participants and us as researchers. Interviews included open-ended questions such as “how”, “what” and “why” (Langely, 1999). For example, if the informants gave us the example of a specific innovation, we have asked them what were the antecedents of this specific innovation and how was the development and implementation processes? We asked our participants to give us as many examples as possible to have a better understanding of the issues and motives behind the company decisions as well as the informants’ perceptions (Marschan-Piekkari, and Welch, 2004).

As researchers, we invited the participants to be interviewed. After providing information about the study answering any queries, we asked the participant if they would give their written consent using consent form (Chandler and

Reynolds, 2013). To secure the confidentiality of the respondents, and as agreed in our informed consent form, we have changed the names of our respondents and disguised the names of the companies. We have conducted the interviews at the participants' convenience. Conducting the interviews in the private offices of participants not only provide us privacy as suggested Belk, Fischer, and Kozinets (2013), but also allowed us to make some field observations.

Field observations, archive analysis, and interviews were done between September 2017 and September 2018. In total, we have conducted 17 interviews with managers from 15 firms. Each interview lasted approximately an hour.

The interviews are tape-recorded and researcher makes notes of the responses and non-verbal behavior. The tape records are transcribed and the field notes are revised the same day.

To receive as much information as possible that can affect our findings, our interview protocol included not only questions related to the activities of firms after they enter to a new host market, but also questions related to their decision to internationalize. We began our interviews by asking our participants the motivation behind the international expansion of their firms, as well as their location and entry mode selections. After the decisions regarding the expansion, we asked our interviewees to describe the environment and give examples of situations they have faced after they have decided to enter a new market. By asking this question, we aimed to find out the advantages and disadvantages that they faced in the host markets. Finally,

we asked our participants to explain us their actions after the entry decision to a host market is done.

3.3.5. Archival Data and Field Notes

Along semi-organized meetings, we have gathered information through archival research and perceptions (Denzin and Lincoln, 2000; Welsch et al. 2011). Amid our data collection process, we have more than once analyzed the information originating from meetings, annual reports, web-pages, news, advertisements, and observations.

Before each interview, we made an archival research based on the news and company reports to gather some initial information about the firms that we have visited and took notes on the issues that may be relevant for our research. Similarly, after each interview, we have recorded the field notes by recording our observations such as the information about the company facilities and did another archival research to find some information that may complement and support the data that we have collected through the interviews.

Our main purpose in collecting these data was to receive more information to build our cases and appreciate the context of Turkish Multinationals structures. Moreover, these data are used to triangulate the data collected through semi-structured interviews with managers.

3.3.6. The rigor of the analysis

Padgett (1998) suggests six ways to increase the accuracy of the research, namely prolonged engagement, triangulation, peer debriefing and support, member checking, negative case analysis, and auditing (1998). Prolonged

engagement is made possible by visiting most of the respondents in their work environment This gave us a chance to not only observe the company environment, but also in some cases the possibility to talk with other employees from the same company. Peer debriefing and support, as well as auditing were made by discussing and modifying the research process based on the comments done in regular committee meetings. To have member checking, we have shared our findings with our key respondent.

Triangulation and negative case analysis will be discussed below.

The researchers used a triangulation technique by comparing the themes that come out from interviews, field notes and archival data including a variety of secondary sources (eg. Corporate annual reports, press releases, and news). The interview techniques, observations and archival analysis complement each other during each stage of the work.

Negative cases analysis that is a re-examination of cases is done only after the first examination of the cases are completed (Padgett, 1998; Strauss and Corbin, 1990). The literature on the EMNCs adaptation to the host markets discusses the challenges caused by originating from an emerging market. Liability of Origin (LOR) (Ramachandran and Pant, 2010) was a challenged that we have observed during our analysis. However, we have also encountered negative cases where the firms mentioned that they didn't face any LOR at all. As described by Patton (2001), negative case analysis is the inquiry of the data elements that are not in line with and/or opposite to the patterns expected. Therefore, we have included negative case analysis in our work (Corbin, 2008; Kidder, 1981). Based on the indications of our negative

case analysis, we have revised our findings. The results of our negative case analysis are included in the “Findings” section.

Transferability and Confirmability

To provide the transferability of our research, we have included a detailed documentation of the data collection, coding and analysis processes in the “Methodology” section. Thus, we aim to help other researchers to evaluate the transferability of this study to other contexts. To have confirmability, we have searched if our research criteria and findings are in line with other research findings from the literature. Moreover, we have described in detail how we examined the data to increase the confirmability (Lincoln and Guba, 1985), Respondent quotes selected from interview transcripts were utilized to illustrate the defined criteria, and to demonstrate the specific contexts in which the criteria were connected.

3.3.7. Coding and Analysis of the Data

To support the emerging theories, we have used repetitive iterations between data coming from interviews, archives, and theory (Miles and Huberman, 1994). As suggested by Eisenhardt (1989), we have compared the emerging themes with literature, by doing an additional literature review for each theme that has emerged from our data analysis. This comparison allowed us not only support the theories with relevant literature but also consider the conflicts with existing studies.

In our data analysis process, we have conducted first within case then between case analysis (Strauss and Corbin, 1998). During the within case analysis, we have analyzed each interview transcription in detail. As a result

of this analysis, we have marked the emerging codes. As a follow-up of each with case analysis, as explained in the "Archival Analysis" section we have checked relevant data from archives to see if they support our findings. As we did in the within case analysis, we have supported the results of our between case analysis with data collected through company reports, news, press releases, and filed notes.

As a result of our analysis, we have the emerging conceptual categories that are informed from "IB", "EMNCs", "FSAs" and "Innovation" literatures. Furthermore, the core and supporting themes of our research are formed based on these conceptual categories. As the final step of our analysis, we have analyzed the relationship between the themes and the literature.

The steps that we have followed during the analysis of our data are described below:

Step 1: We used QDA Miner to organize the codes coming from the interview transcripts. Step 2: The second step of analysis was to group (when possible) the codes into higher-level nodes that formed our first order categories. (See Figure 1 a below for examples). The first order categories are informed from the literature. The second order themes are compared with literature.

Informing from "Innovation", "Internationalization" and "EMNCs" literatures, the conceptual categories formed the ground for both core and supporting themes. We started the examination by defining initial concepts from our data. To make open coding, we have assembled these initial concepts to form categories. We have used first order codes taken directly

from the interview transcriptions (Van Maanen, 1979) or simple concepts from the literature.

Step 3: As suggested by Gioia, Corley and Hamilton (2013), we have created the themes as a result of the analysis of the relationship between the first order categories. We than followed Eisenhardt's foot steps to use iterations between the first-order categories and the links between them to have emerging conceptual themes. Following, we made an axial coding to define the relationships between the categories created. This axial coding process allowed us to reach the overarching dimensions coming from the themes. This was an analytic procedure that we have repeated until we have reached a better understanding of the relationship between the concepts that we are investigating. As suggested by Luborsky and Crits-Christoph (1990), we made the distinction between our core and supporting themes by checking how often a theme appears in the analysis. For example, one of our core themes that appears often is collaboration. Figure 1 below shows an example of how the themes are built.

Step 4: The final step of our analysis concerned a classification of the second-order themes into underlying dimension. Finally, we have examined the relationships between the literature and themes to excel our findings, that we discuss in the following chapter.

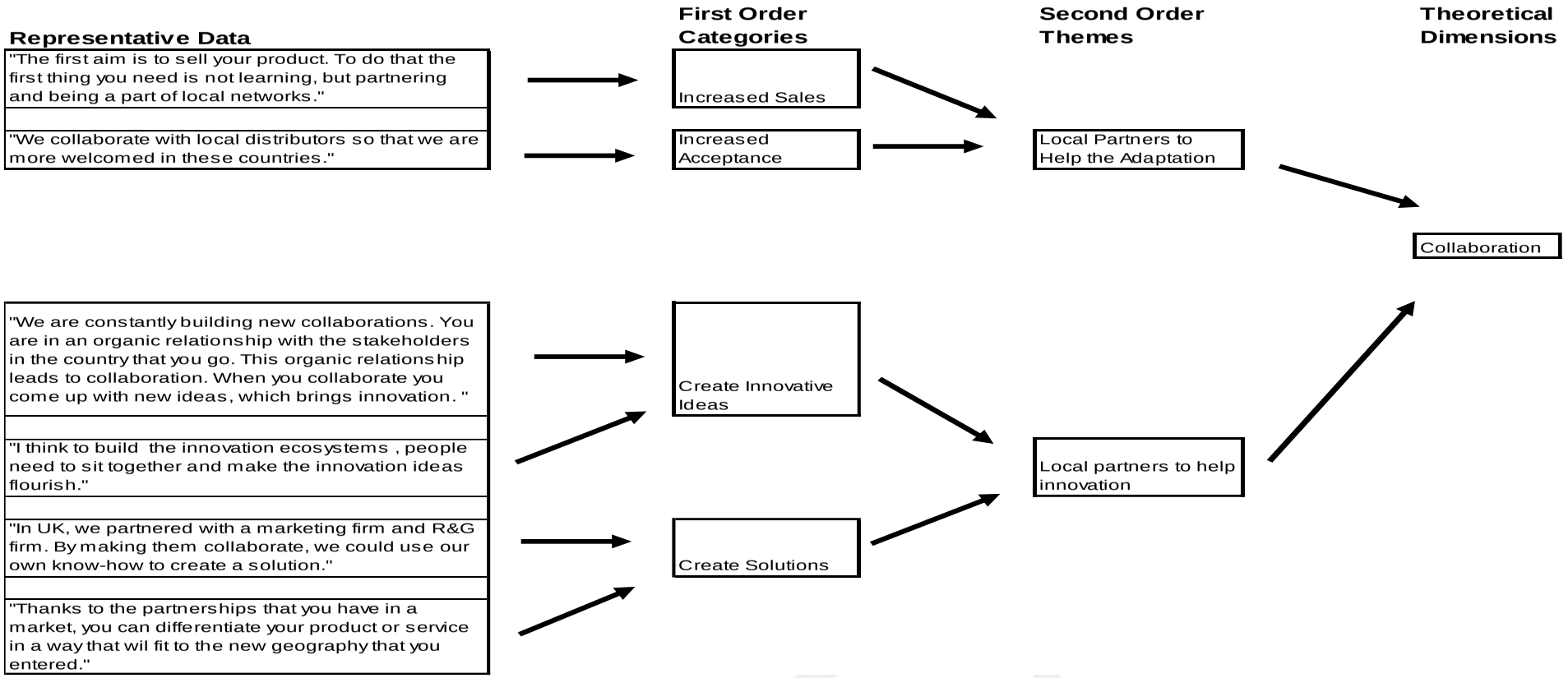


Figure 8: Example of Categories, Themes and Dimensions

Table 8 below shows a list of the theoretical dimensions that have emerged as a result of our analysis. In the next section, we will discuss these dimensions.

Table 8: List of the theoretical dimensions

Theoretical Dimensions
Unfavorable home country conditions
Unfavorable host country conditions
Familiarity with the constraints
Challenge caused by high competition
Challenge caused by different customer needs and expectations
Liability of Origin
Lack of the home country resources
Collaboration
FSA
Recombinant FSA

3.4. Discussion of the Findings

While the literature on the effects of different types of innovation on the internationalization is expanding (Basile, 2001; Caldera 2010; Damijan, Kostevc, Polanec, 2010; Roper and Love, 2002; Vila and Kuster, 2007), the number of works studying innovation implemented as a solution to the challenges in a host country is limited (Fleury, Fleury and Borini, 2013¸ Lee and Slater, 2007). Therefore, we aimed to explore the sources of innovations that EMNCs make in the host countries. We have found that the decisions regarding the initiation of innovation and innovation types made in the host country depending on the challenges the firms face in the host countries.

The sub-sections below cover the challenges listed by our respondents and the types of innovations made by the firms to overcome these challenges.

3.4.1. Unfavorable home and host country conditions

Studies from existing literature support that the EMNCs expand to find new markets because of the disadvantageous economic or administrative conditions at home. The home country environment may be disadvantageous in terms of regulatory and fiscal conditions (Thite, Wilkinson, Budhwar, Mathews, 2016). For some of our respondents, the unstable and unfavorable economic conditions in the home country were the motive behind the desire to reach new markets. On one hand, the unfavorable home country conditions are a challenge for the companies. On the other hand, these conditions may be the source of their expansion to and strength in the host markets.

> (As a firm) Your opportunity to grow in Turkey is limited. When you analyze the buying power, the industry growth, and the retail productivity in this country, you see that after a while growing your firm in Turkey wouldn't be sustainable. Ahmet

On the other hand, the literature suggests that the familiarity with the constraints in their home market can become an advantage for the EMNCs when they enter another emerging country (Cuervo-Cazurra and Genc, 2008; Cuervo-Cazurra and Ramamurti, 2017). We asked our respondents to give examples of solutions they have found to deal with this kind of situation. Their answers indicated that when facing legal and political constraints, one of the approaches they use is to make innovations in their business processes.

> For us, the biggest challenges are coming from political and legal constraints. For example, we had this kind of constraint in a South African country. The government restricts furniture imports. Our job is to provide solutions. We

found an alternative way of exporting. We ship the products through another country. Mehmet

In the Middle East is an area where unrecorded transactions are made a lot. This is always challenging. That's why relationship management is everything. You can get your payment thanks to your relationship. My distributor in these countries can buy more products just to help me reach my sales target. Moreover, I can give him extra time for his payments when he needs it. If you show them a strict contract, they would laugh at you. We can do these changes because as an EMNC, we are flexible. Serdar

3.4.2. Competition and differences in customer needs and expectations

EMNCs literature on "market-seeking" motives for internationalization suggests that innovations may be an ex-ante to the international expansion (Cuervo-Cazurro, 2012; Cuervo-Cazurra and Ramamurti, 2017; Kumar, Mudambi and Gray, 2013). In other words, the expansion is made possible thanks to the innovation made by the EMNCs that are willing to sell their products to new markets. This suggestion is in line with the MNCs literature arguing that the companies tend to start exports to sell their innovative products (Caldera, 2010; Cassiman and Golovko, 2009; Lynch and Jin, 2016). In our analysis, we found that firms in our sample see innovations as a means to increase their sales in the markets that they have already entered and not as the reason to expand. Especially, in the industries where the level of competition is higher, firms focus on innovating their products to gain market share. They see product innovations made for specific markets as a way to satisfy customer needs in different host markets.

Moreover, as seen in Table below, most of the time the firms in our sample don't use just one type of innovation, but a combination of different innovations. According to Damanpour (2010), by developing diversified innovation types firms aim to achieve competitive advantage in the host markets. Consequently, the

performance of the firm depends on how successful firms can combine these different innovations. We find that the strategy followed by the firms in our sample is in line with Damanpour's findings (2010).

The cultural, economic, and physical differences in these countries cause differences in customer needs and expectations as well. The firms targeting these different customer profiles feel the need to adapt their products and processes to their host markets. These quotes from our interviews describe how different needs lead to product and process innovations:

> Currently, the most important issue for us is to be able to introduce more innovative, more value-adding products to the market. Because, nowadays, any producer can produce a washing machine. However, you can sell your product only if you can differentiate if you can have more added value for that special market. Customer needs to differentiate from market to market. You need to create products that will meet the needs in each market to be successful in that market. Serdar

> Our customers (passengers) in South Africa have a very different culture and different customer expectations compared to our customers in Europe. In that case, we make process innovations and change the services we give accordingly. Selim

3.4.3. Liabilities of Origin

The effect of country reputation defined as the "Liabilities of Origin" (LOR) (Ramachandran and Pant, 2010) appeared as an emerging theme common especially among the firms selling consumer products. For our respondents, liabilities of origin didn't mean only a weak reputation. In some cases, it was a limitation caused by the Turkish brand name that may be difficult to pronounce and remember for the customers. In some others, it was the difficulty of competing with established brands from developed countries. When they described to us these challenges, we asked our respondents to give us examples of actions they took to overcome them. As a result, we found that marketing innovation is a preferred

solution among our sample firms when they face the “liabilities of origin”. Ahmet, who is the CEO of a leather fashion products firm, described us their branding story as follows:

> Although we have the same product quality, it was very difficult for us to compete with high-end brands. I can think of only one brand, a white-goods brand, that is originated in Turkey and became very successful in developed markets. We wanted to be a recognized brand. However, we didn’t have financial resources to compete with big names such as Prada. We thought that even if we can’t spend as much money as them, we can stand next to these brands. The customer will see us next to them and start recognizing the brand. We started by opening pop-up showrooms in Milan and Paris Fashion Weeks. Our pop-up stores were in the most prestigious locations where the buyers from all over the world could see them. We invited the buyers, introduced our line and brand. We did lots of PR activities. By the next season, we were included in the official calendar of the Milan Fashion Week. One of the best-known fashion writers published an article about our brand. Ahmet

> We acquired an established firm in the host market. For three years, our company management didn’t change the name of the acquired company. They kept the original name. The reason was the fear that some of the European customers would stop doing business with our company when they see the word “Turkish” in our name. Sinem

Our negative case analysis indicates that alternative cases are possible to the LOR concept. An analysis of the negative cases shows that not all firms consider being from an emerging market causes a challenge. This unexpected finding proved to us that our respondents’ observations of the challenges differ both from the theory and each other. Soner, international sales manager of a furniture company, explains that in European markets, they never faced a liability of origin issue. He thinks that this is related to the fact that Turkey is a Custom Union member.

> Since we are a member of the Custom Union, having the ‘Made in Turkey’ label, doesn’t cause any problems for our European customers. According to them, we are not any different from a French company. Surprisingly, our country of origin may be a bigger obstacle in Algeria rather than Europe. Soner

Similarly, Serdar mentions that they don't always face the LOR. According to him, the acceptance of a brand is not about where the company is from, but if there is a good relationship between host and home country:

> It is more important than the brand is well-known in the host country. Liability of origin depends on the host country. For example, in Algeria, Turkish brands are preferred while in Central Africa Korean brands are known better, not because of their white goods, but because of their consumer electronics products. Serdar

3.4.4. Recombinant Firm Specific Assets and Innovation

The distinction between MNCs and EMNCs is identified with the way that EMNCs have less global experience. Along these lines, by expanding their global activities, EMNCs may become more mature in terms of international experiences. Therefore, they may secure the FSAs that they are as of now absent (Narula, 2012). Thus, EMNCs have some unique FSAs than their counterparts from the developed markets (E.g. Hennart, 2012, Narula, 2012, Ramamurti, 2012). The result of our interviews suggests, the EMNCs in our sample may not have the FSAs seen as necessary for the internationalization of the MNCs. However, they repay the absence of these advantages with different capabilities and resources as suggested by Hennart (2012). According to our participants, their firms overcame the disadvantage of lacking the necessary FSAs by possessing some specific characteristics such as having a risk-taking attitude and being flexible.

> As an EMNC, we know how to see gray areas instead of just black and white. This is not the case for many western companies. For example, Bosh would do everything by the book. This a part of their German culture. Everything is black or white. For us, it is different. Our advantage is our flexibility. That is why we succeed in adapting to new markets. Serdar

Moreover, numerous examples provided by our interviewees show that EMNCs in our sample tend to build collaborations to cope with challenges and to adapt to the host markets. Collinson and Narula's study shows how MNEs' collaboration with their local partners improve their innovative capabilities (2014). According to the findings of this study, the recombination of firm-specific assets with the collaboration with local partners results with new ownership advantages that are related to innovation (Collinson and Narula, 2014). Similar to the findings of Collinson and Narula, our findings suggest that firms in our sample collaborate with local partners to solidify their position in the host markets. These collaborations and recombinant FSAs resulting from them, give rise to the creation and use of innovations in the host markets.

> Building partnerships and integration in the host country is one of the most important aspects of having innovations. I believe that selling is not always the first aim when the companies expand to the new countries. Building partnerships in a new host country can allow the companies to come up with innovative solutions in the countries where they are already active. Yildiz

> As far as I see, you have to collaborate with a local player. It can be a distributor, a local businessman, or any other player, but you have to partner with somebody more familiar with the market than you are. Serkan

Our interviewees expressed that they built partnerships with local players to compensate for their weaknesses. Correspondingly, these partnerships allowed them to build innovations that would help them to adapt easier to the host markets.

> Thanks to the partnerships that you have in a market, you can differentiate your product or service in a way that will fit the new geography that you entered. Yıldız

According to our respondents, different types of innovations are created and supported through collaboration. The aim of the collaborations made and the innovations resulting from them was to adapt to the host country. The executive managers that we have interviewed gave examples of product, process, and marketing innovations made in the host country. On the other, several interviewees provided examples of BMI that they have realized as a result of the collaborations made in the host market.

As stated by Ramstad and Chao (2011), the distribution of the "pace of technological growth and innovation" in Asian countries is not similar to the one in the other regions of the World. According to our respondents, Turkey's technological growth pace is also not as high as the one in the developed countries. They believe that the education system and the lack of resources in Turkey make it more difficult to have product innovations. Therefore, BMI originated in Turkish companies are more numerous and successful than product innovations. The examples shown in Table 2 indicate the relationship between the collaborations and BMI made in the host countries.

Table 9: Collaboration and BMI Examples

Industry	Host Country	Challenge	Collaboration Partner	BMI
Mining	Thailand	Difficulty to collect payements	B2B Customers	The company has build a financing agency to provide cash to the B2B customers.
Automative	Russia	High legal costs for foreign producers	Production Partner	Except Russian market, this firm does the production at home and export. In Russia, they partner with a production facility to redue the legal costs.
White Goods	North Africa	Financial Resource Limitation to Open Subsidiaries	Distributor	BM in Europe is opening subsidiaries, but in NA they have collaborated with financially strong local player and they have created a new BM based on distribution system.
Furniture	Germany and Austria	Different buying habits of the consumers	B2B Customers	Usually the firms BM is based on franchising, but for these countries they produce private labels.
Rugs and Carpets	Azerbaijan and Kazakhstan	Difficulty to penetrate the market	Franchisers	The internationalization model of the company is based on exporting. For these countries, they have collaborated with local partners to open franchise branches.
Telecom	Europe	Challenging accounting laws	Banks	Lease to IRU Model to finance the utility bills
Architecture	UK	Liability of origin	Strategic Partner	To solve the liability of emerginess problem, the firm has formed an JV with a UK based firm to be accepted as a design firm.

In their study Garcia-Martinez, Zouaghi, and Garcia (2018) suggest the building alliances with diverse partners helps firms to develop and exploit innovation opportunities. Similarly, collaboration partners mentioned by our respondents included diversified organizations such as suppliers, competitors, and governments. In the literature, some authors claim that these collaborations aim to increase the learning to not only in the host but also in the home country (E.g. Nair, Demirbag; Mellahi, Pillai, 2018). When asked our interviewees, these partnerships were made to make the host-country adaptation easier for the firms and not to improve their position in the firms' home market. On the other hand, BMI emerged as the innovation type that is created most often as a consequence of such collaborations made in the host country.

3.5. Conclusion

In business life, there are several examples of firms developing host country-specific innovations after they enter the new markets. However, the literature on the international expansion of EMNCs has only a limited number of examples of studies examining the actions of the firms after they entered the host countries. Therefore, the essential purpose of our study is to address this understudied area by exploring the innovations made by the EMNCs to adapt to their host countries and to overcome the challenges that they face after their entry.

Our context is Turkish Multinationals expanding both to developed and developing countries. We found that one of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their resources with the tangible or intangible resources of local partners, they create new advantages when they face a challenge in the international markets. Dominantly, companies create BMI driven by these collaborations. In other words, the EMNCs search for partners to collaborate in the newly entered markets. Once the collaboration is decided, they do the necessary BMI to make these collaborations work.

Another finding of our research implies that Turkish firms encounter LOR more in terms of brand reputation. Thus, consumer product companies feel the disadvantage of their country of origin more than the companies in other industries. Moreover, challenges related to the LOR constitute the source of marketing innovation in consumer product firms that we have analyzed. The firms relied on innovative marketing strategies to change their brand images. Marketing, product, and process innovations are also used in the host markets. For example, the furniture company

in our sample made a product innovation to help them compete in the Italian bed market.

Notwithstanding, we found that the managers believe their emerging country origin has more pluses than minuses when it comes to adaptation and innovation. To them, being used to the unstable conditions provide them the flexibility that facilitates finding solutions to unexpected challenges. This finding supports the idea that EMNCs have different FSAs than developed country companies. Thus, they can use these advantages to compensate for their weaknesses such as the lack of technologies or strong brands.

Some limitations of this study should be acknowledged. The first limitation of this paper is that we have a fairly small sample. Nonetheless, a small sample helped us to have in-depth knowledge of our qualitative research. This study might be followed up with a larger quantitative study. Especially, quantitative research comparing the use of collaborations to create innovations in different industries such as low-tech, mid-tech and high-tech industries can provide a better understanding of the industry effects for EMNCs in terms of innovation strategies implemented abroad.

The second limitation of our study is that it is based on the Turkish context only. Yet, having a sample from only one country prevented a comparison problem while it gives a good perspective. However, further research to see if the development level of the host country affects the relationship between internationalization and innovation can complement our research. By comparing this relationship in EMNCs expanding to emerging and developed countries can help to clarify if there are any differences related to the host country.

Finally, we found that although different types of innovations are implemented as a result of the collaborations, BMI is more commonly used to make the collaboration work. However, we didn't look at the effect of different types of innovations on the survival or the performance of these collaborations. Further quantitative research measuring the effects of different types of innovations can complement our work and help to expand the theory.

This study has three main contributions to the EMNCs and Business Model Innovation fields. Furthermore, it provides for further empirical research. First, our study contributes to EMNCs literature. It provides an understanding of how emerging country firms act when they face challenges in the host country. Our findings suggest that EMNCs implement challenge related innovations to ensure their adaptation. By exploring the EMNCs' strategies after they entered the host markets that are an area with limited studies, we expand the EMNCs literature. Second, our findings suggest that when they face challenges in the host country EMNCs use collaboration that forms the source of BMI. Therefore, our study contributes to the BMI field where most of the studies inquire about the elements and processes of BMI (Onetti et al. 2012) rather than the effect of internationalization on BMI. Finally, by conducting an inductive qualitative analysis, we aimed to define the constructs related to the relationships between the internationalization of EMNCs, adaptation, and innovation. This study could form a basis for further empirical analysis that will test these relationships. In conclusion, we believe that this study exposes the EMNCs approaches to international adaptation and innovation that form an important basis for their strategies. Thus, it has practical implications for emerging country firms that are considering opening to the international arena.

Transition from Chapter 3 to Chapter 4

The findings of Chapter 3 suggest that EMNCs face challenges not only before or until but also after they enter to the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their own resources with the tangible or intangible resources of local partners, they create Recombinant FSAs to overcome the challenge in the international markets. Collaborations built in the host country to overcome this challenges give rise to different types of innovations including product, process and marketing. In Chapter 4, we analyze further the collaborations made to create innovations. In this chapter, we aim to answer the research question "How do Emerging Country Multinationals Use Open Innovation?" Open innovation is a way of accessing assets and an alternative to cross-border acquisitions. It is based on the collaborations made with different partners. However, open innovation literature has dominantly focused on advanced-market MNEs. Consequently, there is limited knowledge on how EMNEs use open innovation, and on whether EMNEs are still 'emerging' in this respect. Therefore, in Chapter 4, we aim to focus on the OI practices used by the EMNCs. As described above, while we start our analysis in a broad area, namely the relationship between internationalization and innovation, as we move further in the thesis, we aim to narrow down our focus and understand the specific approach of EMNCs in this area (See Fig. 9).

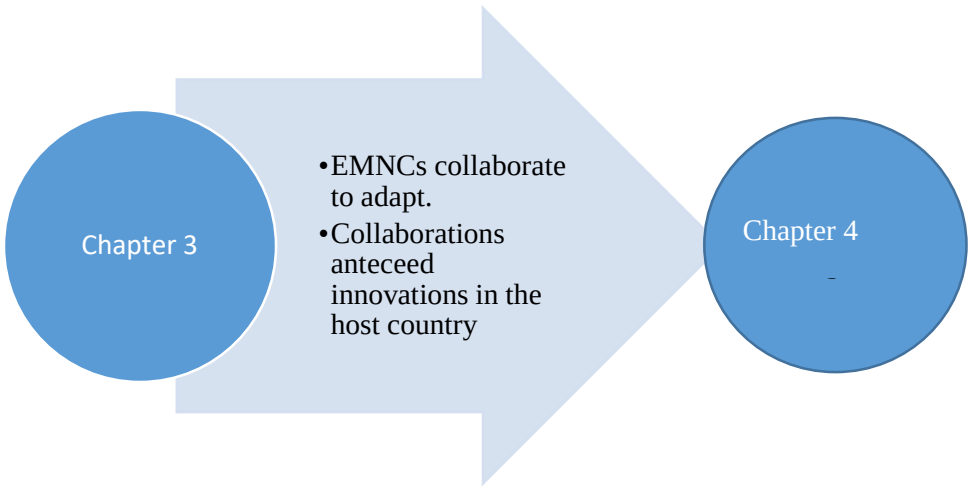


Figure 9: Transition from Chapter 2 to Chapter 3

CHAPTER 4

HOW DO EMERGING COUNTRY MULTINATIONALS USE OPEN INNOVATION AND COLLABORATION TO INNOVATE? A MULTIPLE CASE STUDY BASED ON TURKISH CONTEXT

Abstract

In this research, we explore how Emerging Market Multinational Enterprises use open innovation strategies and what is 'emerging' about this. Open innovation is a way of accessing assets and an alternative to cross-border acquisitions. Open innovation literature has dominantly focused on advanced-market MNEs. Consequently, there is limited knowledge on how EMNEs use open innovation. Our study explores this topic in-depth, based on inductive case studies of four mid-size to large Turkish EMNEs. We find that they mainly use open innovation to acquire knowledge and technologies to compensate for their intangible resource limitations. They adopt open innovation practices to the same extent as advanced-market MNEs, but for different reasons, with an emphasis on intangible resources, with limited partner breadth and with limited openness. Our study thus provides a nuanced image of how 'emerging' Turkish EMNEs still are.

4.1 Introduction

Traditionally, innovations were created and exploited by the firms that had internal tangible and intangible resources to support their research and development activities. As described by Chesbrough, the closed innovation model is shaped around research and development (R&D) departments or centers of the companies.

The R&D centers or departments create, launch, and evaluate the innovation projects. Based on the evaluation of the projects some of them are stopped, while the others are chosen to be implemented and sent to the market (Chesbrough, 2012). Presently, even strong firms can face competitive innovations. Currently, many leading firms are facing intense competition from innovative but smaller firms with fewer resources. Such small firms have progressed toward becoming successful in commercializing innovations initially made by others (Chesbrough, 2004). By collecting ideas from outside of their organizations, firms can generate innovations (Chesbrough and Crowther, 2006; Laursen and Salter, 2006) and gain competitive advantages (Miller, Fern, and Cardinal, 2007; Kafouros and Buckley, 2008). Therefore, the use of open innovation is becoming a focal point not only in the literature but also among the practitioners.

On the other hand, a large part of the open innovation literature essentially covers the studies in the developed market context. For instance, previous works have reported the open innovation strategies used by multinational firms from the developed markets (MNCs), such as FIAT, Philips, and GM (Chesbrough and Brunswicker, 2014; Salter, Criscuolo, and Ter Wal, 2014). Additionally, several previous studies about open innovation utilized the knowledge-based view on the firm to clarify why, how, when, and what kind of knowledge firms search to innovate (Lopez-Vega, Tell, and Vanhaverbeke, 2016). Although there are abundant studies on Open Innovation in MNCs, there is an absence of proof of how EMNCs utilize open innovation objectives.

It has been more than thirty years since the Emerging Market Multinationals (EMNCs)subject attracted the attention of international business scholars (Lall, 1983). Since then the number of works and the discussions on several subjects such

as strategies, advantages, and disadvantages of the EMNCs has remained a focal point so that a new literature body has built (Child and Rodrigues, 2005; Cuervo-Cazurra, 2007; Luo and Tung, 2007). Moreover, the role and importance of EMNCs in the global business area have increased much more aggressively during the last decade. In 2019, the top 6 out of the top 25 companies in Fortune Global 500 are EMNCs. In 2009, there were not emerging market companies among the top 25 companies listed in the Fortune Global 500 list. While studies focusing on EMNCs from China and Brazil are more dominant in the literature (Thomas, 2018; Zhang and Zheng, 2017), companies from other emerging markets such as Mexico, Indonesia, and Turkey are also successfully expanding both to Developed and Emerging Markets. Therefore, EMNCs are competing with their counterparts from Developed Countries in the global business arena (Ramamurti and Singh, 2008; Gammeltoft, 2008; Luo and Tung, 2007).

Historically, EMNCs are viewed as disadvantageous in terms of institutions, as well as tangible and intangible resources to skill up innovations, they had the reputation of imitating the innovations created by the MNCs (Malik and Kotabe, 2009; (Luo et al., 2011). As they become global players, EMNCs are focus has shifted from imitating and copying to innovating and increasing the creativity (Govindarajan and Ramamurti, 2011; Immelt et al., 2009; Mudambi, 2011; Kothari et al., 2013). However, Open Innovation literature has only limited examples of analyzing how EMNCs open innovation strategies. Therefore, the purpose of our study is to explore how open innovation strategies are used in Emerging Market Multinational Companies.

Since the introduction of Chesbrough's paradigm (2003), the literature on "Open Innovation" became more prominent. Moreover, a considerable amount of the

works in this area is concerned with R&D developed in multi-national companies from advanced countries (Chesbrough 2003; Huston and Sakkab, 2006; Ullrich and Vladova, 2016). On the other hand, as scholars such as Kafouros and Forsans (2012) and Thomas (2018) suggest, the number of works in the Emerging Market context is limited. EMNCs literature has examples of few studies suggesting that collaboration is one of the strategies that EMNCs use to develop and increase their innovation capabilities (Kumaraswamy et al., 2012; Rui et al., 2016; Kafouros and Forsans, 2012; Pai et al., 2012).

Most of the authors concentrating in Latin America base their studies on the Brazilian business context (e.g. Dewes et al., 2010; Ades et. al 2013, Ovanessoff et al. 2015, Thomas 2018). Consequently, as described above and the findings of the literature review conducted by Hossain, K.M. Zahidul Islam, Mohammad Abu Sayeed, Ilkka Kauranen, in 2016 supports that the number of works in this area is still limited and further investigation on how EMNCs use open innovation is needed.

In this paper, we aim to address the following question: “How do EMNCs use open innovation and collaboration?” To answer these questions, we draw on a multiple case study of four internationalized Turkish companies from different industries. The analysis is conducted based on the information collected through interviews with managers, news, company web pages, and annual company reports published by the Turkish companies included in the case study. This study explores how these companies approach external collaborations to implement open innovation by partnering with external players such as universities, third party technology firms, and B2B clients.

The paper is organized as follows. Section 4.2. summarizes the theoretical foundations drawing on the "open innovation" literature in both developed and emerging market contexts.

Section 4.3. discusses the methodology of the study. Section 4.4. analysis each case separately while Section 4.5. compares and contrasts the open innovation strategies of the four cases. Section 4.6. discusses the findings. Finally, Section 4.7. concerns the conclusions, limitations, and implications of the study and discusses further studies that can be conducted in this area.

4.2. Theoretical Background

In this section, we first offer a brief review of literature that helps to understand the open innovation discussions first in developed markets, then emerging markets

> Companies are increasingly rethinking the fundamental ways in which they generate ideas and bring them to market — harnessing external ideas while leveraging their in-house R&D outside their current operations. Chesbrough (2003)

The "Open Innovation" paradigm by Chesbrough (2003, 2004) is an alternative to the firm strategies suggesting to conduct the R&D in-house mostly using only their internal capabilities and resources. Although, the roots of the open innovation literature go back to earlier strategy theories such as Teece's argument (1986) that a firm can use external resources and collaborate with different partners to reach this sustainable competitive advantage; "Absorptive Capacity" (Cohen and Levintal, 1990) and Resource Based View (Penrose, 1959; Barney, 1991); the open innovation became an attractive subject among the scholars after Chesbrough's introduction in 2003.

While several scholars such as Chesbrough (2003), Laursen and Salter (2006) defines openness as a concept directly related to the innovation, the literature has also examples of works of the openness concept in relation with the ideas and knowledge spills (Henkel 2006; Inkpen, Minbaeva and Tsang, 2019; Contractor, 2019). Dahlander and Gann's review (2010) that focuses on different approaches to the openness concept, offers an analytical framework with inbound and outbound dimensions (Gassmann and Enkel, 2006; Enkel et al., 2009). The inbound open innovation also called outside-in innovation is defined as "opening up" a firm's innovation processes to gather different external resources such as knowledge and expertise. On the other hand, in the case of outbound (inside-out) open innovation a firm opens its innovations and business model to the use of outsiders (Chesbrough et. al, 2006; Chesbrough, 2012). Based on the extensive literature review that they have conducted, Schroll and Mild define OI as a concept including both inbound and outbound activities. This definition used by the authors is also in line with the definition of previous scholars' such as Chesbrough (2003) and Gassmann and Enkel (2004). On the other hand, Chiaroni et al, suggest that trough its journey from closed to open innovation, although a firm may use both inbound and outbound open innovation, most of the time these two dimensions are used separately. Both inbound and outbound open innovation requires the firm to use OI to develop different kinds of relationships with external players. Moreover, the dimension of the open innovation determines the explorative or exploitative nature of the external partnership (Chiaroni et al., 2011). It also influences a firm's decision criteria in choosing different partners entities and usage of different networks (Chiaroni et al, 2011).

Therefore, the literature has also extended to a direction where scholars question best partners for collaboration. As De Beule and Van Beveren (2019) mention, the external partnerships made for OI are classified as science-based partnerships and industry-based partnerships. As a result, in industry-based partnerships, suppliers (Hoegl and Wagner, 2005; Brem, 2011), clients (Gassman et al. 2005; von Hippel, 2005; West and Lakhani, 2008) are listed among the potential partners for collaboration regarding innovations. Scienced-based partnerships with universities (Perkmann and Walsh, 2007; Bruneel et al. 2010) are considered as a less risky and less costly option compared to the industry-based partnerships (Tether, 2002). Building partnerships to innovate increases not only the number of external sources but also the level of involvement for the companies (Laursen and Slater, 2006).

As described above, OI is defined in different ways by the innovation scholars. In this paper, we refer to the OI definition that is made by Chesbrough (2003) and Laursen and Salter (2006) and we will use the view of openness in direct relation with innovation. For a firm, a change from closed innovation to open innovation approach means new relationships with new partners or giving new roles to old partners and new "knowledge suppliers" (Howels et. al, 2006; Kock and Gozubuyuk, 2011; Thomas, 2018). The advantage of the OI and research collaborations is that firms can reach and access tangible and intangible resources that they would have no or limited access in case of closed innovation (Huston and Sakkab, 2006; Gimpe and Sofkai 2009). A collaboration between different entities or firms can allow them to increase their knowledge and innovation capacities (Chesbrough, 2003; Chen, Chen, and Vanhaverbeke, 2011).

Table 10: Concepts discussed in OI literature

Concepts	**Examples in the Literature**
Reasons for Collaboration and OI	
Tangible Resource Limitations	Chesbrough, 2003; Chen, Chen and Vanhaverbeke, 2011
Reach external knowledge	Gassman and Enkerl, 2004; Brunswicker and Vanhaverbeke
Technology exploring/ Obtain strategic innovations	Chesbrough and Crowther, 2006; Castellani and Zanfei, 2006
Need to deal with uncertainty, complexity and dynamism	West, Salter; Vanhaverbeke and Chesbrough; 2014)
Dimensions of OI	
Inbound/outbound	Chesbrough and Crowter, 2006; Gassmann and Enkel, 2006; Enkel et al., 2009 Chesbrough et. al, 2006; Chesbrough, 2012; Chiaroni et al, 2011
Different Partnerships (Breadth of External Resources)	
Need for Different Partnerships	Laursen and Salter, 2006; Chiaroni et al, 2011 De Beule and Van Beveren 2019
Suppliers	Hoegl and Wagner, 2005; Brem, 2011
Clients	Gassman et al. 2005; von Hippel, 2005; West and Lakhani, 2008)
Science-based partnerships with universities	Perkmann and Walsh, 2007; Bruneel et al. 2010
Geography of the Partners	Leiponen and Helfat, 2010

4.3. Methodology

Our research method is an inductive multi-case study of four Turkish multi-national companies. As suggested by Eisenhardt, Graebner, and Sonenshein (2016), inductive methods can help the research to make a deeper analysis of the data. Therefore, they are more effective than the deductive methods when they are used

to explain the processes and to answer the questions concerning “how” by enabling us to get a more detailed view of the phenomenon (Eisenhardt and Graebner, 2007; Golden-Biddle and Locke, 2007). Since our research questions are related to “how” EMNCs use OI and we aim to have a deeper analysis of a theoretically sampled small number of cases, we use inductive methods in our research.

Yin (1994, p. 4) suggests that the type of research question indicates the choice of methodology in research. A case study analysis is pertinent the more a study aims to clarify some current conditions: how and why some social phenomenon functions. This methodology is also relevant when the research question has an explorative nature and requires a thick description (Yin, 2009). Moreover, case study methodology helps the researchers to investigate how and why a phenomenon happens when the relationship between the phenomenon and the context is important (Eisenhardt, 1989; Yin 2009).

In this research, by using the multiple case study methodology, we conduct both within-case and between case analysis. Single case studies are more effective in terms of allowing longer observation times and reaching a deeper knowledge about one specific case (Dyer, Wilkins, Eisenhardt, 1991). However, as Yin suggests, multiple case studies are used to understand the contrasting and similar results (2003). By using multiple case studies, we aim to examine not only the differences but also similarities between the cases (Baxter & Jack, 2008; Stake, 1995) and evaluate our findings (Eisenhardt, 1991). Therefore, this methodology is the most suitable research method where we aim to investigate and explore how emerging country firms use open innovation.

4.3.1. Case Selection

We use theoretical sampling that supports the inductive methods by allowing the selection of the cases concerning their capability of explaining the relationships and enabling us to get a more detailed view of the phenomenon (Eisenhardt and Graebner, 2007).

Our unit of analysis is firm. To study the phenomenon through the lenses of Emerging Market (EM) firms, we have chosen the Turkish business context. All of the firms analyzed are internationalized firms with Turkish origins. We have applied three selection criteria for the cases. Firstly, the firms were leaders in their industry. Second, they are all internationalized. Third, they should have integrated strategies regarding innovation. Based on these criteria, we have selected four cases from three different industries (See Table 10) and reached them through Linked-in. The firms operated in four different industries. The purpose of selecting different industries was to reach more generalizable findings. Although there may be some industry effects, our findings indicated similar patterns. In case of differences, we saw that they were related to the company history and strategies rather than the industry differences. Furthermore, as argued in the seminal paper of Eisenhardt (1989), there is not an ideal number for the cases that can be included in the multiple-case studies. However, selecting at least four cases may result in more generalizable findings.

Table 11: Selected Cases

Case Number	Firm Pseudonym Letter	Industry	Number of Employees	Revenue in 2017 ($)
1	A	Banking	>14000	>7,5 Billion
2	B	Confectionery	> 7000	> 1 Billion
3	C	Beverage	>8000	>800 Million
4	D	Leather Fashion	>1700	> 200 Million

4.3.2. Data Collection

Field observations, archive analysis, and interviews are done between September 2017 and November 2018.

4.3.2.1. Archival Data

Along semi-organized meetings, we have gathered information through archival research and perceptions (Denzin and Lincoln, 2000; Welsch et al. 2011). Amid our data collection process, we received a methodology where we have more than once analysed the information originating from meetings, annual reports, web-pages, news, advertisements, and observations. We used the data collected through the archival research before and after the analysis of the interview transcription during both within and cross-case analysis stages. To develop an initial understanding of the company structures, operations and innovation strategies, we collected company reports and visited company websites. Articles from the daily press, business periodicals and press releases, as well as advertisements were analysed as sources of information. Our main purpose in collecting these data was to receive more

information to build our cases and appreciate the context of Turkish Multinationals structures. Moreover, these data are used to triangulate the data collected through semi-structured interviews with managers.

4.3.2.2. Semi-structures Interviews

Our main source of information for the cases were the semi-structured interviews that we have conducted with the middle and top managers of the firms selected. Welch et. al (2002) advise to consider first who is an elite in a business association. The author suggests that notwithstanding top administration, professionals and middle managers may possess elite positions due to for instance long residency in the association, networks or practical duty and experience. Table 12 below shows a list of the positions of the interviewees in their firms.

Table 12: List of the interviewees

Case Number	Firm Pseudonym Letter	Industry	Position of the Interviewee(s)
1	A	Banking	Manager of the Innovation Center
2	B	Confectionery	Innovation Director
2	B	Confectionery	Innovation Manager
3	C	Beverage	Strategy, Innovation and Business Development Manager
4	D	Leather Fashion	CEO

4.3.2.3. Participant Selection, Interviews and Analysis

We have conducted five semi-structured interviews. The interviews lasted 60 minutes on average. After we have begun coding, we have also made three follow-up phone calls with the managers that we have earlier interviewed. While selecting our interviewees, we have contacted not only company executives but also innovation managers who have deep knowledge and decision power on the firm strategies and processes regarding innovation.

The respondents are picked dependent on their present or past organizations and positions. Then again, readiness to share information was a piece of our member choice criteria.

The interview language was "Turkish" which is the common native language of the researchers and interviewees. Aiming to receive in-depth information, the interviews included open-ended questions that were mostly formed as "how", "what" and "why" questions (Langely, 1999).

We asked our interviewees to provide us detailed examples of the cases. Our intention for asking our participants to provide as many examples as possible was to collect the information needed for a complete picture of the phenomenon (Marschan-Piekkari, and Welch, 2004).

The interviewees are invited to be interviewed by the researchers by e-mail or Linked-in messages. Through e-mails, messages, or phone calls, the researchers have given the interviewees clear information about the subject and aim of the research. The participants are informed that the interviews would be tape-recorded and transcript by the researchers. Moreover, in each interview, both the researchers and interviewees have signed an informed consent form. Each part has received a

copy of the signed form. This was, the confidentiality of the informants and their firms is protected (Chandler et. al, 2013).

Except for one of the interviews that is conducted in a neutral site preferred by the interviewee to ensure the privacy (Belk, Fischer, and Kozinets, 2013), all the interviews are conducted by the researchers at the participants' convenience. We have visited our informants in their offices. In all four cases, our informants' offices are located in the headquarters of the firms. Therefore, conducting the interviews in the participants' offices gave us a chance to do brief field observations as well. Although these observations were not extensively used, they facilitated us to get to know the context better.

4.3.3. The rigor of the analysis

In this research, we utilize a triangulation method by looking at the themes that appear from our in-depth interviews, field notes, and archival information including an assortment of auxiliary sources (eg. Corporate yearly reports, official statements, and news). The meeting strategies, observations, and recorded examination supplement each other amid each phase of the work. The aim of this triangulation is to prevent any bias that may be caused by having the same researchers collecting the data and conducting the analysis.

As suggested by scholars working on the qualitative methodologies (Padgett, 1998; Strauss and Corbin, 1990), after the first analysis of the cases is completed a re-examination of cases is done. The analysis of these negative cases in qualitative research is an important step for the rigor of the analysis because the researchers use these cases to support the theory (Padgett, 1998). Negative case investigation that's a re-examination of cases is done only after the primary examination of the

cases are completed (Padgett, 1998; Strauss and Corbin, 1990). The firms in our sample are all innovative firms that have made collaborations with outside partners to fortify their positions in the market. However, we have found that unlike the other companies in our sample, Company C from our sample is not open to the idea of innovative collaborations at all. Although the company has a business partnership with foreign companies, they never collect ideas from outside partners or outsource any work regarding the innovations.

As advised in the literature our analysis included: the repetitive iterations between data collected through different sources (interviews, archives, and observations) and theory (Miles and Huberman, 1994) and a comparison of emerging theories with literature (Eisenhardt, 1989). The purpose of these iterations and comparisons was to find out the supports and conflicts between our findings and the existing literature.

Our data analysis process has included both within-case and cross-cases analysis. The within-case analysis was the first stage of our analysis. In this stage, we have conducted a detailed analysis of not only the interview transcriptions but also the backgrounds of each company, news, and other archive data collected. Consequently, we have listed the emerging codes. After doing each with-in case analysis, we have re-examined the data from the archives to fin-out if there is any other relevant information to support our findings. Correspondingly, we have conducted cross-cases analysis to explore the similarities and differences of the cases.

4.3.4. Coding and Analysis of the Data

As suggested by Strauss and Corbin (1998), we have conducted an iterative analysis to compare and examined the findings of within and cross-case analysis with the relevant literature. The analysis of the data and literature resulted in emerging conceptual categories informing from "innovation" and "Emerging Markets" literature. These categories have also formed the basis of the core and supporting themes. Accordingly, we have studied the relationship between the themes and the literature.

Our interview protocol included questions on the internationalization and innovation strategies of the companies. We asked our participants to first tell us the stories of their international expansion and innovation journeys. We also asked them to give us to provide examples. After each interview, we have written the field notes and searched the archives to find complementary information on the examples given by the interviewees. In analyzing our data, we have followed the steps described below.

Step 1: We organized the codes, that emerged from the data, by using QDA Miner Lite. At the end of the first step of our analysis, we had 29 Codes.

Step 2: As the next step of our analysis, when possible, we have grouped the codes coming from the interviews into higher-level nodes (see Figure 1 for example). Using triangulation through field notes, archival data, and interview data, we have ended up with 21 first-order concepts such as looking for expertise, internal idea-collection, closed innovation.

Step 3: We have analyzed the relationships between the first-order categories in order to produce the themes (Gioia, Corley, and Hamilton, 2013). As suggested by

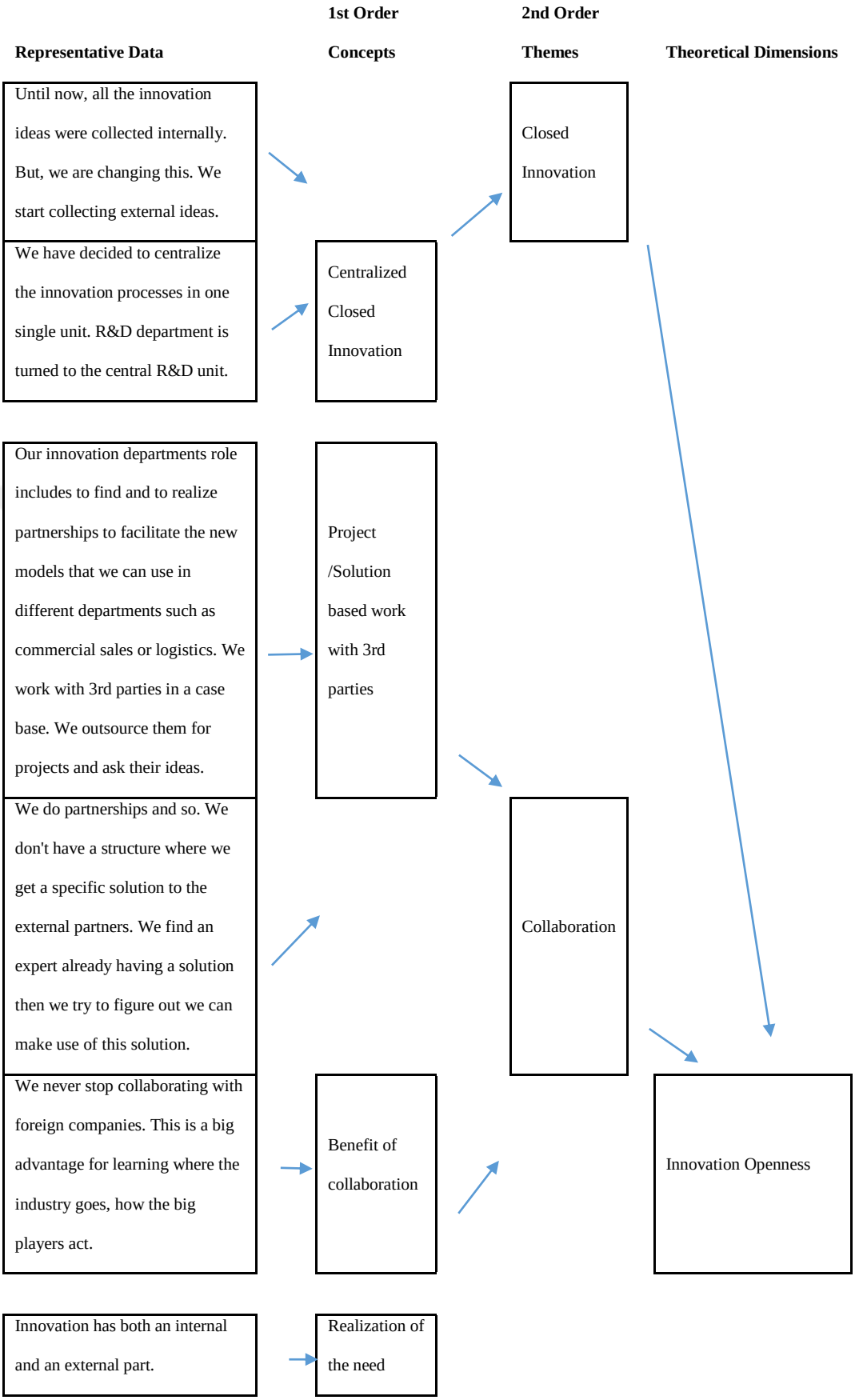
Eisenhardt (1989), in this step we used iterations between the first-order categories and the links between them until we had emerging conceptual themes. One example of the emergence of a conceptual theme is as follows: We had examples given by our interviewees told us that they would build partnerships to acquire knowledge and technology from outside. We have grouped the first-order categories related to this under the theme “inbound open innovation”. Other second-order themes included (but not limited to), “out-bound open innovation”, “international expansion”, “geographical choice of the partners”, “type of partners” and “outsourcing”. At the end of Step 3, in total, we had twelve second-order themes emerging from the first order categories.

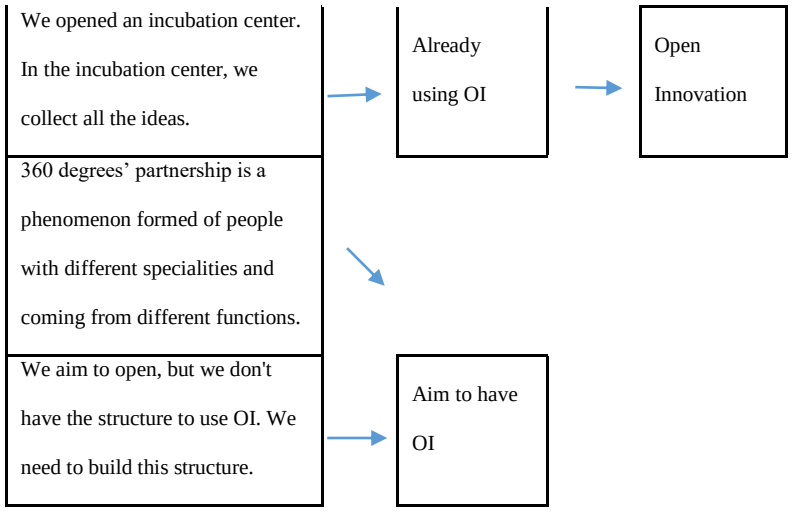
Step 4: As the final step of our category analysis, we have classified the second-order themes into underlying dimensions that helped us to come up with our findings. At the end of this step, four main dimensions emerged. The first dimension is the “Reasons for Collaboration and Open Innovation”, where the themes related to the reasons why firms start to collaborate with internal or external partners. The second dimension is the “Selection of the Partners” which analyses partner selection criteria not only based on the type, but also on the origin of the partners. The third dimension is the “innovation openness” that is related to whether companies are doing open innovation, closed innovation or do they collaborate with external parties not for realizing open innovation, but just for developing an already existing innovation idea such as outsourcing the development of a product to a technology firm. Finally, the fourth theoretical dimension is the “Dimensions of OI” that is exploring the inbound and outbound dimensions of OI in EMNCs.

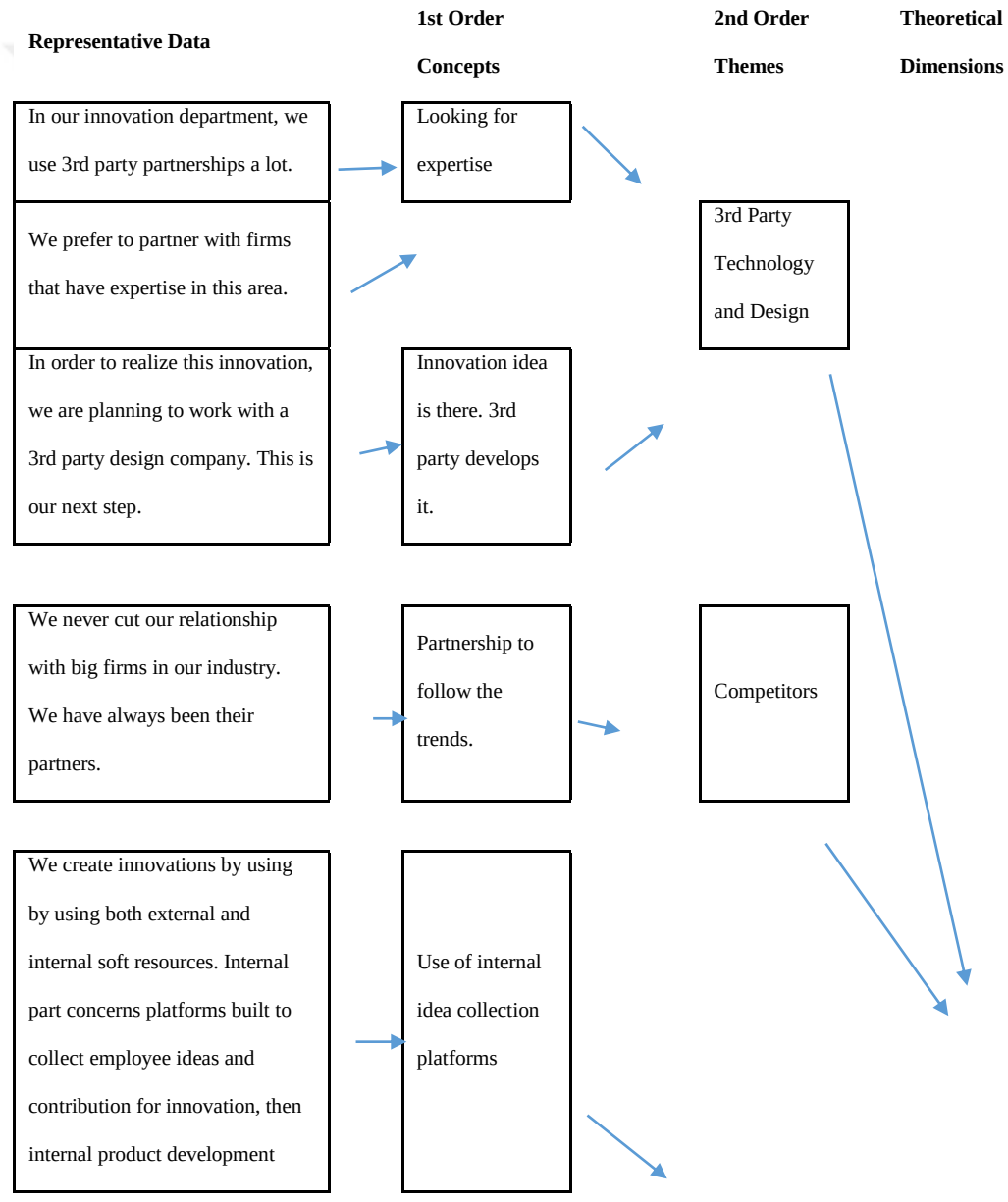
4.4. Findings

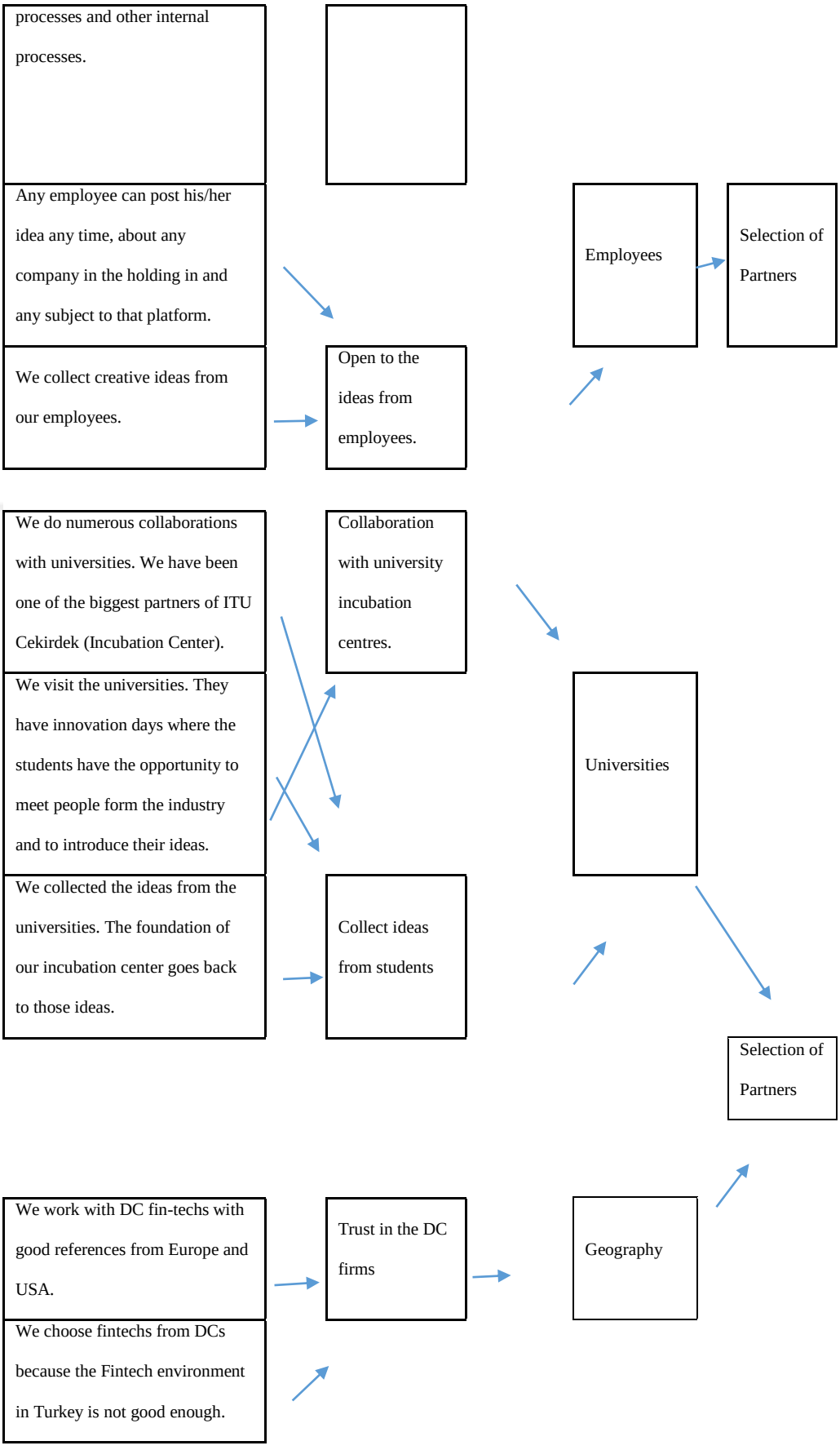
4.4.1. Coding Structure

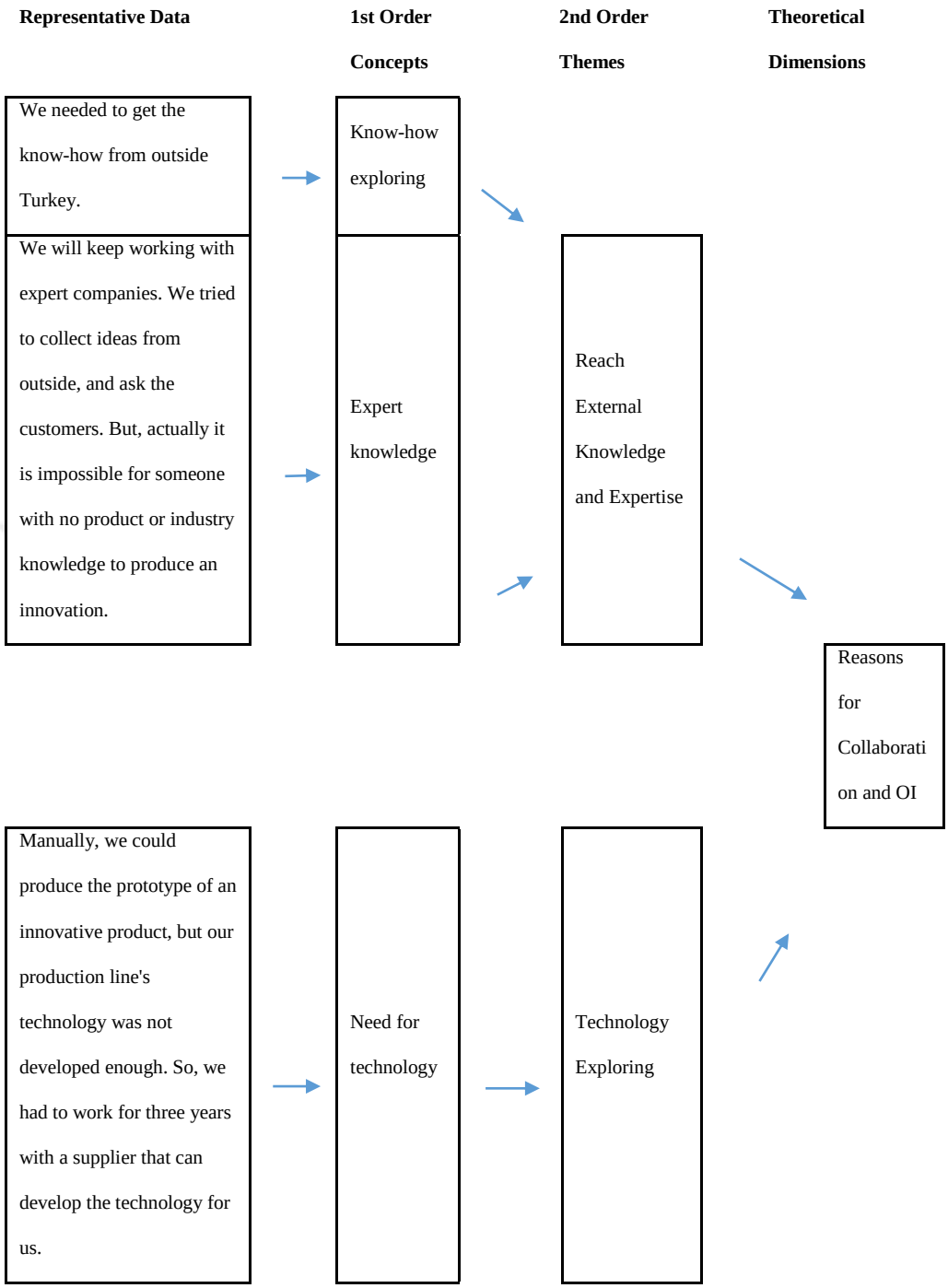
Figure 10 below shows the coding structure used in the analysis.


1st Order
Concepts
2nd Order
Themes
Theoretical Dimensions
Representative Data
Until now, all the innovation ideas were collected internally. But, we are changing this. We start collecting external ideas.
Closed Innovation
We have decided to centralize the innovation processes in one single unit. R&D department is turned to the central R&D unit.
Centralized Closed Innovation
Our innovation departments role includes to find and to realize partnerships to facilitate the new models that we can use in different departments such as commercial sales or logistics. We work with 3rd parties in a case base. We outsource them for projects and ask their ideas.
Project /Solution based work with 3rd parties
We do partnerships and so. We don't have a structure where we get a specific solution to the external partners. We find an expert already having a solution then we try to figure out we can make use of this solution.
Collaboration
We never stop collaborating with foreign companies. This is a big advantage for learning where the industry goes, how the big players act.
Benefit of collaboration
Innovation Openness
Innovation has both an internal and an external part.
Realization of the need


We opened an incubation center. In the incubation center, we collect all the ideas.
360 degrees' partnership is a phenomenon formed of people with different specialities and coming from different functions.
We aim to open, but we don't have the structure to use OI. We need to build this structure.
Already using OI
Aim to have OI
Open Innovation


Representative Data
1st Order Concepts
2nd Order Themes
Theoretical Dimensions
In our innovation department, we use 3rd party partnerships a lot.
We prefer to partner with firms that have expertise in this area.
In order to realize this innovation, we are planning to work with a 3rd party design company. This is our next step.
We never cut our relationship with big firms in our industry. We have always been their partners.
We create innovations by using by using both external and internal soft resources. Internal part concerns platforms built to collect employee ideas and contribution for innovation, then internal product development
Looking for expertise
Innovation idea is there. 3rd party develops it.
Partnership to follow the trends.
Use of internal idea collection platforms
3rd Party Technology and Design
Competitors


processes and other internal processes.
Any employee can post his/her idea any time, about any company in the holding in and any subject to that platform.
We collect creative ideas from our employees.
Open to the ideas from employees.
Employees
Selection of Partners
We do numerous collaborations with universities. We have been one of the biggest partners of ITU Cekirdek (Incubation Center).
We visit the universities. They have innovation days where the students have the opportunity to meet people form the industry and to introduce their ideas.
We collected the ideas from the universities. The foundation of our incubation center goes back to those ideas.
Collaboration with university incubation centres.
Collect ideas from students
Universities
Selection of Partners
We work with DC fin-techs with good references from Europe and USA.
We choose fintechs from DCs because the Fintech environment in Turkey is not good enough.
Trust in the DC firms
Geography


Representative Data
1st Order Concepts
2nd Order Themes
Theoretical Dimensions
We needed to get the know-how from outside Turkey.
Know-how exploring
We will keep working with expert companies. We tried to collect ideas from outside, and ask the customers. But, actually it is impossible for someone with no product or industry knowledge to produce an innovation.
Expert knowledge
Reach External Knowledge and Expertise
Reasons for Collaboration and OI
Manually, we could produce the prototype of an innovative product, but our production line's technology was not developed enough. So, we had to work for three years with a supplier that can develop the technology for us.
Need for technology
Technology Exploring

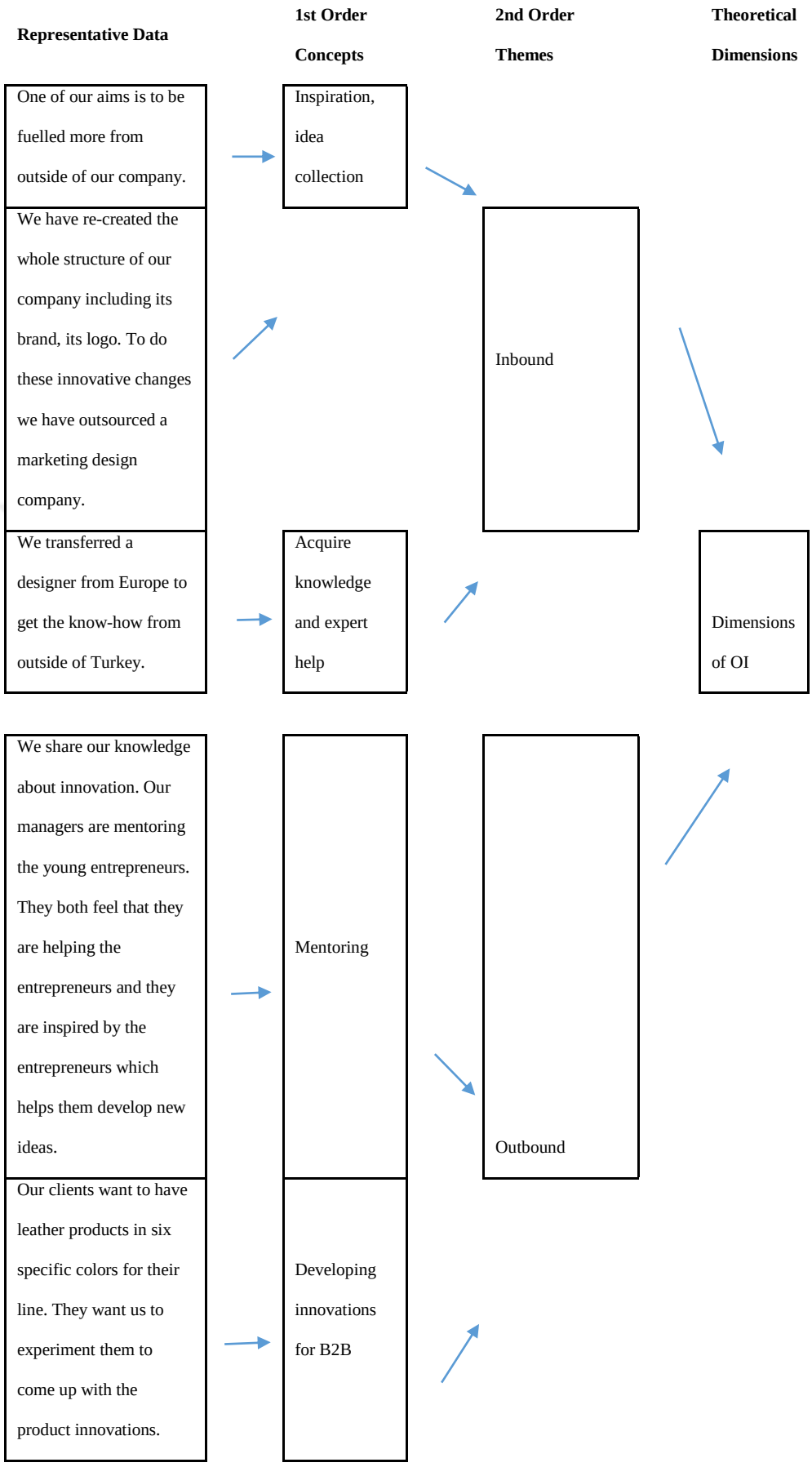


Figure 10: Coding

4.4.2. Background of the Individual Cases and Within-Case Analysis

In this section, the background information and innovation strategies of each company in our sample is summarized based on the data collected through interviews and archives. In order to conduct the within case analysis, we have identified four sub-titles. The following section is committed to case narratives organized based on the below listed sub-titles.

1. Brief historical background of the firm

2. The firm's approach to the innovation (in general) and the obstacles faced by the firms while developing and implementing innovations.

3. Firms' approach to collaborations and open innovation.

4. Conclusion to the within case analysis

4.4.2.1. Case 1: Company A

a. Brief historical background of the firm

Company A was established as an exclusive business bank in Turkey in 1948. Built-up initially with the central goal of giving financing to neighborhood cotton cultivators, the bank opened its first branch in Istanbul during the first years of the 1950s. A few years later, in the wake of moving its Head Office to Istanbul, the Bank quickly extended its branch organization by automatizing money activities by the beginning of the 1960s. After the initial and second public offerings in the 1990s, Company A shares started being exchanged in worldwide markets, as well as an American Depository Receipt (ADR).

With a solid and broad household appropriation system of over 500 branches and in excess of 10 thousand representatives, Company A works from its Head Office in Istanbul and more than 20 provincial directorates all over Turkey. Notwithstanding

giving administrations through branches, the Bank's conventional conveyance channel, Company A additionally serves more than 15 million clients through its internet branches, mobile application, call center, ATMs, and POS terminals and also other high-tech channels.

Generally known for envisioning changes in patterns and client elements to grow new items and channels for meeting the individual money related necessities of customers, Company A has acquainted numerous developments with the Turkish managing an account industry. The bank has several innovative products such as the iPad Banking Branch, the Loan Machine and Mobile Loan advancements, which enable clients to get advances without visiting a bank office.

Company A directs abroad tasks through its subsidiary in Germany (Company A AG) and a branch in Malta. The Bank has also different subsidiaries specialized in investment, asset management, and leasing areas.

b. The firm's approach to the innovation (in general) and the obstacles faced by the firms while developing and implementing innovations

In Company A, innovation is considered as an ongoing process. The projects have beginnings and ends, but the innovation process never ends. The aim of the innovation may change depending on the needs or strategies. The innovation focus can be customer acquisition, operational excellence, or another strategy. For example, the bank has implemented robotic automation. This is a system used in different industries before, and with this implementation, the system is also beginning to be used in the bank. The purpose is to eliminate the operational works that don’t have much-added value and to involve the employees in the more value-adding processes.

Another example is the implementation of money transfer via blockchain with Ripple. Company A was among the first banks in Turkey, which use and offer blockchain to its customers. This is also an alternative to the swift. Swift is very expensive and timely. The customers don't have the information on the amount of time and money that swift will cost. With the use of blockchain, these issues are solved and the costs are reduced. Similarly, a recently introduced innovation is mobile branch entry using selfie technology. Selfie is the first step in this innovation process. The next step aims to provide face recognition in the branch and customize the service.

The bank is also working on different models for new credit products. The aim of innovation is to improve the functioning of the bank, to win more customers, and to increase customer satisfaction.

One of the most important obstacles to the innovation listed is the budget constraint.

"The budget is very important, you really need to have a lot of money to try something, because it can become a waste. You try 100 things. Only one of them works, but that one really works. But you need to be able to invest in 100 projects. Unfortunately, economic conjuncture is not very suitable for this." Iris – Innovation Manager

Besides the budget constraint, the time constraint is an obstacle that the bank faces when implementing innovations. When innovation is implemented, the competitors imitate it in a very short time. Even so, being the first to implement an innovative product creates value for the firms in the banking industry.

According to Iris, being the first to offer innovative products to make a big difference in terms of brand reputation.

Finally, human capital is seen as a scarce resource in the banking industry. As our informant Iris mentions, most of the managers in the banking industry are experts in their own fields is a handicap coming from the business culture in the Turkish banking industry. In order to implement an innovation several departments need to work together and incoherence. At that point, being an expert in only one subject is not enough. The managers need to have a broader understanding of the issues so that they can work efficiently with people from different departments. Lack of human capital with a broad knowledge is one of the important obstacles that the bank faces during the development and implementation of the innovations.

c. Firms' approach to collaborations and open innovation

As mentioned above, one of the main obstacles for innovation in the banking industry is the lack of skilled people. Besides the management team whose expertise is focused only on a limited area, our interviewee believes that they have difficulty reaching people with good technical skills that will lead to innovation. She relates this problem to the education system in Turkey. According to her, the books used are old fashioned and don't cover the current information on new technologies such as AI.

To overcome these problems, company A founded an innovation laboratory, named Company A LAB. The Lab is the innovation focal point of Company A. At Company A, employees from all levels take part in the innovation processes. Company A members who have innovative ideas can share their thoughts with Company A LAB. As Company A LAB, the managers speak with FinTechs which

can bolster specialty units to incorporate the undertaking. Likewise, our inside development rivalries are another movement that joins our workers into the innovation processes. Company A Innovation Lab is a section where 9 people work. These nine people are considered as the accelerators of ideas. They generate innovative ideas. They search the partners with which the bank will collaborate to realize the idea. They work both with internal and external partners. If the partner is an external one, the team integrates the work of the new partner with internal work. The aim of the unit is to work with companies that are referenced in Europe, America, or the Far East. The prior selection criteria for an external partner is the partner's experience with large banks. The unit members interview the potential partners which also helps the team to shape the ideas. Consequently, they begin the implementation process. In this stage, the owner of that product is involved in the process and becomes a part of the project. Along with the project owner, there are also other parties involved (IT, law, internal control, risk control, sometimes analytical input, individual customers). The owner of the channel and the owner of the product are also included in the project team. A project progresses with a minimum of 7-8 people.

> As Company A, we accept that there are numerous things to gain from each ecosystem player. To this end, we need to be in contact with Fin-Techs, new companies, and any individual who offers creative arrangements and items and to assess the chances of participation with all-important specialty units. We do this both consistently through Company A lab.com and occasions, for example, Hackathon. Iris, Innovation Center Manager

Traditionally, the idea of innovation in Company A was related to internal innovation. Recently, the company management is changing this structure, they have started to collect ideas from outside as well. The company changes its strategy to the open innovation approach. Therefore, they are also looking for external partners. At the earlier phase of this strategy, they have tried to collect the ideas

through Hackathon, by asking the internal and external customers and other outside partners and develop them with internal resources. Each year Company A organizes a competition called “Company A Hackathon”. In Company A Hackathon, the participants build their solution from scratch within 48 hours. The purpose is to come up with solutions that will improve user experience and increase productivity in basic banking, payment systems, CRM, and social media.

However, the implementation processes didn’t work as effectively as expected. The problem was that there was a need for specialized product and industry knowledge that was missing in the internal implementation teams. Therefore, the innovation process has been changed in a way that it will involve specialized companies such as Fin-Techs and design-oriented companies. However, working with fin-tech companies causes new challenges for Turkish Banks. According to our interviewee, the fin-tech companies in Turkey are not mature enough. There exist start-up companies with simple structures. Therefore, these start-ups focus on smaller solutions. Human and capital resources in this area are weak. Most of the Turkish fin-tech firms start as a part of a bigger company, then they become autonomous. However, once they are separated from the mother company and establish their own identity, they stop growing and developing as well.

The lack of successful fin-tech companies in Turkey is an obstacle that the bank faces. They have to find partners from outside of Turkey. On the other hand, such a solution has its own handicaps such as complex legal processes.

d. The conclusion to the within-case analysis

Lack of necessary human capital is considered as one of the biggest obstacles for developing and implementing innovations. The lack of necessary human capital

affects both internal and external collaborations. Internally, although the managers have a high level of expertise, most of the time, their expertise is very specific. This makes it difficult for them to communicate and work effectively with people from other departments. However, in order to develop and implement innovations internally, a collaboration between different departments is crucial. In order to solve this problem, the company needs managers with more general expertise. Externally, banks usually collaborate with fintech companies to develop innovations. In our case, the bank management doesn't trust local fin-tech companies' know-how and capabilities. They prefer to collaborate with fintech companies from developed countries.

Company A's innovation teamwork on a few innovation ventures at the same time. When one innovation project closes, a new one starts. The reason for the innovation depends on commercial needs or strategies. The bank focuses on innovations to differentiate their position in the industry. They have a laboratory to collect and implement ideas. However, all these ideas are originated from internal sources. Recently, the bank has chosen to become more open in terms of innovation creation and implementation. They start to gather external ideas and look for external collaborations. On one hand, with their idea collection competition, they collect ideas from distinctive sorts of individuals and entities. On the other hand, so far, they didn't work on any innovation projects that have started with an outside idea. The bank uses external collaborations to implement them internally developed ideas. Most of the time they collaborate with 3rd part fin-tech companies.

4.4.2.2. Case 2: Company B

a. Brief historical background of the firm

Company B is founded in 1944 with the opening of the first scone plant in Istanbul. The firm became a global brand with the acquisitions of world-known brands in chocolate, cookies, and candy markets. As of 2018, the company expanded to Central and Eastern Europe, the Middle East, and Africa, producing incomes of 42,3 billion TL in 2017. With a workforce of 60,000 individuals in 80 manufacturing plants (25 of which are outside Turkey), the company's organizations reach consumers with 320 brands. The wide product range of the company includes rolls, chocolate, confectionery, cooking oil, margarine, solidified nourishments, bread, and meat items.

b. The firm's approach to the innovation (in general) and the obstacles faced by the firms while developing and implementing innovations

In 2011 Company B has founded an Innovation Branch. The foundation of this branch was considered as a realization of Company B's innovation strategies. The Holding Co. has incorporated all its innovation activities in the Innovation Company. The purpose of this action was not only to nurture innovation in the holding companies but also to serve other companies aiming to build an innovation culture and to offer them innovation as a product. The Innovation Branch aimed to conduct innovative activities that would gather industry, academy, and government together.

The firm's innovation strategy is shaped around its incubation center. The management aims to innovate in several areas. They support innovative ideas regarding products and technologies are welcomed. The purpose was to extend this approach to every department. Each department has requested an innovation

budget. However, the company failed to implement this project effectively. According to our respondent Ahmet, the main reason for the failure of this project was the limited resources provided to the employees.

“I am sorry, but you can’t ask a worker earning 3500 TL per month to come up with innovations. He has so many concerns about his life and financial situation that he can’t concentrate on innovating.” Ahmet – Innovation Manager

To promote innovations, the company used idea boxes where the employees could submit their ideas. The winners were awarded motivational rewards such as meeting the boss for the dinner. However, at the end of the day, this activity was not very effective, either. Another problem mentioned by Ahmet is the inefficient allocation of resources dedicated to the development of the employees. According to him, the firm allocated most of its budget for employee development to the senior managers who are not as creative as the younger generation. For example, the firm sends its managers to the business fairs to give them a new vision. However, Ahmet thinks that it would be more effective to give this opportunity to the younger generation who are more open-minded.

The obstacles to innovation are not always related to internal dynamics. Our interviewees mention that the budget constraints and risk attitudes are different in an economic market (as Turkey) where the inflation rate can increase very fast. In this regard, speed in decision making is an important capability that firms need.

c. Firms' approach to collaborations and open innovation

Company Innovation Director Ebru defines the innovation change in their innovation strategies as a transformation that takes three to five years. She mentions

that the company's earlier strategy was completely based on the internal R&D realized in each unit.

"Let alone the external collaborations, there was not any collaborative work even between the internal units. The secrecy was essential." Ebru, Innovation Director

The company employees wouldn't discuss innovation related subjects with suppliers. The was only closed innovation. After the decentralization of the company management, the innovation strategies begin to change as well. Another reason for the change from closed to open innovation was resource constraints. Ebru says that there were projects the company wanted to invest but didn't have enough knowledge resources. In these cases, they have collaborated with external firms to develop these projects. For example, they worked with a marketing company in the UK to do an innovative marketing campaign. They hired the British marketing agent and integrated the agent's know-how with Company B's internal know-how. Within five years, the company's approach to innovation has become much more open than its earlier approach. The firm collects ideas not only from employees but also from external agents, suppliers, and clients. They also have collaborations with the universities.

To solve the problems related to creativity, the firm management has decided to open an innovation unit. In this unit, the working hours and budgets are flexible. The aim is to provide employees an environment where they would have fewer resource constraints. The management approach to the innovation starts with accepting that the money allocated in the projects may be lost at the end. This doesn't mean that there are not any financial control or budget limits, but it means that employees are freer in creating new projects.

> We have decided that regardless of being an external or internal partner, anybody who comes up with an innovative idea can submit us a two pages' business plan about their ideas. With this business plan, we ask them to briefly explain the source of the idea, a description of the current situation, and the benefits of the idea. This helps the creator to evaluate and shape their ideas in a more efficient way. Ahmet

A commission including the CEO, CFO, and other area managers is formed to evaluate the ideas collected in this unit. Once the project is accepted, the innovation unit takes is over and manages the project.

d. The conclusion to the within-case analysis

Company B is a company that focuses on product innovation. In their journey, they began innovating internally. In the earlier years, the company had a culture of secrecy that made both internal and external collaborations difficult. However, as a way to deal with resource constraints, especially in terms of human capital, the company preferred to gradually become more open both internally and externally. As of today, the company is open to external innovation ideas. They collect ideas from a wide range of internal and external partners. Similarly, during the development and implementation phases, they collaborate with several partners.

4.4.2.3. Case 3: Company C

a. Brief historical background of the firm

Built-up at the end of the 1960s with multiple bottling works in Turkey, Company C is one of Turkey's biggest alcoholic beverage producers and market pioneers. The company holding over ten marks in its portfolio has several distilleries, malt industrial facilities, and a bounces preparing plant.

The company proceeds its operations with a sum of more than 20 bottling works located in Turkey and former Soviet Union countries, alongside several malteries, jumps preparing offices, and preform creation offices. Company C offers items and

administrations over a wide region spreading over from Turkey to Russia, Commonwealth of the Independent States, Central Asian, and the Middle Eastern nations with around 50 brands to a purchaser gathering of more than 600 million individuals.

Although the Turkish economy continued to grow, the industry remained under pressure during the year due to the continued deterioration in consumer confidence and lower than expected tourism activity. Inflation pressures increased by the recent volatility in exchange rates influenced the affordability negatively.

b. The firm's approach to the innovation (in general) and the obstacles faced by the firms while developing and implementing innovations

Company C tried to respond to the challenges the industry faced most effectively by refreshing its strategy in Turkey operations. The relaunch of the company's main brand, a reduction in the shelf life from 1 year to 6 months were some of the innovative and revolutionary strategies followed to strengthen the brand. Although there was a very competitive environment throughout the year, domestic sales volumes recorded growth in the last two-quarters thanks to the successful executions following the relaunch. The company received a global brand award, which was granted to the main brand of the company at the World Branding Awards, one of the most prestigious brand awards in the world.

c. Firms' approach to collaborations and open innovation

Based on the intercorporate entrepreneurship approach followed by the company management initiated two platforms where employees can participate. The first one is an idea and project platform that works on the Internet and is designed as open to ideas and projects that are innovative, creative, different, and believed to bring in

money and created by all internal personnel. The purpose of this platform is to build a corporate culture allowing constant and spontaneous innovation. This platform allows the creation of a work environment where innovative-creative ideas and projects are produced, evaluated, and implemented. The performance of innovation projects aimed at developing products, services, and processes are measured.

The second is a more platform where innovative ideas are open to the contribution of the employees in a more structured way. The purpose is to collect the employee's ideas to solve the cases and issues that are pre-defined by the innovation department.

Company managers claim that innovativeness is a priority for the company and that they see the skilled workforce as the most important for the innovation. According to company management, since the 2010s, when it was first implemented, the internal innovation platform helped the company to reach a significant decrease in the costs and improved production efficiency.

Company C develops product, process, and organizational innovations by collecting Internal ideas and partnering with employees working in different departments. They also collaborate with universities for scientific innovations. However, company management uses the resources acquired from outside only to develop and implement the innovations that are created internally. They don't collect any external ideas. Instead, they outsource the design and development of the existing ideas.

> Our innovation strategy has two sides that are internal and external. On the external side, we have collaborations with third parties. We worked with universities on a project base. Since 2018, we give mentorships to the start-ups in a university's incubation center. However, we don't collect any

> external ideas. We just collaborate to improve our already decided innovation ideas. Begum, Innovation Director

d. The conclusion to the within-case analysis

Although product innovation is dominant among the innovation types implemented by Company C, the company has different types of innovations as well (product, process, and organizational). The company administration collects ideas from internal partners from diverse offices. They have two different platforms where the employees from all levels can share their ideas. As external partners, the company prefers to collaborate with universities for scientific projects. However, these collaborations aim to improve internally collected ideas. The company doesn't collect ideas from any external entities. The external partnerships are used to develop the internally created ideas.

4.4.2.4 Case 4: Company D

a. Brief historical background of the firm

Born in Istanbul, Company D is a Turkish fashion brand producing leather goods and clothes. Founded in the 1970s as a designer, manufacturer, retailer, and exporter of leather goods, during the last four decades, the company has grown nationally and internationally. In recent years, the company has maintained its manufacturing and craftsmanship heritage while the business model is changed to become an international brand and a retail company. The company has expanded not only at home, but also internationally with more than 200 shop-in-shops located across the world.

In the first decade of the Millennium, Company D build a 40%-60% joint venture with a world leader company designing and producing bags. Both local and

international expansion is the main strategic goal of the company. Since the beginning of the 2000s, the company is listed on the Istanbul Stock Exchange.

b. The firm's approach to the innovation (in general) and the obstacles faced by the firms while developing and implementing innovations

Company D was one of the pioneer companies participating in the Turquality program. Turquality program, aiming to increase the innovation performance of Turkish Multinationals, requires the participating firms to reach a level of innovativeness based on the criteria defined by the program founders. Therefore, the company has built a strong infrastructure for R&D, design, and brand management to meet the expectations of the program.

It owns and controls the entire production process from premium rawhide to finished product, utilizing its tannery and production facilities. The tannery is used as an innovation lab. The design and R&D teams work in the tannery to develop innovations to serve their B2C and B2B customers. In B2B production, as the contract manufacturer of world leader high-street brands, the company's R&D team develops innovations required by their clients.

> For example, Client X (one of the World leader high street brands), tells us which colors they will use next season. They want us to produce prototypes so that they can see before producing in higher amounts. This gives us a chance to learn in advance what the colors will be in fashion in six months. Berk, CEO

As Berk explains, especially innovative designs and product innovation made by innovating the material is one of the focus points for the company. By innovating the refining processes, they develop innovative leather products. The design and R&D are the core of their products. However, the lack of designers with the necessary know-how is a challenge. Especially for some product lines such as handbags, the company has difficulty hiring expert designers.

c. Firms' approach to collaborations and open innovation

As our interview and our archival researches indicated, the company hires designers from Turkey and abroad, not to only design new models, but also to train a team of young designers. The company managers don't collaborate with external partners to solve this problem. They prefer to hire expert designers who can both develop designs and train the team internally. As a production company constantly outsourced by high fashion brands, and an international company exporting to more than 15 countries around the World, Company D has several collaborations and strategic partnerships. However, all the innovations are made internally. The CEO of the company mentions that as producers they can see the fashion lines created by their high street clients. Therefore, they may be inspired by these designs. However, they don't directly collect any ideas from any external partners (including their B2B clients).

d. The conclusion to the within-case analysis

Company D is a company focused on R&D and modern product improvement in its tannery utilized as a lab. Within the past, they have collaborated with outside firms particularly in executing marketing developments that made a difference in them to solidify their position in foreign markets. Be that as it may, in terms of idea collection and advancement of innovations, the firm doesn't collaborate with outside partners. Innovations are created internally. When the internal resources such as expert designers are not sufficient, the company management prefers to hire the necessary workforce instead of out-sourcing or partnering with external entities.

4.4.3. Cross-Case Analysis

Our cross-case analysis begins with a comparison of the firms to collaboration and open innovation when they innovate. Each theme and category that is showed in

Figure 1 are used to analyze the internal and external innovation activities to explore the answers to the following questions:

- How do they decide to collaborate ("Reasons for Collaboration and Open Innovation")?
- How open is each firm in their innovation activities ("Innovation Openness")?
- How do they choose and use the collaboration partners for their innovations ("Selection of Partners")?
- If and how do, they apply different dimensions of OI to their innovative activities ("Dimensions of OI")?

After analyzing the antecedents, partners, openness, and dimensions of the innovations for each firm, we investigated the similarities and differences between cases. Moreover, we have compared our findings with the Open Innovation literature to define the similarities and differences between the innovation activities of developed and emerging market firms.

4.4.3.1. Reasons for Collaboration and Open Innovation

One of the subjects highly discussed in the OI literature is the reasons why firms need and choose to have OI open innovation? The main reasons for OI discussed by innovation scholars are considered as tangible resource limitations (Chesbrough, 2003; Chen, Chen and Vanhaverbeke, 2011); need to explore external knowledge (Gassman and Enkerl, 2004), desire to reach technologies and strategic innovations (Chesbrough and Crowther, 2006; Castellani and Zanfei, 2006) and to deal with uncertainty (West, Salter; Vanhaverbeke and Chesbrough; 2014).

When we asked our interviewees why do their firms prefer to collaborate with outside partners and have open innovations, they only mentioned two reasons, namely the need to reach external knowledge and the need to reach external

technologies. Although our context is an emerging market often confronting economic crises (such as economic crises in 2001 and 2008) and devaluation of the Turkish Lira (e.g., August 2018), none of the interviewees cited “to deal with uncertainties”, nor “the tangible resource limitations” as a reason to collaborate. Especially acquiring external technologies are emphasized by our interviewees several times during our interviews.

> We wanted to produce those products. However, our production line didn't have that technology yet. So, we decided to do innovations to have those technologies by collaborating with a technology firm. Ebru, Innovation Director

4.4.3.2. Innovation Openness

The first theme that we analyze is “Innovation Openness”. As described by Chesbrough, the closed innovation model is shaped around research and development (R&D) departments or centers of the companies. The R&D centers or departments create, launch, and evaluate the innovation projects. Based on the evaluation of the projects some of them are stopped, while the others are chosen to be implemented and sent to the market (Chesbrough, 2012). On the other hand, When Chesbrough (2003) initiated the well-known utilization of the term "open innovation", it portrayed a paradigm where firms utilize external ideas and technologies in their businesses and release unused internal ideas and technologies outside for others to use in their business. As an updated definition of OI, Chesbrough and Crowther (2006) describe the OI paradigm “firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology”.

To evaluate the “openness” of firms in our sample, we consider the “use of internal and external ideas and technologies” emphasized in the above definitions.

In 2006, Chesbrough and Crowther suggest that unlike the earlier works' approach, the Open Innovation paradigm can be used not only in high-tech industries but also in the industries that are not high-technology driven. Our findings are in line with Chesbrough and Crowther's argument. Although the companies in our study are active in different industries with different levels of technology needs as well as different host markets, their strategies regarding open innovation show similarities. In all companies, the managers we have interviewed emphasized the importance of collaboration both with internal and external partners.

Companies A, B, and C have outsourced the design and development of innovations several times in the past. All three of these companies used external knowledge and technological expertise to develop product and process innovations. As an exception, Company D prefers to develop all the product innovations internally. The CEO of Company D mentioned that they have collaborated with a third party to help them develop a marketing innovation. However, they work as a third-party developer for their B2B customers and develop the required innovations.

All four of the companies have an innovation lab (a tannery in case of Company D) where they collect internal ideas and develop innovations. However, except for Company B, we found that the companies in our sample do not collect any external ideas. In other words, although all the companies to some degree collaborate with external players and outsource their innovative activities, three out of four companies are still reluctant to open to external ideas.

To classify the openness of the companies in our sample, we use Lazzarotti and Manzini's model (2009) where they define four types of companies to identify the degree of openness for innovation funnel. This typology of openness is also in line

with definitions made earlier in the literature (Chesbrough, 2003, 2006; Chesbrough and Crowther, 2006; Vanhaverbeke and Chesbrough, 2014). Hence, to classify the position of our sample firms in the open innovation funnel, we use Lazzarotti and Manzini's framework. The four types as described in the model (Lanzarotti and Manzini, 2009: 622-623) and the position of our sample firms in the model are as follows:

Closed Innovators: "Companies that access external sources of knowledge only for a specific, single phase of the innovation funnel and typically in dyadic collaborations". Company D in our sample fits the "closed innovators" type. Company D is an innovative company, constantly working on R&D and new product development in its tannery used as a lab. In the past, they have collaborated with external firms especially in implementing marketing innovations that helped them to fortify their position in foreign markets. However, in terms of idea collection and development of innovations, the firm doesn't collaborate with external partners. Innovation ideas are created and developed by people who already have this task in their job descriptions. For example, if a company needs creative product ideas they hire designers, but they don't collect any new product ideas outside of the design department or outside of the company. Therefore, Company D is classified as a "Closed Innovator".

Specialized Collaborators: "Companies that can work with many different partners, but concentrate their collaborations at a single point of the innovation funnel." Company C's approach to collaborations for innovations fits the definition of "Specialized Collaborators". Company C has different types (product, process, and organizational) innovations. The company management collects ideas from internal partners from different departments. They have scientific collaborations

with universities. However, company management doesn't collect any external ideas. Hence, they use external resources only by outsourcing the development of internally created innovations.

Integrated Collaborators: "Companies that open their whole innovation funnel, but only to contributions coming from a few types of partners (typically, suppliers and/or customers)"

Company A is a bank with continuously working on several innovation projects simultaneously. The innovation process is constant since when an innovation project ends, a new one starts. The purpose of innovation depends on business needs or strategies. Until recently, innovation in Company A was only developed internally.

Recently, the bank has decided to become more open in terms of innovation creation and development. They start to collect external ideas and search for external partners. With their idea collection competition, they collect ideas from a different type of people and entities. On the other hand, they didn't work on any innovation projects that are initiated by an external idea yet. Most of the time they collaborate with 3rd part fintech companies. Therefore, Company A can be classified as an integrative collaborator.

> We have tried to collect external ideas, ask the customers. But, for someone out of this industry, it is almost impossible to create innovations. Iris, Innovation Centre Manager

Open Innovation: Companies that can manage a wide set of technological relationships, that impact the whole innovation funnel and involves a wide set of different partners. Among our sample firms, Company B is the only company whose innovations are fitting to the above mentioned "Open Innovation" definition. They are open to external innovation ideas. They work with a wide range of

partners in every step of the creation, development, and implementation of innovations.

The four companies selected for our research had all developed several innovation projects, but the degree of openness in terms of innovation development is different from each other. Table 13 below illustrates the different levels of openness of the four companies in our sample based on the Lanzarotti and Manzini's "The four modes of open innovation" model (2009).

Table 13: OI Modes of the four cases

(Adapted from Lanzarotti and Manzini, 2009: 622-623)

Innovation Funnel Openness			
	High	Integrated collaborators - Company A	Open Innovators - Company B
	Low	Closed Innovators - Company D	Specialized Collaborators - Company C
		Low	High
		Partner Variety	

4.4.4. The breadth of the partnerships

External search breadth is a concept introduced by Laursen and Salter (2006) as a measure for the Open Innovation level. As discussed in previous OI literature, the breadth of partnerships included the employees, third party design, and development firms and universities (Laursen and Salter, 2006; Chiaroni et al, 2011 De Beule and Van Beveren 2019). However, unlike the examples in OI literature, none of the interviewees in our sample mentioned suppliers as partners to

collaborate for innovation development. Both the managers of Company A and B mentioned that in the past they outsourced third party firms from developed countries to acquire knowledge and technology expertise that their companies didn't have. They explicitly added that they preferred developed country firms because they believe that these firms are more competent than their counterparts in the emerging markets.

> Why do we work only with firms from abroad? Because the Fintech ecosystem in Turkey is not strong enough. Fintech firms in Turkey are not mature yet. Iris, Innovation Centre Manager

4.4.5. Dimensions of OI

Regarding the dimension of OI, our findings were in-line with the literature suggesting that firms usually prefer inbound OI rather than out-bound OI (Chiaroni et al., 2011).

When we asked them about the dimensions of OI, our interviewees from company C and Company D mentioned that they share their innovations with external partners. During our interviews and archival search, we found that Company C has a mentoring program where their volunteered managers and experts mentor start-ups in collaboration with the incubation center at Istanbul Technical University. On the other, this collaboration is far from being an out-bound innovation. As a definition, outbound (inside-out) open innovation concerns the innovations that are developed in a firm and opened to the external partners' use (Chesbrough et. al, 2006; Chesbrough, 2012). In the case of Company C, the mentors share their experiences and knowledge with the mentees. However, they don't share internally developed innovations.

The CEO of Company D in our sample mentioned that their R&D teamwork on the product innovations desired by their B2B clients. When we analyzed the examples

given during the interview, we noticed that Company D's R&D team is outsourced several times to develop the innovative ideas created by their clients. In other words, the company doesn't open any company innovations to their clients or any other outsiders. Therefore, they don't have any outbound open innovation. The only company in our sample suggesting that they were doing out-bound innovation was Company D. However, when we analyze in detail the developing innovations for their clients. Managers of both companies A and C mentioned that they support start-ups' innovation processes, but, when we analyzed the examples given by the interviewees, we found that the support given to start-ups is mentoring rather than out-bound innovation (see Table 14).

Table 14: Comparison of the cases

	CASE	1	2	3	4
		Banking	Confectionery	Beverages	Leather
Innovation	Budget as a criteria in project selection	Yes	Yes	Yes	Yes
	Knowledge and Human Capital	Yes	Yes	Yes	Yes
	Unstable economic conditions	Yes	Yes	Yes	Yes
	Company Culture	Innovative	Innovative	Innovative	Innovative
	Closed Innovation	Yes	Yes	Yes	Yes
	Collaboration Type	Outsourcing	Outsourcing	Outsourcing	Marketing
	Innovation Centre Lab	Bank Lab	Incubation Centre	Platforms	Tannery used as a lab
Innovation partners and OI	Employees	Yes	Yes	Yes	Yes
	Suppliers				
	Customers				Yes
	External designers, 3rd party technology firms	Yes	Yes	Yes	No
	Competitors and others es				Yes
	Universities	Yes	Yes	Yes	
	Collecting External Ideas		Yes		

4.5. Conclusion and Discussion

This analysis aimed to explore how Emerging Market Multinational Enterprises use open innovation strategies and what is 'emerging' about this. The question “How do they use open innovation” also concerns “How do they decide to have open innovation”. That is why we have also explored the reasons of EMNCs to have OI.

To answer our research question, we have conducted a multiple-case study based on interviews and archival research.

All four companies in our study collaborate and build partnerships with external players for innovation purposes. The OI literature based on the MNCs context indicates that intangible resource limitations are a major driver of OI.

Our findings suggest that unlike in advanced markets, tangible resource limitations are not a reason to collaborate for innovation. Thus, EMNCs' reasons to use open innovation and collaborations to innovate are not as diverse as those of advanced-market MNEs. EMNCs mainly use it to acquire knowledge and technologies to compensate for their intangible resource limitations. Moreover, although Turkey has a history of economic risk and uncertainty, the companies do not consider this as a reason for collaborations or open innovation;

Although all the companies included in our study show a propensity to collaborate and build partnerships with external players. On the other hand, their modes and levels of openness vary. When classified under the model created by Lanzarotti and Manzini (2009) and evaluated based on the definitions of Chesbrough (2003, 2006), each firm fits in a different mode of openness. Even for the firms that are collaborating for innovations, initiating an innovation by collecting external ideas and working with external partners throughout the project until the end is uncommon.

Furthermore, the breadth of partnerships chosen for innovation is limited compared to the types of partners mentioned in the developed country literature. While 3rd party firms and universities are the most preferred partner types, suppliers, and customers are not listed as the partners collaborated for innovation. Moreover,

when it comes to collaborating with 3rd parties, the origin of the partner becomes decision criteria, and developed country firms are preferred.

Finally, EMNCs are tended to have inbound open innovations rather than outbound. Even in the situations where they are willing to share their knowledge and expertise with outsiders, they don't open their internal innovations to outsiders. The reason for this is the "secrecy culture" that they have been carrying. As the company management are aware of their weaknesses regarding the innovativeness, they are willing to compensate those weaknesses by building a partnership. Similarly, being innovative firms, they aim to enhance innovations both inside and outside of their companies. However, all of these companies have been secretive and protective when it comes to sharing knowledge. Therefore, even the companies that are in a higher level of "OI Funnel" are not willing to share knowledge with outsiders.

The existing literature on OI clarifies that organizations may choose to look for external partners from various collaborators. To receive external contributions, they may prefer collaboration strategies such as building partnerships with external R&D firms, forming strategic partnerships, and outsourcing to the 3rd parties (Laursen & Salter, 2006).

Unfortunately, despite the growing importance of open innovation, as well as the EMNCs literature researching the differences among MNCs and EMNCs, research on how emerging market firms use OI and use collaborations is limited. In this research, we explored how EMNCs use OI to develop innovations. The extant literature tends to analyze and discuss various angles of OI without differentiating among developed and emerging country firms. We, therefore, complement prior

research by describing the reasons to do OI for EMNCs, how EMNCs use OI, and what types of partners they prefer.

As our findings suggest, the partner types that EMNCs prefer are much more limited than the types that are preferred by the MNCs. Moreover, although the firms in our sample are willing to collaborate to build innovations, they are not fully open to external ideas. Therefore, in terms of practical implications, we believe that the paper provides decision-makers in EMNCs insights on how they can revise their open innovation strategies by seeing the differences between the approaches used by EMNCs and MNCs.

In summary, in this study we explore how open innovation is used in mid-size to large Turkish EMNEs, and, based on that, to assess how 'emerging' they still are. This contributes to the limited knowledge on how EMNEs use open innovation, and to the debate on whether EMNEs are different in this respect from advanced-market MNEs.

Our study provides deep insights into the open innovation practices of Turkish EMNEs. It provides a nuanced image of how emerging Turkish EMNEs still are: adopting the practice like advanced-market MNEs but for different reasons, with an emphasis on intangible resources, with limited partner breadth and with limited openness.

This explorative study comes with its limitations. First of all, although our study is based on multiple cases, the findings from only four cases cannot be generalized. On the other hand, since we have firms from different industries a comparison between their approaches makes the study valuable. Especially, our findings indicating that only one of the firms is open to the collection of external ideas

makes a basis for further research to investigate the reasons for this approach such as the relationship between OI and home country culture.

Another limitation of this study is that all four cases are industry leaders with strong financial and market positions. This can be a limitation in terms of our findings regarding the antecedents of OI and collaboration. Since these firms have enough financial assets, they may not see tangible resource limitations as a reason to do OI. However, since our context is based on EMNCs and not smaller companies such as SMEs, several industry leaders can be in the scope of our research. Nevertheless, research based on the SMEs can provide a different result. Besides, our inductive qualitative study doesn't measure the effects of using open innovations or collaborations. An empirical study to compare the effects of using internal and external ideas can be enlightening in terms of providing suggestions for practitioners.

CHAPTER 5

INTERPRETATION OF THE FINDINGS, CONCLUSION AND DISCUSSION

5.1. Introduction

The purpose of this investigation is to explore the interrelationship between innovation and internationalization. It has been well recognized that internationalization has a positive effect on the innovations in developed markets MNCs (E.g. Basile, 2001; Birkinshaw and Hood, 2001; Salomon and Shaver, 2005). Similarly, collaborations made for innovations and OI is explored mostly in the developed country context (Chesbrough and Crowther, 2006; Laursen and Salter, 2006). Less is known about how EMNCs use innovations in their internationalization process and how they compensate their weaknesses by using OI.

The literature has examples of a number of works studying the relationship between internationalization and innovation. However, the discussions in this field are still not complete. Moreover, to the best of our knowledge, the earlier reviews in this field don't have a broad scope. They focus on specific parts of this relationship. As a result, the research question that we aim to answer in Chapter 2 is "What is the relationship between advancement and internationalization?" The findings of our literature review indicate some further research areas. We found that the number of qualitative studies, especially analyzing the effects of internationalization on innovation is limited. Considering the importance of qualitative studies in terms of building and expanding theory in a field, further research using inductive methods

is necessary. Moreover, we found that while recently more studies have addressed emerging market contexts, there is a need for research that addresses the question of whether effects within or from emerging markets are different from those within or from established. Furthermore, many studies use single variable metrics of internationalization, especially exports, while evidence suggests that internationalization is a multi-dimensional construct. Both research using alternative dimensions, and research integrating dimensions would be relevant to build a more robust body of knowledge on any of the relationships. Besides, internationalization is a process, and therefore pre-entry and post-entry activities should be included. Chapter 3 of this dissertation aims to respond the above mentioned further research areas defined in Chapter 2. Our purpose in Chapter 3 to explore the adaptation phase and innovations made after the firms' entry to new markets in the EMNCs context. Finally, by conducting an inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation and innovation. The findings of Chapter 3 suggest that EMNCs face challenges not only before or until but also after they enter to the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their own resources with the tangible or intangible resources of local partners, they create Recombinant FSAs (Collinson and Narula, 2014) to overcome the challenge in the international markets. Collaborations built in the host country to overcome this challenges give rise to different types of innovations including product, process and marketing. In Chapter 4, we analyze further the collaborations made to create innovations. In this chapter, we aim to answer the research question “How do Emerging Country Multinationals Use Open Innovation?” Open innovation is a

way of accessing assets and an alternative to cross-border acquisitions. It is based on the collaborations made with different partners. However, open innovation literature has dominantly focused on advanced-market MNEs. Consequently, there is limited knowledge on how EMNEs use open innovation, and on whether EMNEs are still 'emerging' in this respect. Therefore, in Chapter 4, we aim to focus on the OI practices used by the EMNCs. As described above, while we start our analysis in a broad area, namely the relationship between internationalization and innovation, as we move further in the thesis, we aim to narrow down our focus and understand the specific approach of EMNCs in this area.

The research forming this dissertation contributes to our understanding to the literature on the theoretical and empirical literature on the interrelationship between innovation and internationalization. Chapter 2 of this dissertation is a systematic literature review analyzing the literature on the relationship between innovation and internationalization. The time frame of the articles included are the years 1998-2018. The review describes the state of the literature and how different strands developed during these years. Moreover, it defines inconsistencies, open discussions, and gaps in the literature. The purpose of Chapter 3 is to examine how EMNCs' innovate. With this purpose, our research focuses on the innovations realized by the EMNCs after they expand to a new market. Finally, Chapter 4 of our research focuses on the collaborations made by EMNCs to enhance innovations. By exploring how EMNCs use collaborations and OI strategies, we also aim to understand if EMNCs approaches show differences with developed country MNCs' approaches described in the OI literature.

The findings of each chapter and an integrated conclusion will be discussed in detail in the following sections.

5.2. Summary of the findings and contributions of Chapter 2

Since the second half of the 1980s, both scholars and practitioners became more interested in the relationship between the firms' internationalization and innovation (E.g. Molero, 1998; Wakelin, 1998; Vila and Kuster, 2007; Prashantham, 2008; Bratti and Felice, 2012; Halilem, Amara, and Landry 2014).

Although earlier studies reviewed similar topics (e.g. Hagen, Denicolai, Zucchella., 2014; Barbossa and Romero, 2016; Cantwell, 2017; Aggarwal and Kapoor, 2018; Papanastassiou, Pearce, Zanfei, 2020), our study has a broader scope than the earlier reviews. We analyze the main effects of internationalization of business, and we include articles that study the effects of internationalization on innovation, articles that study the effects of innovation on internationalization, and articles that study their reciprocal effects. Thus, we aim to summarize the discussions in the existing literature and describe its current state. Our literature review, and the works it surveys, contribute both to the international business and innovation literatures. Our study contributes to the international business literature by explicitly connecting it to innovation and, vice versa, to innovation literature by explicitly linking it to international business. Below is a summary of the findings of the literature review chapter of this dissertation. To begin with, the literature has examples of studies examining the effects of internationalization on innovation, studies analyzing the effects of innovation on internationalization, and studies discussing a reciprocal effect. When we analyze the themes of the works included in our sample, we find that there's a chronological pattern. Our findings suggest that the strands analyzing the reciprocal effects of the innovation and internationalization are informed by the two prior strands. Moreover, our findings

suggest that there are some inconsistencies, gaps, and necessities for further investigation in the literature.

The studies examining the effects of innovation on international expansion and informing from EMNCs literature are primarily focused on the impacts of innovation on the international expansion and entry mode choices, but the international activities of a firm don't stop after the entry. Business life has examples of EMNCs innovating to adapt to international markets. To the best of our knowledge, there is a limited number of studies discussing how companies utilize innovation to increase their adaptation to the host country (e.g. Cuervo-Cazurra, Newburry, Park, 2016; Lee and Slater, 2007).

The literature analyzing the reciprocal effects of innovation and internationalization is a relatively new strand. The number of works suggesting the reciprocal effect is limited. The discussion needs further investigation especially in terms of understanding how these two constructs affect each other.

Although numerous works are suggesting that internationalization affects innovations positively, the results are mixed and the key question about this relationship remains unsolved. There is still a need in the literature for further empirical research that would help to conclude the discussion in this area.

Most of the works in our sample analyzing the effect of internationalization on innovation relate this effect to the tangible and intangible assets gained through international expansion (Eg. Salomon and Shaver, 2005; Kafouros et. al, 2008). . However, the innovations made to adapt may have different effects on the international performance of the firm than the home country based innovations.

When we analyzed the change in the subjects and context, we find that the interest in the Emerging market context has increased in the recent years (E.g. He et al.2017; Bortoluzzi et al. , 2018; Cuervo-Cazurra and Ramamurti, 2017). However, our findings indicate that the number of works in EMNCs contexts is still limited compared to the works in developed market contexts. Therefore, there is a need for further studies in the EMNCs area to be able to conclude the discussion on the relationship between innovation and internationalization from emerging markets. An idea that appears among the works studying both the effects of innovation on internationalization and the reciprocal effects is the collaboration. As well as the coopetition, international R&D collaborations, and international open innovations are discussed (E.g. Hurtado-Torres, Arragon-Correa, Ortiz de Mandojana, 2018; Romero-Martinez et. al, 2017; Vanyushyn et al., 2018). However, among the articles that we have studied there were not any works analyzing the relationship between EMNCs' innovation and internationalization, in a collaboration based point of view.

The review contributes to the literature first, by portraying diverse strands and evolution considering the relationship between the internationalization and innovation. This review summarizes the state of the art and defines the gaps in the literature. The point of this assessment is to analyze the key findings of these works and define the similarities and differences in the findings. Finally, we spot the limitation of these studies for future research and we give suggestions on further research topics.

Consequent to the further research suggestions in Chapter 2, Chapter 3 of this dissertation aims to explore the adaptation phase and innovations made after the firms' entry to new markets in the EMNCs context. Finally, by conducting an

inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation and innovation.

5.3. Summary of the findings and contributions of Chapter 3

The literature focusing on the EMNC internationalization and EMNC innovations have only a few examples of the studies concentrating on the firms' post-entry actions. We believe that the findings presented in our paper will advance the knowledge on the challenges faced by the EMNCs after they entered the host market, their strategies to overcome these challenges.

Our findings suggest that EMNCs face challenges not only before or until but also after they enter the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their resources with the tangible or intangible resources of local partners, they create Recombinant FSAs to overcome the challenge in the international markets. Dominantly, companies create BMI driven by these collaborations. In other words, the EMNCs search for partners to collaborate in the newly entered markets. Once the collaboration is decided, they do the necessary BMI to make these collaborations work. Further empirical research studying how these collaborations and BMI affect the firms' performance in the host market would not only complement our findings and contribute to the EMNCs literature but also would have practical implications for the managers of EMNCs.

With our inductive research, we contribute to the literature in EMNC literature by exploring the EMNCs' strategies after they entered the host markets and expanding the literature that is an area with limited studies. Our findings indicate that EMNCs develop innovations to overcome the challenges they face in the host countries.

Thus, they aim to increase their adaptation. This research contributes to the literature in two ways. First of all, by exploring the EMNCs' strategies after they entered the host markets that are an area with limited studies, we expand the EMNCs literature. Although business life has examples of EMNCs developing market-specific innovations after they entered to a host country, earlier literature has only a few examples of works concentrating on this stage of the international experience. Studies on EMNCs have mostly focused on the motivations and entry strategies of these companies, as well as whether they require new theories to explain their behavior. Therefore, our paper complements this research by focusing on how these companies adapt to the host markets.

Finally, we contribute to the literature by examining innovation as an ex-post to the collaborations made by the EMNCs to overcome the challenges of the host country. The findings of our paper imply why EMNCs choose to have local partners and what is the relationship between these collaborations and innovation.

The findings of Chapter 3 indicate that give rise to different types of innovations. In Chapter 4, we analyze further the collaborations made to create innovations. In this chapter, we aim to answer the research question "How do Emerging Country Multinationals Use Open Innovation?"

5.4. Summary of the Findings of Chapter 4

The results of our analysis show that the reasons for EMNCs to use open innovation and collaborations to innovate are not as diversified as it is the case for developed country firms. The firms in our cases make collaborations and decide to have open innovation to acquire knowledge and technologies. In other words, they use these partnerships to compensate for their intangible resource limitations. Unlike their

counterparts in developed countries, for EMNCs in our study, tangible resource limitations are not a reason to collaborate for innovation. Furthermore, although their country origin has a history of several economic crises, uncertainty is not considered as a reason to have collaborations or open innovation.

Furthermore, the breadth of partnerships chosen for innovation is limited compared to the types of partners mentioned in the developed country literature. While 3rd party firms and universities are the most preferred partner types, suppliers, and customers are not listed as the partners collaborated for innovation. Moreover, when it comes to collaborating with 3rd parties, the origin of the partner becomes decision criteria, and developed country firms are preferred.

Finally, EMNCs are tended to have inbound open innovations rather than outbound. Even in the situations where they are willing to share their knowledge and expertise with outsiders, they don't open their internal innovations to outsiders.

In summary, our findings suggest that Turkish EMNCs are, on one hand, similar to the MNCs in the way that they use outside collaborations for innovation. On the other hand, they have different grounds and partners when it comes to the implementation of OI. Our work brings insights on complement prior research by describing the reasons to do OI for EMNCs, how EMNCs use OI, and what types of partners they prefer. However, our study is limited to the Turkish context. Therefore, further empirical studies to compare the effects of using internal and external ideas complement the knowledge on how EMNCs use OI in a different context are necessary to complement this discussion.

In Chapter 4, we investigate how open innovation is utilized in mid-size to large Turkish EMNEs, and, based on that, we aim to understand how 'emerging' they

still are. This work contributes to the limited knowledge of how EMNEs use open innovation, and to the discussion on whether EMNEs are distinctive in this regard from developed-market MNEs. Our study gives profound insights into the open innovation practices of Turkish EMNEs. It gives information on how developing Turkish EMNEs still are. Although they adopt OI practices in a similar way that advanced-market MNEs do, Turkish EMNCs have different reasons to use OI. They use OI mainly, the emphasis on intangible assets, with a narrow partner breadth and with limited openness.

5.5 Conclusions and further research

The literature has examples of a number of works studying the relationship between internationalization and innovation. However, the discussions in this field are still not complete. Moreover, to the best of our knowledge, the earlier reviews in this field don't have a broad scope. They focus on specific parts of this relationship. As a result, the research question that we aim to answer in Chapter 2 is "What is the relationship between advancement and internationalization?" The findings of our literature review indicate some further research areas. We found that the number of qualitative studies, especially analyzing the effects of internationalization on innovation is limited. Considering the importance of qualitative studies in terms of building and expanding theory in a field, further research using inductive methods is necessary. Moreover, we found that while recently more studies have addressed emerging market contexts, there is a need for research that addresses the question of whether effects within or from emerging markets are different from those within or from established. Furthermore, many studies use single variable metrics of internationalization, especially exports, while evidence suggests that internationalization is a multi-dimensional construct. Both research using

alternative dimensions, and research integrating dimensions would be relevant to build a more robust body of knowledge on any of the relationships. Besides, internationalization is a process, and therefore pre-entry and post-entry activities should be included. Chapter 3 of this dissertation aims to respond the above mentioned further research areas defined in Chapter 2. Our purpose in Chapter 3 to explore the adaptation phase and innovations made after the firms' entry to new markets in the EMNCs context. Finally, by conducting an inductive qualitative analysis, we define the constructs related to the relationships between the internationalization of EMNCs, adaptation and innovation. The findings of Chapter 3 suggest that EMNCs face challenges not only before or until but also after they enter to the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. By recombining their own resources with the tangible or intangible resources of local partners, they create Recombinant FSAs (Collinson and Narula, 2014) to overcome the challenge in the international markets. Collaborations built in the host country to overcome this challenges give rise to different types of innovations including product, process and marketing. In Chapter 4, we analyze further the collaborations made to create innovations. In this chapter, we aim to answer the research question “How do Emerging Country Multinationals Use Open Innovation?” Open innovation is a way of accessing assets and an alternative to cross-border acquisitions. It is based on the collaborations made with different partners. However, open innovation literature has dominantly focused on advanced-market MNEs. Consequently, there is limited knowledge on how EMNEs use open innovation, and on whether EMNEs are still 'emerging' in this respect. Therefore, in Chapter 4, we aim to focus on the OI practices used by the EMNCs. As described above, while we start our analysis

in a broad area, namely the relationship between internationalization and innovation, as we move further in the thesis, we aim to narrow down our focus and understand the specific approach of EMNCs in this area.

When we integrate the findings of Chapters 2, 3, and 4, we see that both in developed country MNCs and EMNCs, firms use innovation as a means to increase their adaptation to the host country and increase their performance. The EMNCs coping mechanisms and innovation strategies in external markets are different from the MNCs. They see collaboration with local partners when they expand and in host countries. In most of the cases, these collaborations necessitate a change in the business model that leads to BMI. Moreover, EMNCs use collaborations both at home and abroad to compensate for their weaknesses in terms of intangible resources. Thus, they adopt OI strategies. However, as it is the case for their adaptation to a new market, their OI processes show differences from MNCs (see Fig. 11).

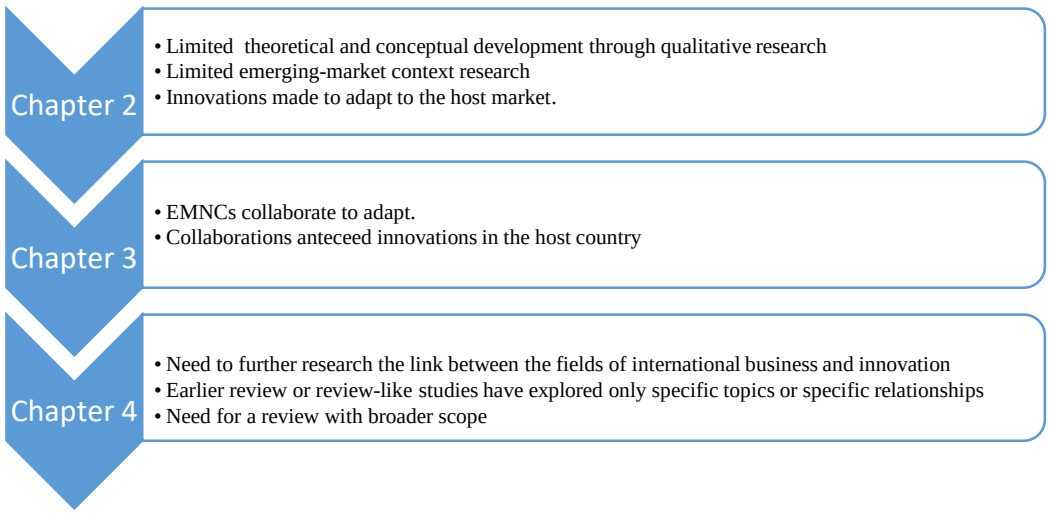


Figure 11: Synthesis of the thesis

This dissertation contributes to the literature on the theoretical and empirical literature on the interrelationship between innovation and internationalization. We do this by answering three following questions:

1. What is the relationship between innovation and internationalization?

2. How do EMNCs develop and use innovations to adapt to the host markets?

3. How do EMNCs use OI?

In Chapter 2, we review the literature on the relationship between internationalization and innovation. In Chapter 3, we argued that as EMNEs expand to the new markets they face challenges not only before or until but also after they enter the host markets. One of the main strategies that firms use to adapt to the host countries is to collaborate with local partners. Moreover, they collaborate both at home and abroad to seek advanced knowledge and to compensate for the lack of their intangible resource. As a result of these collaborations, they tend to increase their innovations both at home and abroad. Specifically, we found that the collaborations made in the host markets lead to the creation of Recombinant FSAs that in return lead to the BMI. Furthermore, the collaborations made with external partners are used to facilitate the adaptation abroad and compensate for the weak intangible resources. In our third study presented in Chapter 4, we explore how open innovation is used in mid-size to large Turkish EMNEs, and, based on that, to assess how 'emerging' they still are. This contributes to the limited knowledge on how EMNEs use open innovation, and to the debate on whether EMNEs are different in this respect from advanced-market MNEs. Our study provides deep insights into the open innovation practices of Turkish EMNEs. It provides a nuanced image of how emerging Turkish EMNEs still are: adopting the practice

like advanced-market MNEs but for different reasons, with an emphasis on intangible resources, with limited partner breadth and with limited openness.

Our research questions in this dissertation concerned HOW and WHY questions since we aim to uncover concepts and relationships. As a result of this scope decisions, we have conducted empirical studies using qualitative methods. Moreover, in both empirical studies, our context was Turkish EMNCs. Further research, using quantitative methods and comparing EMNCs collaborative innovation strategies with developed market MNCs may complement our research by providing a more generalized view on the following subjects:

- Quantitative and qualitative empirical studies investigating the innovation and internationalization relationship with international collaborations of EMNCs and developed market MNCs.

- Research comparing MNCs and EMNCs in terms of the strategies they use to adapt to the host markets.

- Research comparing MNCs and EMNCs in terms of the innovation as an ex-post to the collaborations made in the host country.

- Research comparing EMNCs expanding to emerging and developed host countries in terms of the innovation as an ex-post to the collaborations made in the host country.

- Research comparing EMNCs from different industries in terms of the innovation as an ex-post to the collaborations made in the host country.

- Empirical studies to compare how MNCs and EMNCs use OI in a different context.

APPENDICES

APPENDIX A

ARTICLES INCLUDED IN THE LITERATURE REVIEW BY CAUSALITY, BY YEAR

Table 15: Articles included in the literature review by causality, by year

Years	Internationalization - Innovation	Innovation - Internationalization	Reciprocal
1998-2004	Molero, 1998; Zahra, Ireland, Hitt, 2000; Birkinshaw and Hood, 2001; Basile, 2001	Wakelin, 1998; Sundbo, Johnston, Mattsson, Millett, 2001; Roper and Love, 2002; Knight, Cavusgil, 2004	
2005-2011	Salomon and Shaver, 2005; Kafouros, Buckley, Sharp, Wang, 2008; Casadeus-Massanel, Ricart, 2010	Lachenmaier, Wossmann, 2006; Vila and Kuster, 2007; Zhang, Li, Hitt, Cui, 2007; Rodriguez-Duarte, Sandulli, Minguela-Rata, Lopez-Sanchez, 2007; Kirbach, Schmiedeberg, 2008; Zahra, Hayton, 2008; Podmetina, Smirnova, Vaatanen, Torkelli, 2009; Cassiman & Golovko, 2009; Caldera, 2010; Van Beveren and Vandenbussche, 2010; Melia, Perez, Dobon 2010; Cassiman and Golovko; 2011	Damijan, Kostevc, Polanec, 2010; Golovko, Valentini, 2011; Williams, Shaw, 2011
2012-2018	Bratti, Felice, 2012; Hanley, Perez, 2012; Li et al., 2012; Fleury, Fleury, Borini, 2013; Boso, Story, Cadogan, 2013; Rask, 2014; Denicolai, Hagen and Pissoni, 2015; McCarthy, Aalbers, 2016; Love, Roper, Zhou, 2016; Cantwell, 2017; Aggarwal and	Monreal-Perez, Aragon-Sanchez, Sanchez-Marin, 2012; Boso, Story, Cadogan, Annan, Kadic-Maglajic, Micevski, 2016; Lewandowska, Szymura-Tyc, Golebiowski, 2016, Lynch, Jin, 2016; Oura, Zilber, Lopes, 2016; Pino, Felzensztein,	Filipescu, Prashantam, Rialp, Rialp, 2013; Halilem, Amara, Landry, 2014; Castano, Mendez, Galindo, 2016; Lo,

	Kapoor, 2018; Cao, Navare, Jin, 2018; Gammeltoft, Hobdari, 2018; Freixanet, Churakova, 2018; Rodriguez, Nieto, Santamaria, 2018; Vanyushyn, Bengtsson, Nasholm, Bote, 2018; Hurtado-Torres, Aragon-Correa, Ortiz-de-Mandojana, 2018	Zwerg-Villegas, Arias-Bolzmann, 2016; Cuervo-Cazurra, Ramamurti, 2017; He, Fallon, Khan, Lew, Kim, Wei, 2017;Rasmussen, Petersen, 2017; Romero-Martinez, Garcia-Muina, Ghauri, 2017; Ervits, 2018; Bortoluzzi, Kadic-Maglajlic, Arslanagic-Kalajdzic, Balboni, 2018; Kriz, Welch, 2018	2016; Moreno-Mendez, 2018

APPENDIX B

METHODOLOGY CHAPTER

1. Scope Decisions

Chapter 2 is a literature review article analyzing the literature on the relationship between innovation and internationalization. Chapter 3 and 4 are inductive qualitative studies based on the Turkish business context. The decision to choose Turkish business context is the growing size and importance of the Turkish companies in the global business. Turkish Multinationals such as Turkish Airlines, Beko and Vestel have strong positions in the global markets. Moreover, Forbes, "The World's Largest Public Companies – 2018" list includes five Turkish companies.

Chapter 2 is a literature review focusing on the relationship between innovation and internationalization. To collect the data for the review, we first searched the articles from "Web of Science" (WoS) database. Additionally, we have defined the highly cited articles that were not included we have added the highly cited articles that were not found in the WoS database search and added these articles to our sample. We have included to our search only the articles published in peer-reviewed journals. Moreover, the time scope of our research included the years between 1998-2018. In our preliminary research, we found that the literature on the subject we review has gained a pace after 2000s. On the other hand, we started our search not from 2000, but from 1998 in order to cover two complete decades.

Chapter 3 focuses on the innovations made by the EMNCs after they expand to a new host country conducts an inductive qualitative methodology based on the

interviews with company managers. The Turkish business context is a complex business environment. Moreover, the number of researches focusing on the innovation made by the EMNCs in the host country are limited. These two characteristics and our desire to reach a thick description about the subject make in-depth exploratory research and an inductive approach suitable for our purpose (Cuervo-Cazurra et al, 2016; Welch, Piekkari, Plakoyiannaki, and Paavilainen-Mäntymäki, 2011).

For comparability purposes, the firms that will be included in Chapter 3 are chosen among internationalizing and innovating Turkish firms active in different industries. By choosing firms from different industries, we aim to have generalizability in our findings. The purpose of selecting different industries was to reach more generalizable findings. Choosing different firms from different industries could show us if the differences and similarities in the firm strategies are related to the type of industry. Although, there may be some industry effects, we found similar patterns in the cases. Regarding the differences, we found that they were not related to the industry differences, but the to the differences coming from the company history and strategies.

2. Methodology of Chapter 2

Within Chapter 2, we have a "Methodology" part where we discuss in detail the methodology used to conduct the literature review. In this part of the dissertation's Methodology Chapter regarding the methodology of the Literature Review, we use the same explanations that we have provided in Chapter 2.

The research method used in this Chapter 2 is a systematic review of the literature (Tranfield et al., 2003). It involves the analysis of the publications made on the topic of the relationship between internationalization and innovation. The data is

systematically collected and analyzed by using qualitative and descriptive data analysis techniques.

The data collection involved the four steps described below:

Step 1 - The collection of data from the data basis: The data were collected from the Web of Science (WoS) database. The primary search of WoS database is done by using the keywords: “internationalization” and “innovation”, their derivatives and related terms which include, “international expansion, export, performance, innovation types of innovation, innovativeness”. This primary search based on the keywords resulted in a sample of 1055 articles.

To begin with, we have decided on our research and we have created the guidelines for collecting the literature. Following, we have established the steps for classifying, describing, and coding the data. Finally, the data is coded and the findings of the review are synthesized. Since this study aims to investigate and synthesize different conceptualizations of the relationship between internationalization and innovation, the first step of our analysis is to identify conceptual or empirical research articles that incorporate these two constructs. To reach this aim, we have set the inclusion and exclusion criteria. In order to avoid excluding relevant articles, during the first step of our data collection we have used broad criteria:

- focus on both innovation and internationalization;
- published in peer-reviewed journals;
- empirical or conceptual papers;
- published in English;
- full text access.

Our research investigates works that incorporate the terms “internationalization” and “innovation” in their titles, key words and/or abstracts. To get a full review, a few concepts that might show up related to internationalization and/or innovation such as “innovativeness” or “international performance” are included. However, to remain focused, books, conference proceedings and reports were excluded. As a result of the key words analysis that we have conducted, 1055 articles are selected to be included for further analysis.

When the literature is analyzed, one can see that the literature has very few examples of the relationship between the innovation and internationalization before the 2000s. Therefore, as the timeframe of our review, we searched the literature in the two decades leading to 2018. The data collection is limited with the peer-to-peer reviewed articles in academic journals to get a comparable body of research. To incorporate research from a larger range of research areas, the search incorporates a more extensive range of journals and isn't restricted to a certain cluster of journals.

Step 2– Elimination of the articles based on the titles and the abstracts

As mentioned above, our search consists of keywords, abstract; and full content. Despite several articles include the terms innovation and internationalization in their abstracts, only few analyzed or conceptualized the relationship between these concepts. Therefore, we have developed a second elimination criteria that helped us to remain focused on our research question. After analysing the 1055 articles based on this second and more detailed criteria, we have eliminated 833 articles that were not relevant. As a result, based on the below described inclusion criteria, 222 articles are selected for the third step of our analysis.

Inclusion criteria used in the second step of our analysis:

- Main focus on the relationship between innovation and internationalization;
- A link between the innovation and internationalization is hypothesized
- and tested or conceptualized;
- Published in peer reviewed journals;
- Empirical or conceptual works;
- Published in English;
- Full text access.

Step 3. – Second elimination

As the third step of our analysis, we looked at the selected articles in more detail by reading them to decide if they are matching the subject of this literature review. In this step, the abstract and full-text of 222 scholarly works have to be analyzed, to eliminate any irrelevant works. This final elimination process is conducted based on the quality appraisal criteria given below.

1. The main focus of the work is innovation and internationalization

2. Purpose of the study is clearly mentioned.

As a result of this last elimination process 60 articles are chosen and included in our review (See Fig 1).

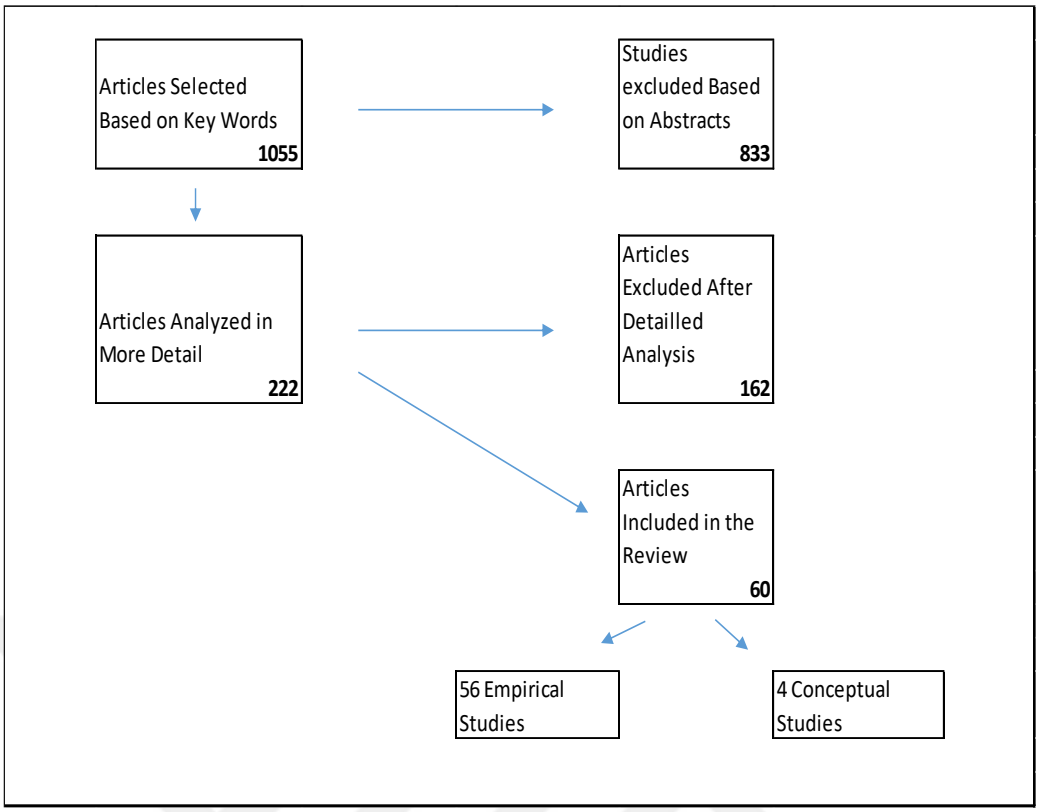


Fig 12– The elimination process of the articles

All 60 articles are put in an Excel file including the article information such as publication year and outlet, authors and objective of the research. We found that some of the information was missing. Therefore, we have used web search to find the missing information and complete the Excel table used to enlist the data included.

Coding of the data

To efficiently describe and analyze academic discussions on our research subject, a literature classification system is created. As suggested by Wolfswinkel,

Furtmueller, and Wilderom (2011), we identified the categories for this classification by using an inductive approach informed by grounded theory.

Initially, we have read the 60 papers chosen after the elimination process. During the initial coding stages, we associated open coding methodologies and created a wide expand of codes to capture the subjects discussed in each study [Strauss and Corbin, 1998]. Based on the keywords, abstracts and full articles, we have created a coding list.

A coding list helped coders with a common outline of reference. For the purpose of refining it to provide consistent coding between the authors, the initial coding list is assessed utilizing twelve arbitrarily chosen articles. These extra refinements were basic for guaranteeing usefulness, consistency, and flow in coding. In this stage, the two authors worked independently on coding the 12 articles. Discussion and agreement between the authors eliminated the contradictions emerging from coding. Consequently, we have coded the articles and reached the following 10 categories:

1. Year
2. Publication outlet
3. Author
4. Objective / type of research
5. Theories used
6. Approach (e.g., conceptual, empirical, analytical)
7. Empirical method

8. Data (e.g. secondary, interviews, survey)

9. Causality

10. Key findings

Once the two authors agreed on every aspect of the analysis methods and coding, we have analyzed the remaining 48 articles.

3. Methodology of Chapter 3

3. 1. Research Context and Qualitative Methods

To study the EMNCs, as the context of our research, we have chosen the Turkish companies active in the international arena. According to the statistics of International Monetary Fund (IMF, 2018), GDP of Turkey, in 2018 is expected to reach 909,9 Billion USD that makes Turkey 17th biggest economy in the World. Moreover, Turkey is listed by IMF as an "Emerging Country". The uncertainties coming from the early elections in 2018, the geopolitical situation and the volatile exchange rates render the business environment sensitive (OECD, 2018).

Our research question which examines the relationship between internationalization, adaptation and in innovation in EMNCs. An inductive qualitative methodology based on interviews was preferred to investigate our question. By using this methodology, we aim to appoint the key constructs of the developing theory and determine the relationships between the constructs. This analysis based on qualitative data can form a basis for future quantitative analysis (Eisenhardt, 1989). As discussed in the literature, the survey methodology is more appropriate for theory testing rather than theory building (Eisenhardt, 1989; Yin, 2009). The answer to our research question

that focuses on how the relationship between internationalization, adaptation and innovation is build is not quantifiable. Conducting multiple interviews with managers regarding the challenges and the solutions they face during their internationalization journey can help us to understand how they make sense of this process (Weick, 1995). Moreover, the complex business environment of Turkish business context, as well as the low number of researches focusing on the innovation of EMNCs after their entry to the host markets necessitates an explorative research in this area. Therefore, we use an inductive approach suitable for our purpose (Cuervo-Cazurra et al, 2016; Welch, Piekkari, Plakoyiannaki, and Paavilainen-Mäntymäki, 2011).

3.2. In-Depth Qualitative Approach

In this research, semi-structured interviews are used because knowledge and evidence are contextual, situational and interactional (Mason, 2002). Along semi-structured interviews, we have collected data through archival research and observations (Denzin and Lincoln, 2000; Welch et al. 2011).

During our data collection stage, we have repeatedly compared the data coming from interviews, archives, and observations. The purpose of this comparison was to identify similarities and differences within and between the firms (Pratt, 2009).

3.3. Sample Selection and Participants

To create some variation, firms with industry and host market diversification are preferred. By selecting firms active in both developed and developing markets we aim to create some market diversification thus analyze different strategies used in different markets. Table 1 below shows a list of the

industries and type of country (Developed or Emerging) where the firms in our sample are active. For the purpose of privacy, we didn't list the names of the countries where these firms operate.

In this research, semi-structured in-depth interviews are used. The informants are chosen based on their current or past companies and positions. On the other hand, willingness to share information was a part of our participant selection criteria. The participants are the executive managers of internationally expanding Turkish companies active in different industries. The participants include country managers, directors of international divisions of Turkish Companies, strategy managers, and CEOs who are the decision makers of the innovation strategies for the firm. In other words, the respondents are chosen from people in positions that provide familiarity with several aspects of the work such as finance, innovation, and marketing strategies. They are the people who decide to implement these strategies and understand the reasoning behind them. Table 16 below gives the information on the firms included in our sample.

Table 16: List of the firms in our sample

Firm	Industry	Innovation Type	Firm Age	International Experience
1	Mining	BM, Process	> 20	> 10
2	Food Production	BM, Product, Marketing	> 20	>20
3	Architecture	BM	>5	<5
4	R&D Consultancy and Gaming	BM, Product	>10	>10
5	IT Consultancy	BM	<5	<5
6	Rugs and Carpeting	BM, Product	<10	<10
7	Holding Co	BM, Product, Process	> 20	<20
8	Bank	Product, Process	> 20	>10
9	White Goods	BM, Product	> 20	>10
10	Leather Goods	BM, Product, Marketing	> 20	>20
11	Furniture	BM, Product	>20	>10
12	Airport Services	Product, Process	>20	>10
13	Automotive	BM, Product, Process	>20	>20
14	Telecom	BM, Product	>20	>5
15	Beverages	Product, Process	>20	>20

3.4. Interview Process and Data Collection

We have conducted the interviews in Turkish that is the native language of both the participants and us as researchers. Interviews included open-ended questions such as “how”, “what” and “why” (Langely, 1999). For example, if the informants gave us the example of a specific innovation, we have asked

them what were the antecedents of this specific innovation and how was the development and implementation processes? We asked our participants to give us as many examples as possible in order to have a better understanding of the issues and motives behind the company decisions as well as the informants' perceptions (Marschan-Piekkari, and Welch, 2004).

As researchers, we invited the participants to be interviewed. After providing information about the study answering any queries, we asked the participant if they would give their written consent using consent form (Chandler and Reynolds, 2013). In order to secure the confidentiality of the respondents, and as agreed in our informed consent form, we have changed the names of our respondents and disguised the names of the companies. We have conducted the interviews at the participants' convenience. Conducting the interviews in the private offices of participants not only provide us privacy as suggested Belk, Fischer, and Kozinets (2013), but also gave us the opportunity to make some field observations.

Field observations, archive analysis, and interviews were done between September 2017 and September 2018. In total, we have conducted 17 interviews with managers from 15 firms. Each interview lasted approximately an hour.

The interviews are tape-recorded and researcher makes notes of the responses and non-verbal behavior. The tape records are transcribed and the field notes are revised the same day.

In order to receive as much information as possible that can affect our findings, our interview protocol included not only questions related to the

activities of firms after they enter to a new host market, but also questions related to their decision to internationalize. We began our interviews by asking our participants the motivation behind the international expansion of their firms, as well as their location and entry mode selections. After the decisions regarding the expansion, we asked our interviewees to describe the environment and give examples of situations they have faced after they have made the decision to enter a new market. By asking this question, we aimed to find out the advantages and disadvantages that they faced in the host markets. Finally, we asked our participants to explain us their actions after the entry decision to a host market is done.

3.5. Archival Data and Field Notes

Along semi-organized meetings, we have gathered information through archival research and perceptions (Denzin and Lincoln, 2000; Welsch et al. 2011). Amid our data collection process, we have more than once analyzed the information originating from meetings, annual reports, web-pages, news, advertisements, and observations.

Before each interview, we made an archival research based on the news and company reports to gather some initial information about the firms that we have visited and took notes on the issues that may be relevant for our research. Similarly, after each interview, we have recorded the field notes by recording our observations such as the information about the company facilities and did another archival research to find some information that may complement and support the data that we have collected through the interviews.

Our main purpose in collecting these data was to receive more information to build our cases and appreciate the context of Turkish Multinationals structures. Moreover, these data are used to triangulate the data collected through semi-structured interviews with managers.

3.6. The rigor of the analysis

Padgett (1998) suggests six ways to increase the accuracy of the research, namely prolonged engagement, triangulation, peer debriefing and support, member checking, negative case analysis, and auditing (1998). Prolonged engagement is made possible by visiting most of the respondents in their work environment This gave us a chance to not only observe the company environment, but also in some cases the possibility to talk with other employees from the same company. Peer debriefing and support, as well as auditing were made by discussing and modifying the research process based on the comments done in regular committee meetings. In order to have member checking, we have shared our findings with our key respondent.

Triangulation and negative case analysis will be discussed below.

The researchers used a triangulation technique by comparing the themes that come out from interviews, field notes and archival data including a variety of secondary sources (eg. Corporate annual reports, press releases, and news). The interview techniques, observations and archival analysis complement each other during each stage of the work.

Negative cases analysis that is a re-examination of cases is done only after the first examination of the cases are completed (Padgett, 1998; Strauss and Corbin, 1990). The literature on the EMNCs adaptation to the host markets

discusses the challenges caused by originating from an emerging market. Liability of Origin (LOR) (Ramachandran and Pant, 2010) was a challenged that we have observed during our analysis. However, we have also encountered negative cases where the firms mentioned that they didn't face any LOR at all. As described by Patton (2001), negative case analysis is the inquiry of the data elements that are not in line with and/or opposite to the patterns expected. Therefore, we have included negative case analysis in our work (Corbin, 2008; Kidder, 1981). Based on the indications of our negative case analysis, we have revised our findings. The results of our negative case analysis are included in the "Findings" section.

Transferability and Confirmability

In order to provide the transferability of our research, we have included a detailed documentation of the data collection, coding and analysis processes in the "Methodology" section. Thus, we aim to help other researchers to evaluate the transferability of this study to other contexts. In order to have confirmability, we have searched if our research criteria and findings are in line with other research findings from the literature. Moreover, we have described in detail how we examined the data to increase the confirmability (Lincoln and Guba, 1985), Respondent quotes selected from interview transcripts were utilized to illustrate the defined criteria, and to demonstrate the specific contexts in which the criteria were connected.

3.7. Coding and Analysis of the Data

In order to support the emerging theories, we have used repetitive iterations between data coming from interviews, archives, and theory (Miles and Huberman, 1994). As suggested by Eisenhardt (1989), we have compared the

emerging themes with literature, by doing an additional literature review for each theme that has emerged from our data analysis. This comparison allowed us not only support the theories with relevant literature but also consider the conflicts with existing studies.

In our data analysis process, we have conducted first within case then between case analysis (Strauss and Corbin, 1998). During the within case analysis, we have analyzed each interview transcription in detail. As a result of this analysis, we have marked the emerging codes. As a follow-up of each with case analysis, as explained in the "Archival Analysis" section we have checked relevant data from archives to see if they support our findings. As we did in the within case analysis, we have supported the results of our between case analysis with data collected through company reports, news, press releases, and filed notes.

As a result of our analysis, we have the emerging conceptual categories that are informed from "IB", "EMNCs", "FSAs" and "Innovation" literatures. Furthermore, the core and supporting themes of our research are formed based on these conceptual categories. As the final step of our analysis, we have analyzed the relationship between the themes and the literature.

The steps that we have followed during the analysis of our data are described below:

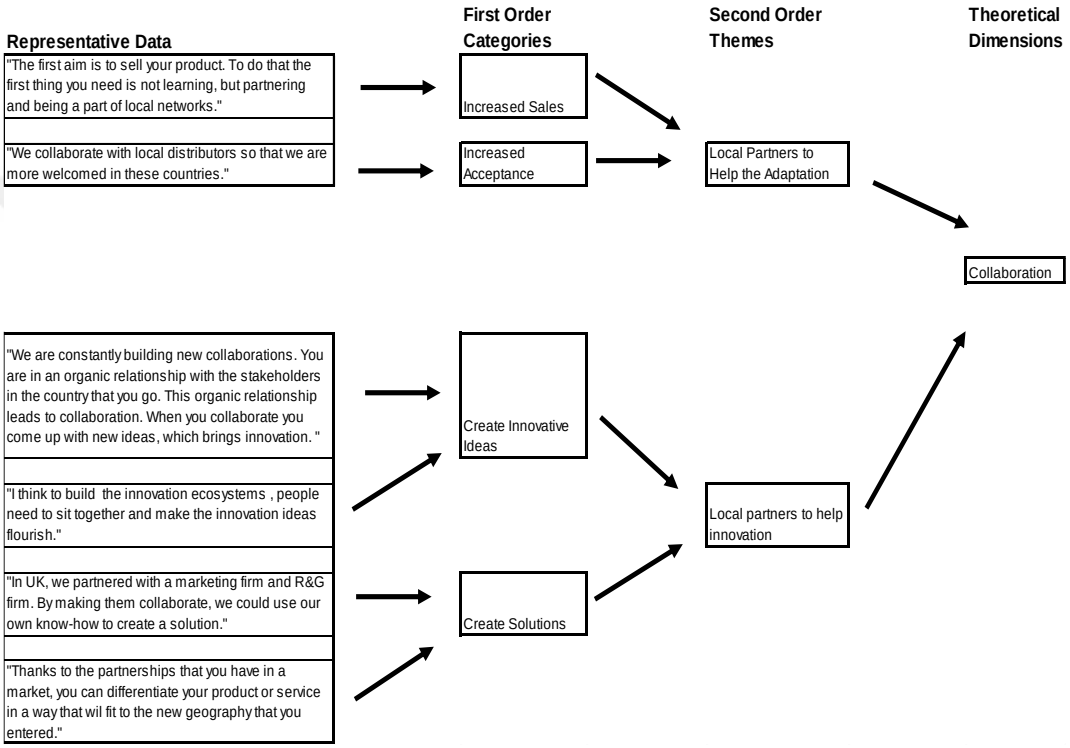
Step 1: We used QDA Miner to organize the codes coming from the interview transcripts. Step 2: The second step of analysis was to group (when possible) the codes into higher-level nodes that formed our first order categories. (See

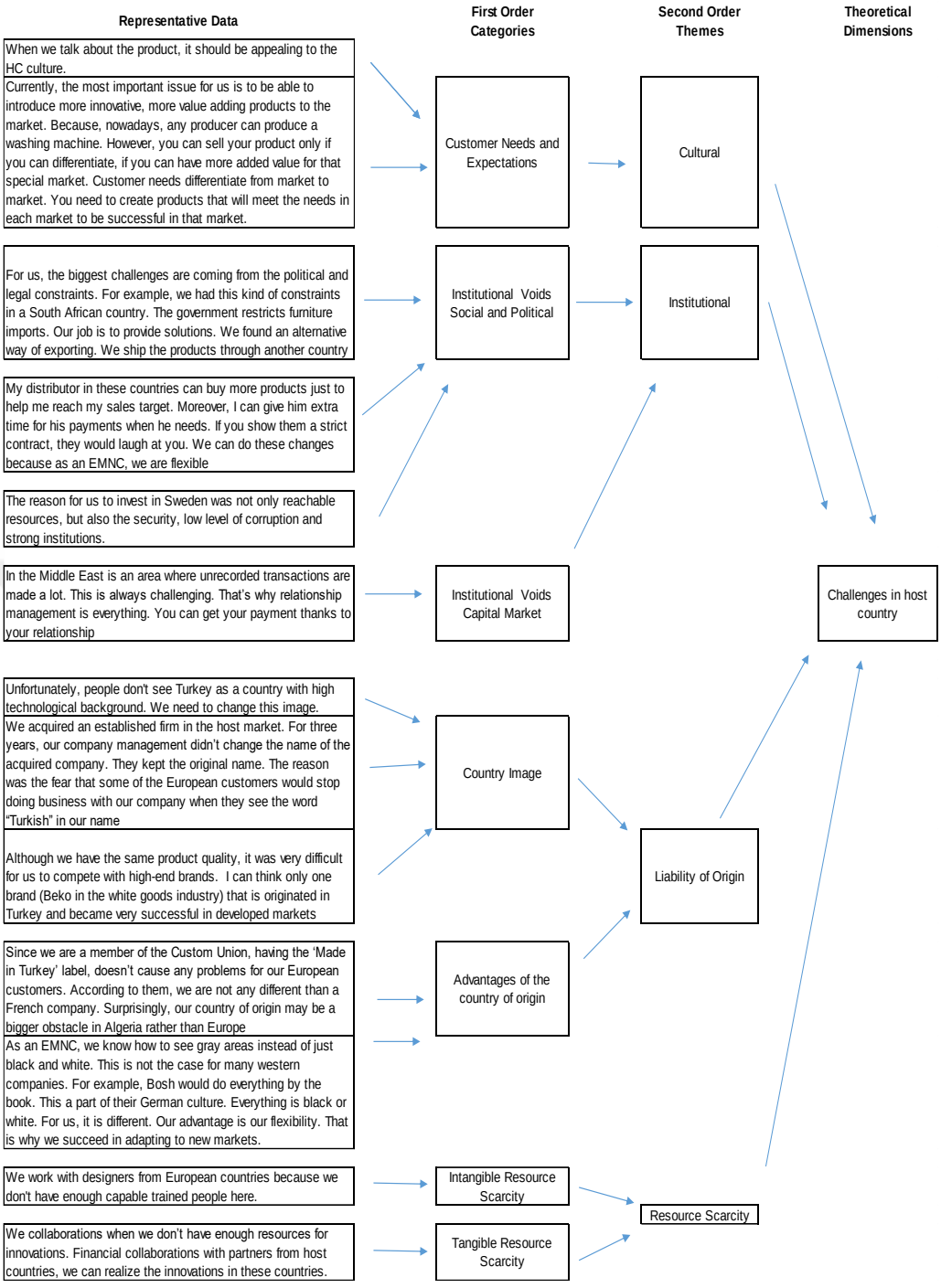
Figure 1 a below for examples). The first order categories are informed from the literature. The second order themes are compared with literature.

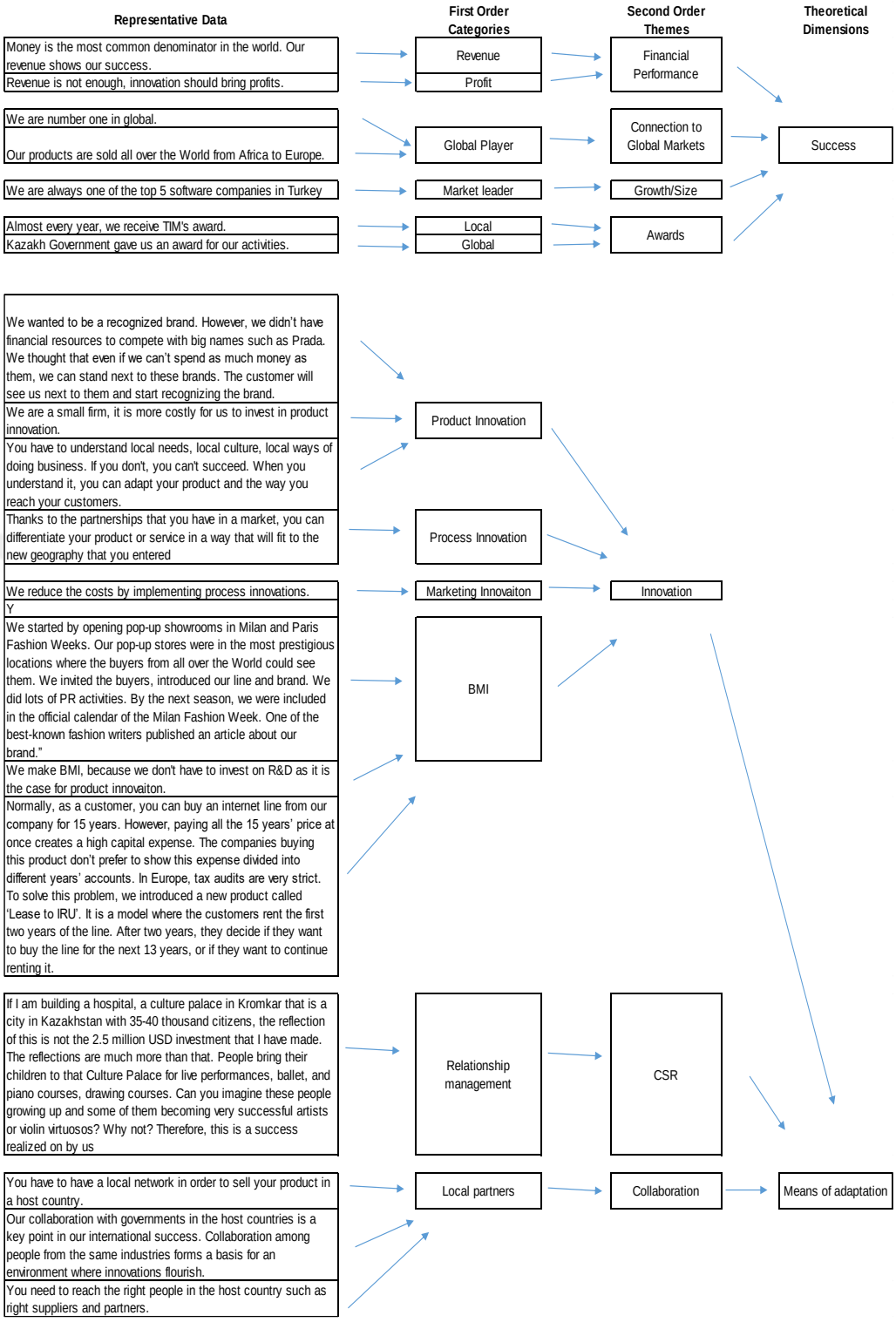
Informing from “Innovation”, “Internationalization” and “EMNCs” literatures, the conceptual categories formed the ground for both core and supporting themes. We started the examination by defining initial concepts from our data. In order to make open coding, we have assembled these initial concepts to form categories. We have used first order codes taken directly from the interview transcriptions (Van Maanen, 1979) or simple concepts from the literature.

Step 3: As suggested by Gioia, Corley and Hamilton (2013), we have created the themes as a result of the analysis of the relationship between the first order categories. We than followed Eisenhardt’s foot steps to use iterations between the first-order categories and the links between them in order to have emerging conceptual themes. Following, we made an axial coding in order to define the relationships between the categories created. This axial coding process allowed us to reach the overarching dimensions coming from the themes. This was an analytic procedure that we have repeated until we have reached a better understanding of the relationship between the concepts that we are investigating. As suggested by Luborsky and Crits-Christoph (1990), we made the distinction between our core and supporting themes by checking how often a theme appears in the analysis. For example, one of our core themes that appears often is collaboration. Figure 1 below shows an example of how the themes are built.

Step 4: The final step of our analysis concerned a classification of the second-order themes into underlying dimension. Finally, we have examined the relationships between the literature and themes to excel our findings, that we discuss in the following chapter.




Representative Data
First Order Categories
Second Order Themes
Theoretical Dimensions
When we talk about the product, it should be appealing to the HC culture.
Currently, the most important issue for us is to be able to introduce more innovative, more value adding products to the market. Because, nowadays, any producer can produce a washing machine. However, you can sell your product only if you can differentiate, if you can have more added value for that special market. Customer needs differentiate from market to market. You need to create products that will meet the needs in each market to be successful in that market.
Customer Needs and Expectations
Cultural
For us, the biggest challenges are coming from the political and legal constraints. For example, we had this kind of constraints in a South African country. The government restricts furniture imports. Our job is to provide solutions. We found an alternative way of exporting. We ship the products through another country
Institutional Voids Social and Political
Institutional
My distributor in these countries can buy more products just to help me reach my sales target. Moreover, I can give him extra time for his payments when he needs. If you show them a strict contract, they would laugh at you. We can do these changes because as an EMNC, we are flexible
The reason for us to invest in Sweden was not only reachable resources, but also the security, low level of corruption and strong institutions.
In the Middle East is an area where unrecorded transactions are made a lot. This is always challenging. That's why relationship management is everything. You can get your payment thanks to your relationship
Institutional Voids Capital Market
Challenges in host country
Unfortunately, people don't see Turkey as a country with high technological background. We need to change this image.
We acquired an established firm in the host market. For three years, our company management didn't change the name of the acquired company. They kept the original name. The reason was the fear that some of the European customers would stop doing business with our company when they see the word "Turkish" in our name
Country Image
Although we have the same product quality, it was very difficult for us to compete with high-end brands. I can think only one brand (Beko in the white goods industry) that is originated in Turkey and became very successful in developed markets
Liability of Origin
Since we are a member of the Custom Union, having the 'Made in Turkey' label, doesn't cause any problems for our European customers. According to them, we are not any different than a French company. Surprisingly, our country of origin may be a bigger obstacle in Algeria rather than Europe
Advantages of the country of origin
As an EMNC, we know how to see gray areas instead of just black and white. This is not the case for many western companies. For example, Bosh would do everything by the book. This a part of their German culture. Everything is black or white. For us, it is different. Our advantage is our flexibility. That is why we succeed in adapting to new markets.
We work with designers from European countries because we don't have enough capable trained people here.
Intangible Resource Scarcity
Resource Scarcity
We collaborations when we don't have enough resources for innovations. Financial collaborations with partners from host countries, we can realize the innovations in these countries.
Tangible Resource Scarcity


Representative Data
First Order Categories
Second Order Themes
Theoretical Dimensions
Money is the most common denominator in the world. Our revenue shows our success.
Revenue is not enough, innovation should bring profits.
Revenue
Profit
Financial Performance
We are number one in global.
Our products are sold all over the World from Africa to Europe.
Global Player
Connection to Global Markets
Success
We are always one of the top 5 software companies in Turkey
Market leader
Growth/Size
Almost every year, we receive TIM's award.
Kazakh Government gave us an award for our activities.
Local
Global
Awards
We wanted to be a recognized brand. However, we didn't have financial resources to compete with big names such as Prada. We thought that even if we can't spend as much money as them, we can stand next to these brands. The customer will see us next to them and start recognizing the brand.
We are a small firm, it is more costly for us to invest in product innovation.
You have to understand local needs, local culture, local ways of doing business. If you don't, you can't succeed. When you understand it, you can adapt your product and the way you reach your customers.
Product Innovation
Thanks to the partnerships that you have in a market, you can differentiate your product or service in a way that will fit to the new geography that you entered
Process Innovation
We reduce the costs by implementing process innovations.
Marketing Innovaiton
Innovation
Y
We started by opening pop-up showrooms in Milan and Paris Fashion Weeks. Our pop-up stores were in the most prestigious locations where the buyers from all over the World could see them. We invited the buyers, introduced our line and brand. We did lots of PR activities. By the next season, we were included in the official calendar of the Milan Fashion Week. One of the best-known fashion writers published an article about our brand."
We make BMI, because we don't have to invest on R&D as it is the case for product innovaiton.
Normally, as a customer, you can buy an internet line from our company for 15 years. However, paying all the 15 years' price at once creates a high capital expense. The companies buying this product don't prefer to show this expense divided into different years' accounts. In Europe, tax audits are very strict. To solve this problem, we introduced a new product called 'Lease to IRU'. It is a model where the customers rent the first two years of the line. After two years, they decide if they want to buy the line for the next 13 years, or if they want to continue renting it.
BMI
If I am building a hospital, a culture palace in Kromkar that is a city in Kazakhstan with 35-40 thousand citizens, the reflection of this is not the 2.5 million USD investment that I have made. The reflections are much more than that. People bring their children to that Culture Palace for live performances, ballet, and piano courses, drawing courses. Can you imagine these people growing up and some of them becoming very successful artists or violin virtuosos? Why not? Therefore, this is a success realized on by us
Relationship management
CSR
You have to have a local network in order to sell your product in a host country.
Our collaboration with governments in the host countries is a key point in our international success. Collaboration among people from the same industries forms a basis for an environment where innovations flourish.
You need to reach the right people in the host country such as right suppliers and partners.
Local partners
Collaboration
Means of adaptation

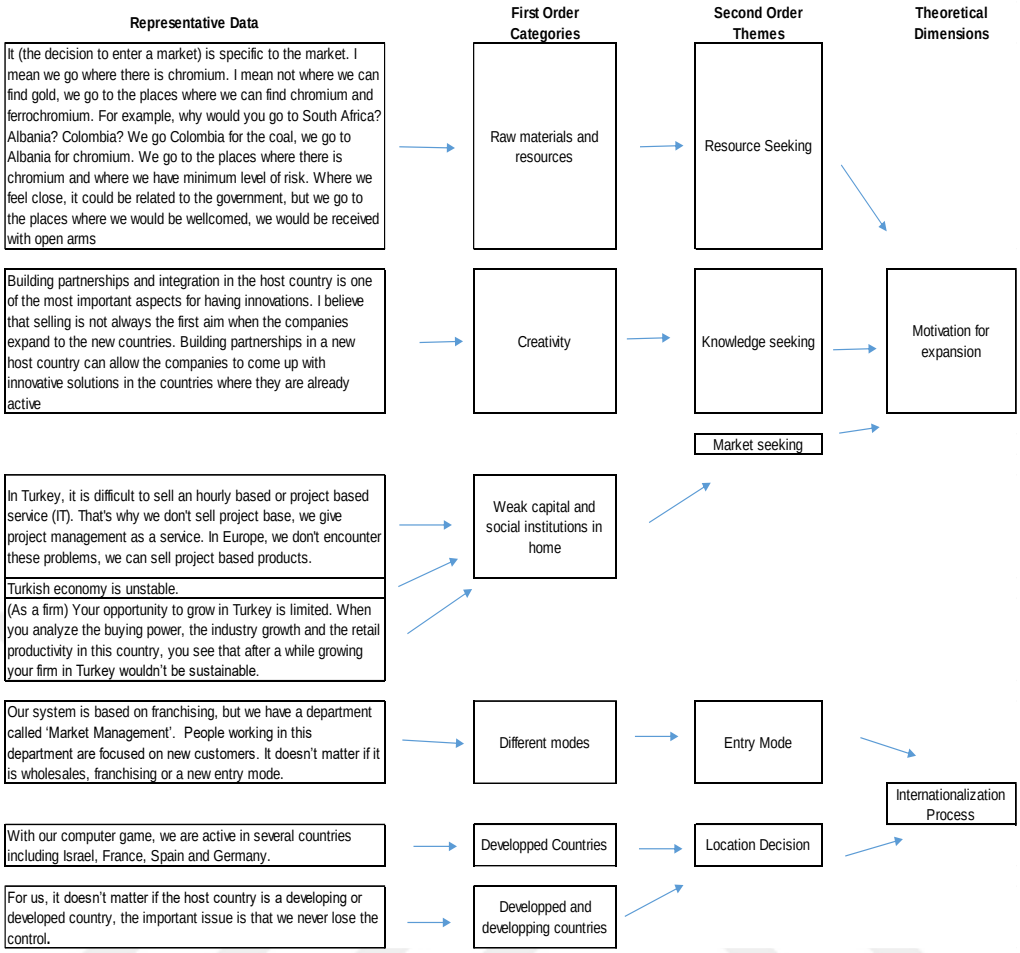


Figure 13: Coding structure of Chapter 3

Informing from "Innovation", "Internationalization" and "EMNCs" literatures, the conceptual categories formed the ground for both core and supporting themes. Finally, we have examined the relationships between the literature and themes to excel our findings.

4. Methodology of Chapter 4

Our research method is an inductive multi-case study of four Turkish multi-national companies. As suggested by Eisenhardt, Graebner and Sonenshein (2016), inductive methods can help the research to make a deeper analysis of the data.

Therefore, they are more effective than the deductive methods when they are used in order to explain the processes and to answer the questions concerning "how" by enabling us to get a more detailed view of the phenomenon (Eisenhardt and Graebner, 2007; Golden-Biddle and Locke, 2007). Since our research questions is the related to "how" EMNCs use OI and we aim to have a deeper analysis of a theoretically sampled small number of cases, we use inductive methods in our research.

Yin (1994, p. 4) suggests that the type of research question indicates the choice of methodology in a research. A case study analysis is pertinent the more a study aims to clarify some current conditions: how and why some social phenomenon functions. This methodology is also relevant when the research question has an explorative nature and requires a thick description (Yin, 2009). Moreover, case study methodology helps the researchers to investigate how and why a phenomenon happens when the relationship between the phenomenon and the context is important (Eisenhardt, 1989; Yin 2009).

In this research, by using the multiple case study methodology, we conduct both within case and between case analysis. Single case studies are more effective in terms of allowing longer observation times and reaching a deeper knowledge about one specific cases (Dyer, Wilkins, Eisenhardt, 1991). However, as Yin suggests, multiple case studies are used to understand the contrasting and similar results (2003). By using multiple case studies, we aim to examine not only the differences, but also similarities between the cases (Baxter & Jack, 2008; Stake, 1995) and evaluate our findings (Eisenhardt, 1991). Therefore, this methodology is the most suitable research method where we aim to investigate and explore how the emerging country firms use open innovation.

4.1. Case Selection

We use theoretical sampling that supports the inductive methods by allowing the selection of the cases in relation with their capability of explaining the relationships and enabling us to get a more detailed view of the phenomenon (Eisenhardt and Graebner, 2007).

Our unit of analysis is firm. In order to study the phenomenon through the lenses of Emerging Market (EM) firms, we have chosen Turkish business context. All of the firms analysed are internationalized firms with Turkish origins. We have applied three selection criteria for the cases. Firstly, the firms were leaders in their industry. Second, they are all internationalized. Third, they should have integrated strategies regarding innovation. Based on these criteria, we have selected four cases from three different industries (See Table 1) and reached them through Linked-in. The firms operated in four different industries. The purpose of selecting different industries was to reach more generalizable findings. Although, there may be some industry effects, our findings indicated similar patterns. In case of differences, we saw that they were related to the company history and strategies rather than the industry differences. Furthermore, as argued in the seminal paper of Eisenhardt (1989), there is not an ideal number for the cases that can be included in the multiple-case studies. However, selecting at least four cases, may result with more generalizable findings.

4.2. Data Collection

Field observations, archive analysis, and interviews are done between September 2017 and November 2018.

Archival Data

Along semi-organized meetings, we have gathered information through archival research and perceptions (Denzin and Lincoln, 2000; Welsch et al. 2011). Amid our data collection process, we received a methodology where we have more than once analysed the information originating from meetings, annual reports, web-pages, news, advertisements, and observations. We used the data collected through the archival research before and after the analysis of the interview transcription during both within and cross-case analysis stages.

To develop an initial understanding of the company structures, operations and innovation strategies, we collected company reports and visited company websites. Articles from the daily press, business periodicals and press releases, as well as advertisements were analysed as sources of information. Our main purpose in collecting these data was to receive more information to build our cases and appreciate the context of Turkish Multinationals structures. Moreover, these data are used to triangulate the data collected through semi-structured interviews with managers.

Semi-structures Interviews

Our main source of information for the cases were the semi-structured interviews that we have conducted with the middle and top managers of the firms selected. Welch (2002) advises to consider first who is an elite in a business association. The author suggests that notwithstanding top administration, professionals and middle managers may possess elite positions due to for instance long residency in the association, networks or practical duty and experience.

Participant Selection, Interviews and Analysis

We have conducted five semi-structured interviews. The interviews lasted 60 minutes in average. After we have begun coding, we have also made three follow-up phone calls with the managers that we have earlier interviewed. While selecting our interviewees, we have contacted not only company executives, but also innovation managers who have a deep knowledge and decision power on the firm strategies and processes regarding innovation.

The respondents are picked dependent on their present or past organizations and positions. Then again, readiness to share information was a piece of our member choice criteria.

The interview language was "Turkish" that is the common native language of the researchers and interviewees. Aiming to receive in-depth information, the interviews included open-ended questions that were mostly formed as "how", "what" and "why" questions (Langely, 1999). We asked our interviewees to provide us detailed examples of the cases. Our intention for asking our participants to provide as much examples as possible was to collect the information needed for a complete picture of the phenomenon (Marschan-Piekkari, and Welch, 2004).

The interviewees are invited to be interviewed by the researchers by e-mail or Linked-in messages. Through e-mails, messages or phone calls, the researchers have given the interviewees clear information about the subject and aim of the research. They participants are informed that the interviews would be tape-recorded and transcript by the researchers. Moreover, in each interview, both the researchers and interviewees have signed and informed consent form. Each part has received a

copy of the signed formed. This was, the confidentiality of the informants and their firms is protected (Chandler and Reynolds, 2013).

Except for one of the interviews that is conducted in a neutral site preferred by the interviewee to ensure the privacy (Belk, Fischer, and Kozinets, 2013), all the interviews are conducted by the researchers at the participants' convenience. We have visited our informants in their offices. In all four cases, our informants' offices are located in the headquarters of the firms. Therefore, conducting the interviews in the participants' offices gave us a chance to do brief field observations as well. Although these observations were not extensively used, they facilitated us to get to know the context better.

4.3. The rigor of the analysis

In this research, we utilize a triangulation method by looking at the themes that appear from oour in-depth interviews, field notes and archival information including an assortment of auxiliary sources (eg. Corporate yearly reports, official statements, and news). The meeting strategies, observations and recorded examination supplement each other amid each phase of the work. The aim of this triangulation is to prevent any bias that may be caused from having the same researchers collecting the data and conducting the analysis.

As suggested by scholars working on the qualitative methodologies (Padgett, 1998; Strauss and Corbin, 1990), after the first analysis of the cases are completed a re-examination of cases is done. The analysis of these negative cases in qualitative research is an important step for the rigour of the analysis because the researchers use these cases to support the theory (Padgett, 1998). Negative cases investigation that's a re-examination of cases is done only after the primary examination of the

cases are completed (Padgett, 1998; Strauss and Corbin, 1990). The firms in our sample are all innovative firms that have made collaborations with outside partners to fortify their positions in the market. However, we have found that unlike the other companies in our sample, Company C from our sample is not open to the idea of innovative collaborations at all. Although the company has business partnership with foreign companies, they never collect ideas from outside partners or outsource any work regarding the innovations.

As advised in the literature our analysis included: the repetitive iterations between data collected through different sources (interviews, archives and observations) and theory (Miles and Huberman, 1994) and a comparison of emerging theories with literature (Eisenhardt, 1989). The purpose of these iterations and comparisons was to find out the supports and conflicts between our findings and the existing literature.

Our data analysis process has included both within case and cross-cases analysis. Within-case analysis was the first stage of our analysis. In this stage, we have conducted a detailed analysis of not only the interview transcriptions, but also the backgrounds of each company, news and other archive data collected. Consequently, we have listed the emerging codes. After doing each with-in case analysis, we have re-examined the data from the archives to fin-out if there are any other the relevant information to support our findings. Correspondingly, we have conducted the cross-cases analysis to explore the similarities and differences of the cases.

4.4. Coding and Analysis of the Data

As suggested by Strauss and Corbin (1998), we have conducted an iterative analysis to compare and examined the findings of within and cross-case analysis with the relevant literature. The analysis of the data and literature resulted with emerging conceptual categories informing from "innovation" and "Emerging Markets" literatures. These categories have also formed the basis of the core and supporting themes. Accordingly, we have studied the relationship between the themes and the literature.

Our interview protocol included questions on the internationalization and innovation strategies of the companies. We asked our participants to first tell us the stories of their international expansion and innovation journeys. We also asked them to give us to provide examples. After each interview, we have written the field notes and searched the archives to find complementary information on the examples given by the interviewees. In analysing our data, we have followed the steps described below.

Step 1: We organized the codes, that emerged from the data, by using QDA Miner Lite. At the end of the first step of our analysis, we had 29 Codes.

Step 2: As the next step of our analysis, when possible, we have grouped the codes coming from the interviews into higher-level nodes (see Figure 1 for examples). Using the triangulation through field notes, archival data and interview data, we have end up with 21 first order concepts such as looking for expertise, internal idea collection, closed innovation.

Step 3: We have analysed the relationships between the first order categories in order to produce the themes (Gioia, Corley and Hamilton, 2013). As suggested by

Eisenhardt (1989), in this step we used iterations between the first-order categories and the links between them until we had emerging conceptual themes. One example for the emergence of a conceptual theme is as follows: We had examples given by our interviewees telling us that they would build partnerships to acquire knowledge and technology from outside. We have grouped the first order categories related to this under the theme “in-bound open innovation”. Other second-order themes included (but not limited with), “out-bound open innovation”, “international expansion”, “geographical choice of the partners”, “type of partners” and “outsourcing”. At the end of Step 3, in total, we had 12 second order themes emerging from the first order categories.

Step 4: As the final step of our category analysis, we have classified the second-order themes into underlying dimensions that helped us to come up with our findings. At the end of this step, four main dimensions emerged. The first dimension is the “Reasons for Collaboration and Open Innovation”, where the themes related to the reasons why firms start to collaborate with internal or external partners. The second dimension is the “Selection of the Partners” which analyses partner selection criteria not only based on the type, but also on the origin of the partners. The third dimension is the “innovation openness” that is related to whether companies are doing open innovation, closed innovation or do they collaborate with external parties not for realizing open innovation, but just for developing an already existing innovation idea such as outsourcing the development of a product to a technology firm. Finally, the fourth theoretical dimension is the “Dimensions of OI” that is exploring the inbound and outbound dimensions of OI in EMNCs.

APPENDIX C

INFORMED CONCENT FORM

ÖZYEĞİN ÜNİVERSİTESİ

BİLGİLENDİRİLMİŞ ONAM FORMU

LÜTFEN BU DÖKÜMANI DİKKATLİCE OKUMAK İÇİN ZAMAN AYIRINIZ

Sizi Neriman Gökçay tarafından yürütülen "İnnovasyon ve Uluslararasılaşma" başlıklı **araştırmaya** davet ediyoruz. Bu araştırmaya katılıp katılmama kararını vermeden önce, araştırmanın neden ve nasıl yapılacağını bilmeniz gerekmektedir. Bu nedenle bu formun okunup anlaşılması büyük önem taşımaktadır. Eğer anlayamadığınız ve sizin için açık olmayan şeyler varsa, ya da daha fazla bilgi isterseniz bize sorunuz.

Bu çalışmaya katılmak tamamen **gönüllülük** esasına dayanmaktadır. Çalışmaya **katılmama** veya katıldıktan sonra herhangi bir anda çalışmadan **çıkma** hakkında sahipsiniz. **Çalışmayı yanıtlamanız, araştırmaya katılım için onam verdiğiniz** biçiminde yorumlanacaktır. Sizinle yapılan **mülakattaki** soruları yanıtlarken kimsenin baskısı veya telkini altında olmayın. Bu mülakattan elde edilecek bilgiler tamamen araştırma amacı ile kullanılacaktır.

1. Araştırmayla İlgili Bilgiler:

a. Araştırmanın Amacı: Farklı İnnovasyon Türlerinin Firmaların Uluslararası Aktivitelerini Nasıl Etkilediğini Anlamak

b. Araştırmanın İçeriği:Mülakat

c. Araştırmanın Nedeni: □ Bilimsel araştırma X Tez çalışması

d. Araştırmanın Öngörülen Süresi: 1 ila 1.5 saat

e. Araştırmaya Katılması Beklenen Katılımcı/Gönüllü Sayısı: 50

f. Araştırmanın Yapılacağı Yer(ler):Katılımcının Çalışma Alanı, Topluma Açık Buluşma Noktaları

2. Çalışmaya Katılım Onayı:

Yukarıda yer alan ve araştırmadan önce katılımcıya/gönüllüye verilmesi gereken bilgileri okudum ve katılmam istenen çalışmanın kapsamını ve amacını, gönüllü olarak üzerime düşen sorumlulukları tamamen anladım. **Çalışma hakkında yazılı ve sözlü açıklama aşağıda adı belirtilen araştırmacı tarafından yapıldı, soru sorma ve tartışma imkanı buldum ve tatmin edici yanıtlar aldım. Bana, çalışmanın muhtemel riskleri ve faydaları sözlü olarak da anlatıldı.** Bu çalışmayı istediğim zaman ve herhangi bir neden belirtmek zorunda kalmadan bırakabileceğimi ve bıraktığım takdirde herhangi bir olumsuzluk ile karşılaşmayacağımı anladım.

Bu koşullarda söz konusu araştırmaya kendi isteğimle, hiçbir baskı ve zorlama olmaksızın katılmayı kabul ediyorum.

Katılımcının (Kendi el yazısı ile)

Adı-

Soyadı:.....

.....

İmzası:

Araştırmacının

Adı-

Soyadı:.....

.....

İmzası:

Not: *Bu form, iki nüsha halinde düzenlenir. Bu nüshalardan biri imza karşılığında gönüllü kişiye verilir, diğeri araştırmacı tarafından saklanır.*

APPENDIX D

SAMPLE INTERVIEW QUESTIONS

- First of all, can you tell us a bit about yourself and your company?
- Can you tell us a little about the activities abroad?
- What do you think is innovation?
- Do you think the country of origin affects the internationalization?
- If so, what are the positive and negative effects of being from an emerging country? Could you, please, provide us examples?
- You told us that you faced challenges in the host countries. How have you dealt with the challenges that you encountered when you have expanded there?
- Can you tell us a little bit about the innovations you made there?
- What is the secret of creating and developing innovations?
- Can you give us an example of the innovation that your company created specifically for a host country?
- Can you give us an example of how an innovation is developed by your company?
- You told us that you work with different companies during the innovation process. Could you provide us a more detailed example?
- Could you tell us about your innovation strategies in home and host countries?
- What is the most important obstacle to innovation?
- For example, you are doing an innovation project, what should you do to say that we have accomplished this project?
- Is there a relationship between strategy and innovation? Could you provide us an example?
- Is there anything you can add to these topics?

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