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Ownership Level in Cross-border M&As of Turkish MNCs: The Role of Ownership Concentration and Institutional Contexts*

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ABSTRACT

This study investigates how ownership concentration effects the ownership level and institutional environment moderates this relationship in Cross-border Merger & Acquisitions of a sample of Turkish Multinational Corporations. Proposed relationships based on institutional theory and socio-emotional wealth approach have been analyzed in a sample of 71 completed Cross-border Merger & Acquisition deals of Turkish firms between 1998-2017. Tobit regression model has been operationalized to test research hypotheses. While the findings have provided support for the positive relationship between concentrated ownership of acquiring firm and ownership level of target firm in Cross-border Merger & Acquisitions, the contextual effects of formal and informal institutions could not provide evidence for moderating impacts. These findings have implied the importance of using different theoretical approaches for distinct Emerging Market contexts like Turkey and how governance issues should be considered differently for Emerging Market firms to understand their Foreign Direct Investment decisions properly.

Keywords: Cross-border merger and acquisitions, Emerging multinationals, Ownership Concentration, Ownership level, Turkey

1. Introduction

In recent years, the route of foreign direct investment (FDI) and home countries of multinational corporations (MNCs) in global markets have been diversified due to neoliberal economic policies and the progresses in information technologies in emerging markets (EMs) (Child & Rodrigues, 2005; Satta, Parola, & Persico, 2014) In 2017, outward FDI by EMs have reached 383 billion US dollars (UNCTAD, 2018). Accordingly, Turkey as other EMs, has also achieved significant amount of OFDI in recent decades via accelerated cross border Merger and Acquisitions (CBMAs) of Turkish MNCs. For the year of 2016, Turkey's the value of net sales for CBMAs has increased to 1856 million of US dollars (UNCTAD, 2017, p. 231).

Although, recent literature on the internationalization of EM firms have attracted considerable amount of attention from scholars (Buckley, 2017; Cuervo-Cazurra, 2012; Cuervo-Cazurra & Genc, 2008; Ramamurti, 2009), the determinants of the ownership level preferences of emerging multinationals (EMNCs) in CBMAs still need to be investigated for different EM contexts. This paper adopts a multi-level perspective to incorporate a wider range of explanations for the extent of equity share of acquiring firm in target company in CBMAs of EMNCs. The goal of this study is to determine institutional and firm level constraints that shape the preferences of the Turkish MNCs regarding their ownership level in their CBMAs.

*This study is related to Management field with a narrow focus in international business and strategic management issues. It gives results that are provided by empirical analyses about firm-level strategic behavior and corresponds with main aims and scope of Ege Academic Review.

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This study intents to contribute existing knowledge in two main domains: First, by using a multi-level approach, it will be possible to better understand how country- specific (CSAs) and firm-specific advantages (FSAs) play crucial roles in the EMNCs' internationalization process (Rugman & Verbeke, 2003) and in their cross border investments. Second, the determinants of ownership level in CBMA activities of Turkish firms will be examined. Studies conducted in EMs suggest that differences in research findings compared to developed countries can be associated to the idiosyncratic circumstances presented by these economies. Turkey is classified as a late-industrializing country with its increased integration into the world capital system via liberalization policies that are put into action during 1980s. For this reason, Turkey would be an interesting research setting for the study. Even if Turkey's economy has become more liberal, the dominant actors are still state-created, family-controlled and highly diversified business groups (BGs) which are strategic responses to strategic factor market imperfections and institutional voids emerged due to information asymmetries, poor contract enforcement, and imperfect regulatory structures (Buğra, 1995; Colpan, 2010; Yamak & Üsdiken, 2006; Yıldırım-Öktem & Üsdiken, 2010). Moreover, Turkey is classified as a mid-range EM with its better infrastructural development and inadequate institutional development among various EMs (Hoskisson, Wright, Filatotchev, & Peng, 2013) which makes it interesting to analyze the effects of constraints from different levels in firm internationalization. Based on the view of institutional theory and socio-emotional wealth approach, the contribution of ownership concentration and formal and informal institutional contexts to the CBMA activity of EMNCs have been analyzed in the study.

This paper has been organized as follows: Firstly, conceptual background about the variables of the study and hypotheses have been provided. Second, the data gathering process and measurements of variables have been explained. Lastly, results and implications of the study have been presented.

Conceptual Background and Hypotheses Development

EMNCs have been the dominant contributors of OFDI from EMs for two decades and they have succeeded this through cross-border investments that helped them to access new markets and to explore strategic assets. EMNCs have accelerated their internationalization especially with CBMAs which involve high level of risk to enter foreign markets (Luo & Tung, 2007; Mathews, 2006). Through these risky entry modes, EMNCs have aimed to strengthen their global brands and technological capabilities in order to compete with advanced MNCs in both domestic and international markets. Besides EMNCs would overcome "liability of emergingness" in global markets via accelerated internationalization (Bonaglia, Goldstein, & Mathews, 2007; Lebedev, Peng, Xie, & Stevens, 2015; Madhok & Keyhani, 2012). Additionally, EMNCs have got many advantages such as economies of scale, exploiting foreign markets and accessing rare resources by CBMAs (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009, p. 216). While expanding by CBMAs, firms have to decide about the ownership level in target firms (Chari & Chang, 2009; Chen, 2008). Like advanced MNCs, EMNCs have to consider significant factors caused by internal and external environment for ownership level choice in CBMAs.

Since EMNCs have been in a less favorable position due to operating in institutionally less developed environments than advanced MNCs, they have used CBMAs to escape imperfect home markets and to enter institutionally distant and generally advanced countries (Cuervo-Cazurra, 2012; Cuervo-Cazurra & Genc, 2008; Khanna & Palepu, 1997; Madhok & Keyhani, 2012). However, managing differences in institutional environment can also be a significant burden when deciding about CBMAs because of constraints of formal and informal institutions that manifest strategic decisions of firms (Peng, Sun, Pinkham, & Chen, 2009). As institutional theory suggests, institutions determine "rules of the game" for organizational interactions and firm behavior as cognitive, rule-based and regulatory constructs (North, 1990; Scott, 1995). Besides, institutions provide a more stable environment for firms via reducing uncertainty and transaction costs (Hoskisson, Lau, Eden, & Wright, 2000). For instance, MNCs have avoided high transaction costs that arise due to high political constraints and cultural distance when entering EMs like Turkey by choosing joint ventures (JVs) rather than wholly owned subsidiaries (WOS) (Demirbag, Glaister, & Tatoglu, 2007). Accordingly, considering the institutional environments of both home and host countries have been significant for EMNCs in internationalization.

Ownership Choice and Acquirer Ownership Concentration

Firms from EMs have shown concentrated ownership structure (e.g. BGs, family firms and state owned enterprises) more than advanced economy counterparts in general (Filatotchev, Strange, Piesse, & Lien, 2007;

Khanna & Yafeh, 2007; La Porta, Lopez-De-Silanes, & Shleifer, 1999; Lebedev et al., 2015; Yaprak & Karademir, 2010). While internalizing markets, shared resource base and escaping institutional voids are positive attributions, tunneling, transparency issues and principal-principal (PP) conflicts are negative attributions of EM firms in practice due to concentrated ownership structure of these firms (Chen & Young, 2010; Guillen, 2000; Khanna & Yafeh, 2010; Morck & Yeung, 2003; Pattnaik, Chang, & Shin, 2013). Previous studies about the relationship between M&A outcomes and concentrated ownership have proposed a negative direction since investors perceive concentrated ownership structure as unfavorable (Bhaumik & Selarka, 2012; Chen & Young, 2010). For example, Filatotchev et al. (2007) have proposed that family ownership decreases the level of equity participation of EM firms in their foreign subsidiaries because of owner families' risk averse attitude for long term strategies. As a consequence, ownership concentration and high level of family control in EM firms have been evaluated as detrimental factors in CBMAs despite their benefits in imperfect market settings of EMs (Bhaumik, Driffield, & Pal, 2010; Khanna & Palepu, 1999). Moreover, PP conflicts between minority and majority shareholders is not only about profit sharing but also about strategic decisions that involve high amount of risk and return (Peng, Wang, & Jiang, 2008; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). When minority shareholders are not protected strong enough, majority shareholders would dominate EMNCs strategy in the long term (Filatotchev & Wright, 2010). Correspondingly, ownership concentration which manifests itself as family ownership or BG affiliation in EMs for most of the time has affected internationalization decision and level of firms negatively (Bhaumik et al., 2010; Singla, George, & Veliyath, 2017).

On the other hand, for some cases, owner family's concern about its survival and firm reputation to transfer family wealth to next generations may have a positive effect on firm performance and majority shareholders in the long run (Anderson & Reeb, 2003). Socio-emotional wealth (SEW) approach could be a significant theoretical base since it provides evidence that owner families may consider risky strategic decisions like international expansion as profitable and preferable for wealth generation (Chung, 2014; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). For instance, previous studies have provided evidence that family involvement increases the probability of international expansion of firms affiliated to BGs and endorse growth of affiliate firms via international investments since owner families desire higher returns in the long term (Chung, 2014; Gómez-Mejía et al., 2007; Singh & Delios, 2017; Zahra, 2003). Another finding suggests that BG affiliates are first movers and entrants in CBMAs made by Indian firms (Fuad & Sinha, 2018). This indicates how ownership concentration may be beneficial for investment decisions with higher returns as a timesaver. As other EM firms, majority of firms in Turkey possess high level of ownership concentration which shows itself as forms of pyramidal family BGs (Yurtoglu, 2000). Family BGs in Turkey are known for their reputable owner families whom dominate executive boards of affiliates via concentrated shareholdings. Turkish family BGs prefer long run growth strategies such as unrelated diversification and internationalization via their internal capital markets in general (Colpan, 2010; Yurtoglu, 2000). Previous findings have suggested that ownership concentration and equity participation level of Turkish firms in foreign subsidiaries does not have any significant relationship (Demirbag, Tatoglu, & Glaister, 2010; Ilhan-Nas, Okan, Tatoglu, Demirbag, & Glaister, 2018). However, context specific conditions and rent seeking attitude of owner families whom hold majority shareholdings may cause greater level of ownership stake in CBMAs of Turkish firms to get high returns of international growth. Therefore, we propose the following hypothesis:

H1: A greater ownership concentration of acquirer firm will lead Turkish MNCs to choose higher ownership level in target firms for CBMAs.

Ownership Choice and Institutional Environment

Companies decide about the ownership level in CBMAs according to the nature of their assets and uncertainty in firm environment. Consequently, the costs and benefits of the transactions that are results of these environments and information asymmetry have shaped the optimum ownership level in international investments (Anderson & Gatignon, 1986; Chari & Chang, 2009; Chen & Hennart, 2004). Earlier research about ownership level decisions in CBMAs have been generated contradictory results regarding the effects of institutional and industrial environments. While some studies have proposed that institutional distance decreases the level of ownership in CBMAs, others have found opposite results (Chari & Chang, 2009; Liou, Chao, & Ellstrand, 2017; Liou, Chao, & Yang, 2016; Malhotra, Lin, & Farrell, 2016; Yang, 2015). Consequently, it is important to evaluate the findings regarding the relationships between the institutional environment and the ownership choice or level of foreign investments for different EM contexts.

EMNCs should consider the rules of the game while investing abroad and decide in accord with the host country's market potential, natural resource base, economic freedom and business friendly environment (Pablo, 2009; Yang & Deng, 2017). Government support is another significant determinant of the increasing number of CBMAs from EMs like China's "Go Global" policy (Holtbrügge & Kreppel, 2012; Peng, 2012). However, EMs have high level of institutional voids like high protectionism and corruption which inhibit firms to operate and expand effectively in home countries and these voids may motivate EMNCs for escapist OFDI (Stoian & Mohr, 2016). As a consequence, EMNCs may prefer high level of ownership in CBMAs despite its high risk to manage the acquisitions of strategic intangible assets more effectively (Deng, 2009; Khanna & Palepu, 2000). Whether CBMAs of EM firms are motivated by push or pull factors, it is apparent that the differences between host and home country institutional environments would determine entry mode or equity participation level decisions.

Institutional and cultural context constraints have been considered as basic determinants of entry mode decisions in early studies since they affect the flexibility of the firms as well as their legitimacy in the targeted countries (Anderson & Gatignon, 1986; Brouthers, 2002; Brouthers & Brouthers, 2000; Kostova & Zaheer, 1999). Therefore, choosing higher level of ownership levels are seen as more risky while investing in distant institutional environments (Brouthers & Brouthers, 2000; Chari & Chang, 2009). For example, Zhang, Zhou, & Ebbers (2011) have found that institutional quality in target countries affect positively cross border deal completion in Chinese investments. This result is not surprising since the perceived risk and uncertainty related to the differences between the institutional environments may work as reverse conditions for EMNCs. Similarly, Yang (2015) and Pinto, Ferreira, Falaster, Fleury, & Fleury (2017) have highlighted the divergence of the results of the studies conducted on EMNCs compared to advanced MNCs and concluded that greater institutional distance between countries may cause a higher level of ownership in CBMAs by EMNCs. Some studies that distinguish formal and informal institutional distance have claimed contradictory findings. According to these studies, while formal institutional distance increases ownership level of EMNCs in CBMAs, informal or cultural distance mitigates it (Contractor, Lahiri, Elango, & Kundu, 2014; Liou et al., 2017; Yang, 2015). Significantly, previous research ensures when MNCs enter in foreign countries with dissimilar cultures, they have to deal with distinct social behavior, management style, decision making processes and implicit assumptions between parties (Chakrabarti et al., 2009; Hofstede, 2001). Moreover, entry mode decisions of MNCs are affected by cultural factors which can cause additional transaction costs for firms. As cultural distance between host and home countries increases, MNCs would prefer lower level of equity participation (Kogut & Singh, 1988). Therefore, considering the effect of cultural distance for CBMAs of different EM firms would provide new evidence in IB studies.

EMNCs should also consider governance quality in the host country as a motivator for minimizing risks in CBMAs like advanced MNCs (Lahiri, 2017). However, concentrated ownership structure of EM firms can be destructive for investments in institutionally distant environments. Beside the destructive effects of concentrated ownership in strategic decision processes, the role of wealth maximization and reputation attitude of majority shareholders should be considered while evaluating the relationship between institutional distance and ownership level in CBMAs of EMNCs (Bhaumik et al., 2010; Filatotchev et al., 2007). Although previous studies have evaluated differences in institutional environment as intermediate factors for the relationship between ownership concentration and ownership level and found that they play a mitigating role in this reverse relationship (Filatotchev et al., 2007; Ilhan-Nas et al., 2018), this relationship may show different features for different EM firms and institutional forces. Despite the findings of earlier research about Turkish MNCs which have proposed insignificant relations between institutional distance and ownership level (Demirbag, McGuinness, & Altay, 2010; Ilhan-Nas et al., 2018), this constraint can play a different role for firms with different governance structures from Turkey. Turkish MNCs with high level of ownership concentration may prefer high level of ownership in CBMAs if the host country institutions can provide similar governance rules and laws. Turkish MNCs' ability to coopt with and operate in imperfect markets and their risk-taking attitude during venturing abroad to build value added activities may influence differently the choice of their entry mode as well as their extent of equity ownership in CBMAs (Yaprak, Yosun, & Cetindamar, 2018). While formal institutional differences may hinder the effect of ownership concentration on ownership level in CBMAs, the difference between informal institutional factors like values, norms and beliefs can increase the motivation of majority shareholders to fully control their foreign subsidiaries. Majority shareholders may find it difficult to rely on foreigners or foreign partners in a different cultural context for post-acquisition process and prefer to acquire most of the shares of foreign subsidiary. As a result, we propose that:

H2a: Formal institutional distance will negatively moderate the relationship between acquirer ownership concentration and ownership level of Turkish MNCs in target firms for CBMAs.

H2b: Cultural distance will positively moderate the relationship between acquirer ownership concentration and ownership level of Turkish MNCs in target firms of CBMAs.

The proposed research model is presented in Figure 1.

Methodology

Quantitative research methods is used to test our hypotheses. Quantitative research methods ensure to get a broader level of study and to generalize the findings of the study. Besides, we can get more objective and accurate results which can be compared with similar studies in the previous literature (Babbie, 2010).

Sample

The sample of this study includes CBMAs by Turkish firms that are completed between years 1998-2017. M&A data are sought through Zephyr and Thomson Reuters Eikon databases to expand sample and control deal information by cross checking. These databases have been widely used in previous studies related to CBMAs (Aybar & Ficici, 2009; Gubbi, 2015). Both databases provide firm level M&A data which is updated hourly and have been used by more than 3000 institutions in the world that include investment banks, education institutions, corporations and so on. Also, we cross-validated our data by using two M&A databases at the same time. 470 completed deals are collected at first. Due to missing data of firm level variables, we have eliminated deals from companies which are not listed Istanbul Stock Exchange (ISE). After removing non-listed companies and deals with misinformation, our final sample includes 71 CBMAs that are completed by Turkish firms within years 1998-2017. This final sample has included independent firms, BG affiliates and state-owned enterprises.

Variables

The dependent variable of this study is *ownership level* of Turkish firms as acquirers of CBMAs. This variable is measured as the percentage level of equity that acquiring firm obtains during cross border M&A deal and ranges from 0.1 % to 100%. This measure is available in Zephyr and Eikon databases for every completed deal. It is very common to use purchased stake in M&As literature so far since its continuous nature (Liou et al., 2017; Liou et al., 2016; Malhotra, Sivakumar, & Zhu, 2011; Yang, 2015). This measure is more accurate

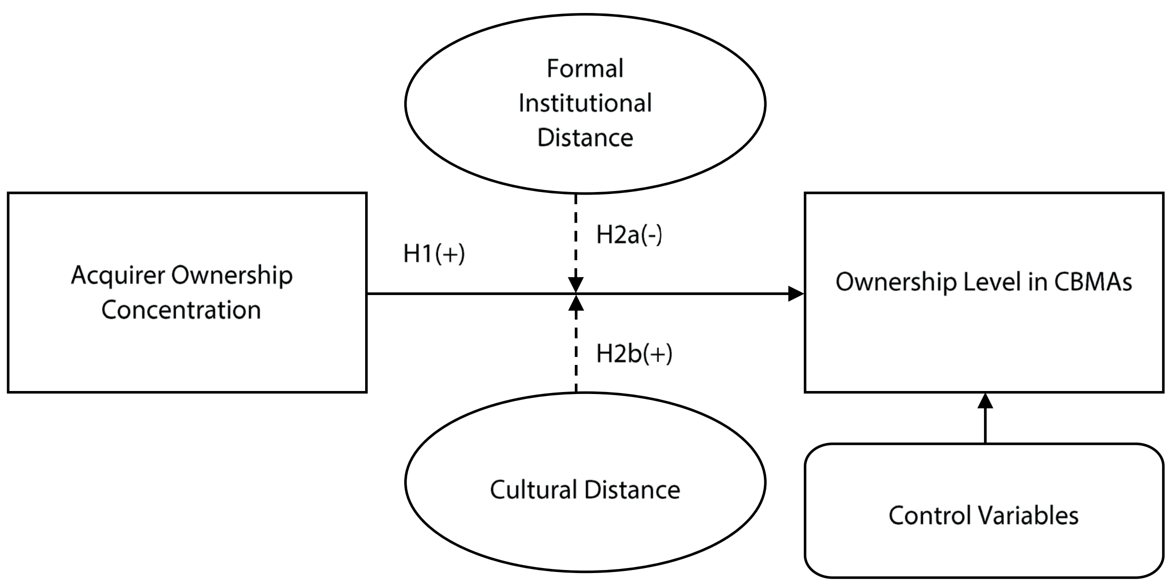

Figure 1: Proposed Research Model

than classifying ownership levels as minority, majority and full ownership since it can easily differentiate the real effect of changes between 50% and 75% equity participation in CBMA deals than evaluating them in the same ownership level (Chen & Hennart, 2004; Yang, 2015). By this way, the statistical power of hypotheses testing can be guaranteed (Fitzsimons, 2008).

The independent variable is *acquirer ownership concentration* and measured as the percentage of shares that are controlled by the largest shareholder who is the owner family or BG affiliates in the acquiring firm (Chirinko, van Ees, Garretsen, & Sterken, 2004; Ilhan-Nas et al., 2018; Singla et al., 2017). The data of this variable is collected from annual and audit reports of the firms which are reported to Public Disclosure Platform (KAP) since 2009 and ISE archieves between years 1998 and 2009.

The first moderator variable is *formal institutional distance* between the countries of acquiring and target firms. To measure this variable we have used World Bank's governance indicators (WGI) that is developed by Kaufmann, Kraay, & Mastruzzi, (2011). WGI has six indicators about institutional quality of an economy and has been documented since 1996. These indicators are accountability, political stability, government effectiveness, regulatory quality, rule of law and corruption control. All indicators have value between -2.5 to + 2.5 and higher values mean better institutional quality in the related country. Formal institutional distance has been calculated through the formula as stated below:

$$ID_{at} = \sqrt{\sum_{i=1}^{6}(I_{ia} - I_{it})^2}$$

In this formula, ID_{at} represents the formal institutional distance between host country and Turkey, I_{ia} represents Turkey's score for a particular governance indicator and I_{it} shows the host country's score for the related governance indicator. This measurement has been used quite widely in previous research (Contractor et al., 2014; Yang, 2015). We have utilized the formula of Kogut and Singh (1988) to measure cultural distance between Turkey and host country. The formula produces an absolute score value of difference between home and host countries according to Hofstede's four cultural dimensions (*power distance, uncertainty avoidance, individualism and masculinity*). The scores of cultural dimensions have been obtained from Geert Hofstede's website[i]. The formulation of cultural distance is below:

$$CD = \sum_{j=1}^{4}\frac{(H_{A,j} - H_{T,j})^2}{4xV_j}$$

in which, $H_{A,j}$ represents the score of host country for the related cultural dimension, $H_{T,j}$ represents the score of Turkey on that cultural dimension and V_j is the variance of the particular dimension.

We have also operationalized some firm, industry, country and deal level control variables as in previous studies for understanding how factors related to M&As influence EM firms' ownership level. For firm level factors, we have controlled acquirer firm performance, firm size and CBMA experience. Firm performance is measured as previous year's return on assets (ROA) of acquiring firm to clearly understand how firm resources and financial strength affect its ownership level in cross border deals (Yang, 2015). Also, firm size is measured as natural logarithm of net sales (ROS) prior to year of cross border deal announcement (Chari, 2013) and CBMA experience as log transformation of the number of CBMAs that are done by the acquiring firm before the related deal's announcement date. We have measured industry relatedness as a dummy variable that takes value of 1 if the acquiring and target firm have the same three-digit SIC code and takes value of 0 otherwise (Contractor et al., 2014; Deng & Yang, 2015; Lahiri, 2017; Malhotra et al., 2011). For the country level control variable, we have employed market size of host country and measured it as natural logarithm of GDP of the host country for the given year. At last, we have measured deal value for finding the effect of deal specific factors on ownership level choice in cross-border deals.

Statistical Analysis Method

Our dependent variable which represents ownership level of Turkish MNCs in CBMAs is ranged between 0.1 % and 100 %. Most of the values of our dependent variable are both left and right censored which led us to use Tobit regression analysis to test our proposed hypotheses. Tobit regression analysis is more suitable when the dependent variable has limited values like 0.1 % to 100 %. Since a firm cannot own an equity stake at 0 % or more than 100 % in an acquisition deal, Tobit regression analysis would give better results with dependent variables that distributed continuously over positive values (Chari & Chang, 2009; Wooldridge, 2012, p. 596). Descriptive statistics, VIF values and correlation results of all variables are presented in Table 1. The highest correlation is between cultural distance and formal institutional distance (0.762). Correlations between

Log Host GDP and ownership concentration (0.524) and cultural distance (0.509) have caused to suspicions about multicollinearity among variables. All variables in the statistical models have Variance Inflation Factor (VIF) values less than 10 so multicollinearity is not a concern for this study (Greene, 2012; Hair, Black, Babin, & Anderson, 2014). In general, it seems that Turkish firms generally have concentrated ownership with a mean value of 65%. Besides, Turkish MNCs have preferred a moderate level of ownership in their CBMAs with 55% mean value in our sample.

Results

Table 2 presents results of Tobit regression analysis of six different models. All control variables and dependent variable are tested through Model 1. All control variables are also included to other models that analyze effects of independent and moderator variables. Missing values in cultural distance variable has caused variation in the number of observations. As shown in Model 1 acquiring firm's performance (β=2.265, $p<0.05$) is positively and significantly related to ownership level in acquired firm. Contrary to previous literature, industry relatedness has shown negative and significant relationship with the dependent variable in Model 2 (β=-0.231, $p<0.1$) and Model 3 (β=-0.269, $p<0.05$). Deal value has shown positive and significant relationship with ownership level in Model 3 (β=0.000, $p<0.1$) and Model 4 (β=0.000, $p<0.1$).

Model 2 shows the main effect of independent variable on ownership level of Turkish MNCs. H1 predicts a positive relationship between ownership concentration in acquiring firm and the level of ownership in target firm. As seen in Model 2, acquirer ownership concentration is positively and significantly associated (β=0.595, $p<0.1$) with ownership level which has provided support for H1. H2a has predicted that formal institutional distance between target country and Turkey will decrease the power of the positive relationship between acquirer ownership concentration and ownership level in target firm. However, Model 3 results have not provided support for H2a since the coefficient of the interaction variable (β=0.093, $p>0.1$) is insignificant. Furthermore, H2b has proposed that the positive relationship between acquirer ownership concentration and ownership level in target firm is strengthened if cultural distance between target country and Turkey increases. Results of Model 4 have not supported H2b since the interaction effect of cultural distance and acquirer ownership concentration is also insignificant (β=-0.296, $p>0.1$).

Table 1: Descriptive Statistics and Correlations

	VIF	Mean	SD	1	2	3	4	5	6	7	8	9	10
1.Ownership Level	-	0.55	0.38	1									
2.Acquirer Ownership Concentration	1.46	0.65	0.20	0.20	1								
3.Formal Institutional Distance	2.94	2.72	1.25	-0.13	0.20	1							
4.Cultural Distance	3.34	1.40	1.07	-0.12	0.24	0.76***	1						
5.Industry Relatedness	1.36	0.53	0.50	-0.08	-0.10	-0.34**	-0.20	1					
6.Log Host GDP	1.97	26.49	1.97	0.10	0.52***	0.47***	0.50***	-0.26*	1				
7.Log CBMA Experience	1.53	1.01	0.69	-0.18	-0.30*	-0.20	-0.46***	0.18	-0.32*	1			
8.Firm Performance	1.22	0.04	0.06	0.24	-0.03	-0.09	-0.05	0.21	-0.15	-0.04	1		
9.Firm Size	1.21	5.96	0.87	-0.16	-0.13	-0.15	-0.21	0.24	-0.16	0.24	-0.19	1	
10.Deal Value	1.14	74536.13	211049.5	0.21	-0.00	-0.02	0.01	0.15	0.12	0.01	0.23	-0.04	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 2: Results of Tobit Regression Analyses

VARIABLES	Model 1	Model 2	Model 3	Model 4
Constant	0.236	0.559	0.249	1.083
	(1.034)	(1.025)	(1.059)	(1.705)
Industry Relatedness	-0.211	-0.231*	-0.269**	-0.177
	(0.135)	(0.132)	(0.127)	(0.138)
Log Host GDP	0.035	0.008	0.038	0.009
	(0.033)	(0.035)	(0.036)	(0.062)
Log CBMA Experience	-0.091	-0.026	-0.041	-0.104
	(0.089)	(0.093)	(0.091)	(0.113)
Firm Performance	2.265**	2.317**	2.282**	2.089*
	(0.989)	(0.963)	(0.926)	(1.093)
Firm Size	-0.076	-0.085	-0.079	-0.151
	(0.095)	(0.093)	(0.089)	(0.121)
Deal Value	0.000	0.000	0.000*	0.000*
	(0.000)	(0.000)	(0.000)	(0.000)
Acquirer Ownership Concentration (AOC)		0.595*	0.291	0.706
		(0.338)	(0.708)	(0.592)
Formal Institutional Distance (FID)			-0.174	
			(0.165)	
FID*AOC			0.093	
			(0.236)	
Cultural Distance (CD)				0.065
				(0.267)
CD*AOC				-0.296
				(0.357)
Constant	0.236	0.559	0.249	1.083
	(1.034)	(1.025)	(1.059)	(1.705)
Log-likelihood	-50.418	-48.895	-46.353	-39.332
Chi-square	17.76***	20.80***	25.89***	18.94**
Pseudo R-square	0.149	0.175	0.218	0.194
Observations	71	71	71	58

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Discussion

Due to increasing presence of cross-border investments of EMNCs in the last decade (UNCTAD, 2017), it is still important to find out how different EM firms determine their strategic choices according to their EM institutional contexts and firm characteristics. This study has tried to figure out the determinants of degree of ownership in CBMAs of Turkish firms at firm and institutional level. By this way, we have tried to contribute both EMNCs and CBMAs literature. The antecedents of CBMAs of Turkish firms have been shaped by institutional theory and SEW approach.

The findings have indicated that ownership concentration in acquiring firms have also increase the level of ownership in target firms for Turkish MNCs CBMAs. This result has diverged from previous findings which were asserted that ownership concentration will mitigate the level of ownership in foreign subsidiaries for EM firms (Bhaumik et al., 2010; Filatotchev et al., 2007). In the case of Turkish MNCs, majority shareholders seem to have less concern about the detrimental effects of full control in foreign acquisitions than other EM firms. Strategy literature in EMs have generally been shaped by institution, resource and transaction cost based views (Hoskisson et al., 2000). This finding can lead up to consider different theoretical approaches for EM firm strategies contrary to previous studies. Thus, using SEW approach in CBMA studies is also a significant contribution of this study. FDI by EMNCs should be considered with different theoretical combinations to get a broader view about them. Moreover, both formal and informal institutions have not affected ownership level of Turkish MNCs related to firm level characteristics. This finding contrasts with previous findings about the significant effect of institutional factors on the equity stake of CBMAs made by EMNCs (Liou et al., 2017; Yang, 2015). When these findings are evaluated together, home country's institutional environment may not have significant impact on strategic choices of Turkish firms. Consequently, it can be assumed that not all EM firms are motivated by escaping weak institutional environments when they choose outward FDI. These findings can be evaluated with findings of Yaprak et al. (2018) which ensure market seeking internationalization of Turkish firms more than asset seeking internationalization. Market seeking FDI motivation is more related with profit than the institutional context of host country. Therefore, majority shareholders disregard both home country and host country institutional environments when expanding in foreign markets. These findings have also provided support for the idea that majority shareholders and their high control on strategic decisions can dominate firm decisions in weak institutional environments like Turkey. However, majority shareholders and owners of EMNCs should consider the legitimacy threats and adaptation problems in regulated environments for FDI decisions. Concentrated ownership as a domestic feature of Turkish firms (Yurtoglu, 2000) would cause governance problems in both domestic and foreign markets for future investments. Another confusing result of this study is that Turkish firms prefer higher level of ownership in CBMAs when the target company is from an unrelated industry. This outcome is coherent with characteristics of Turkish firms whom are organized as highly diversified BGs and have gained high profits for years in the national market (Colpan, 2010; Yaprak, Karademir, & Osborn, 2006). Turkish firms seem to expand their operations with unrelated diversification both in domestic and foreign markets. This can be an outcome of rent seeking and risk diversifying attitude of Turkish firms whom show resistance to change their habitual strategies.

Limitations and future research

Although this study has contributed to EMNCs literature by focusing on a single EM and have demonstrated different results contrary to studies with different EMs, it still has some limitations. Firstly, our study only focused on CBMAs as FDI entry mode choice. Therefore, future studies should analyze diverse FDI entry modes such as greenfield investments or strategic alliances by regarding governance characteristics of Turkish firms and the impact of institutional differences on these choices. Furthermore, as mentioned above, the insignificant effect of institutional and cultural distances may be related to market seeking motivations of Turkish MNCs. The motivations which are not the research questions of this study can be studied in the future to combine the findings of current study. By this way, we can get more accurate connections between antecedents of CBMAs of Turkish firms.

Since we can gather governance measures from only listed companies, our study is limited for sample selection. Future studies may expand the sample by applying different governance measurements like business group affiliation or family firm. Family ownership and business group affiliation are common governance characteristics in EM firms which can cause principal-principal conflicts like ownership concentration (Aguilera, De Castro, Lee, & You, 2012). The role of family control can also be studied with different approaches despite the common usage of agency theory and institutional theory. Moreover, other context specific factors about Turkey's institutional setting and their relations with target countries should be investigated for future studies.

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Endnotes

[i] https://www.hofstede-insights.com/product/compare-countries/