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A Conceptual Framework of Internationalization of Family Business Groups: Turkey Context [1]

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Aile İşletme Gruplarının Uluslararasılaşmasına Dair Kavramsal Bir Çerçeve: Türkiye Bağlamı

Öz

Kaynak arayışı gelişen ülke şirketlerinin ivmeli bir şekilde uluslararasılaşmasını etkileyen en temel nedenlerden biri olarak görülmektedir. Fakat kendilerine özgü bağlam ve yapıları olmasına rağmen, gelişen ülke çok uluslu şirketleri ile ilgili mevcut akademik çalışmalar, bağlamsal faktörleri ve bunların bu şirketlerin doğrudan yabancı yatırımlarına etkisini göz ardı etmiştir. Gelişen ülke çok uluslu şirketleri, bu ülkelerin bağlamlarından dolayı ortaya çıkan bazı yüksek işlem maliyetlerini azaltabilir ve kendi kurumsal çevrelerine özgü firma kaynaklarına sahip olabilirler. Dolayısıyla benzer şekilde, işletme gruplarının kendilerine has özellikleri nedeniyle melez bir uluslararasılaşmaya sahip olacaklarını da varsaymak mümkündür. Bu çalışma kaynak, işlem maliyeti ve kurumsal temelli yaklaşımların ışığında Türkiye'deki baskın örgütlenme şekli olan aile işletme gruplarının uluslararasılaşmasını incelemekte ve bu grupların uluslararasılaşma düzeyini etkileyen faktörleri bu kuramsal yaklaşımlar çerçevesinde irdeleyerek tartışmakta ve öneriler sunmaktadır.

Anahtar Kelimeler: Gelişen Ülkeler, İşletme Grupları, Türkiye, Uluslararasılaşma

A Conceptual Framework of Internationalization of Family Business Groups: Turkey Context

Abstract

Resource exploration has been seen as the main reason for the accelerated internationalization of emerging market firms. However, despite their specific contexts and organizational forms, emerging market multinational companies (EM MNCs) literature underestimated the context-specific factors and their effect on foreign direct investment activity so far. EM MNCs in those markets may have their own firm-specific resources that fit their institutional contexts and can eliminate transaction costs, which result from those contexts. For instance, Business Groups (BG) with their unique attributions would have a hybrid internationalization model like their forms, in those markets. This study will try to propose a multi-theoretical perspective, which includes resource, transaction costs and institution-based views for internationalization of family BGs (FBG), which is a dominant form of organizing in Turkey. Hence, the determinants of the internationalization level of FBG will be discussed from different perspectives and proposed.

Keywords: Emerging Markets, Business Groups, Turkey, Internationalization

1. Introduction

Due to increased outward foreign direct investment (FDI) from emerging markets in the last decade, significant academic attentions have been directed to emerging markets' firms in international business and management studies. These firms have been called as Emerging Market Multinational Corporations (EM MNCs) and are generally affiliated to business groups (BGs) (Amsden, 2009; Cuervo-Cazurra, 2012; Ramamurti, 2009; Dau, et al. 2015). Even though the role of emerging market BGs in their economies have been specified in the literature (Khanna and Yafeh, 2010: 352) and the accelerated internationalization of EM MNCs (Luo and Tung, 2007: 482; Mathews, 2006: 6) has been examined from different perspectives, there is still a

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need to investigate the close links between these two topics as well as the alternative approaches to understand EM MNCs in different contexts. BGs have been defined by Khanna and Rivkin (2001: 47) as “a set of firms which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated action”. Although, BGs have different callings in different countries such as keiretsu or zaibatsu in Japan, chaebol in South Korea, grupos economicos in Latin America, hong in Hong Kong, business house in India, guanxiqiye in Taiwan, oligarch in Russia and qiye jituan in China (Carney, et al. 2011: 437), unrelated diversification to decrease their high transaction costs and a head company to control all the affiliated firms have been the common features of all of these enterprises (Colpan and Hikino, 2010: 17). Since the controlling head company of most of the BGs is generally owned by a reputable family in emerging markets, family BGs (FBG) have also become a common organizational form in both practice and research (Yildirim-Öktem and Selekler-Göksen, 2018: 46).

Despite the general view claiming that EM MNCs’ main motivation for outward FDI is exploring new resources (Luo and Tung, 2007: 484; Mathews, 2006: 13), this study proposes that BGs would have different motivations and determinants for their outward internationalization as they are unique organizational forms which are the products of the institutional constraints for eliminating transaction costs and for expanding shared resources at group level. Hence, BGs’ group level non-traditional ownership advantages and capabilities to avoid high transaction costs in their underdeveloped markets deserve more attention (Peng, et al., 2005: 623; Tan and Meyer, 2010: 156). BGs can promote their affiliates in their outward FDI activities by using their previous experience in domestic markets and by benefiting from their diversified operations with a financial asset pool. Accumulated knowledge and experience on international activities with the aid of domestic network can be assumed as a key determinant of EM MNCs’ internationalization process (Elango and Pattnaik, 2007: 551). Since BGs are network firms controlled and managed by families, their features have been shaped by resource based, transaction cost based and institution-based constraints, applying a multi theoretical approach to determine the antecedents of outward internationalization of these specific organizational structures is inevitable and primordial. The related literature on EM MNCs and emerging market BGs would provide more opportunity to understand the internationalization of family BGs and help us to contribute to the current accumulated knowledge.

2. Literature Review

2.1. Emerging Market Multinational Companies (EM MNCs) and Internationalization

Internationalization has been defined as “the process of increasing involvement in international operations’ which consists both inward and outward international trade and investment activities” (Welch and Luostarinen, 1988: 36). As a reflection of this interconnection between inward and outward international operations, firms from developed world have expanded their international business activities by Multinational Corporations (MNCs) that are defined as companies whom have several operations and controlled firms in multiple countries (Buckley and Casson, 1976: 1) since the mid-1970s (Dunning, 1988: 17). Although MNCs have generally been born in developed country markets at the beginning, by the help of neo liberal economic policies of their governments, emerging market firms have also expanded their operations across their national borders starting from the 1990s and more specifically after the 2000s (Child and Rodrigues, 2005: 384; Satta, et al., 2014: 421; Verma et al., 2011: 4; Ramamurti, 2011: 151). These firms have been called as Emerging Market Multinational Corporations (EM MNCs) which are originally founded in emerging markets and have expanded abroad by involving in several outward foreign direct investment (FDI) in an accelerated and unconventional manner (Luo and Tung, 2007; Mathews, 2006; Ramamurti, 2009).

EM MNCs' internationalization has been defined as unconventional since traditional internationalization models are based on an incremental and sequential route (Johanson and Vahlne, 1977: 26) by using monopolistic advantages resulted from market imperfections (Hymer, 1976: 23–25), exploiting ownership, location and internalization (OLI) advantages (Dunning, 1988: 10–14) and are generally followed by developed country firms so far. However, EM MNCs have followed an accelerated and non-sequential internationalization process by seeking for valuable resources and advantages generally in advanced markets (Cuervo-Cazurra, 2011: 434; Luo and Tung, 2007: 484; Mathews, 2006: 13–15). As a consequence, traditional international business (IB) theories seem to be inadequate in explaining their rapid expansion and their impressive successes. Subsequently, scholars have tried to elaborate new approaches (such as LLL paradigm and springboard perspective) or to modify the known theories and paradigms (like eclectic paradigm) (Dunning and Lundan, 2008: 588; Luo and Tung, 2007: 484; Mathews, 2006: 13). These efforts to understand the EM MNCs are consequences of their high presence in global economy and their undeniable competition with Western MNCs after liberalization attempts in their home countries (Ramamurti, 2012: 242–43). Even if these EM MNCs don't have ownership advantages (OAs) or firm specific advantages (FSAs) such as known global brands and high technology for their operations and products, they respond to the needs of customers in emerging countries by using slightly improved product technology. Also, they can use low cost advantages, access to natural and financial resources easily, establish close relations with the state and operate efficiently in volatile environments as part of their country specific advantages (CSAs) (Hennart, 2012: 170; Peng, 2012: 99; Ramamurti, 2012: 244–45). Home country institutions have a significant role on EM MNCs' way of acquiring resources and developing advantages in international markets as well as on adopting different organizational forms such as BGs (Khanna and Palepu, 2000b: 269; Peng, et al., 2008: 921). Besides, home country institutions may cause restrictions for EM firms to develop, act as push factors for internationalization (Eren-Erdogmus et al., 2010: 322) Consequently, resources, strategies and structures of EM MNCs are generally shaped by institutions which instigate high transaction costs to these firms and coerce them in return to develop firm specific resources and new organizational forms (Carney et al., 2011: 439; Cuervo-Cazurra and Genc, 2008: 975; Hoskisson et al., 2000: 253; Khanna and Palepu, 2000b: 269; Wright et al., 2005: 3).

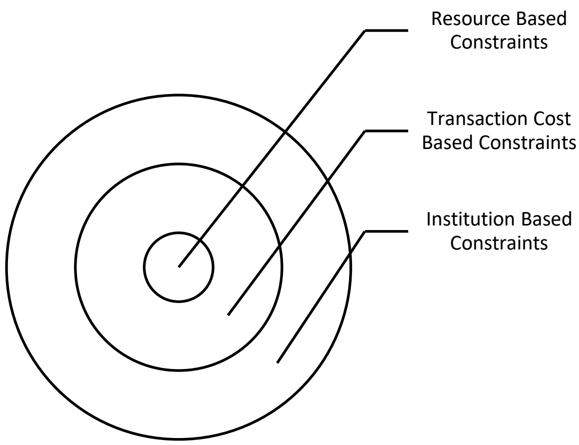
EM MNCs' internationalization and their unique success in international markets have contributed to IB studies, which focus on whether these companies internationalize for new asset exploration or exploitation. Along these lines, resource based view (RBV) which accentuates the importance of valuable and rare resources for sustainable competitive advantages of the firms (Hoskisson et al., 2000: 256; Penrose, 2009: 4; Barney, 1991: 102) has endorsed these studies in a different way than previous ones (Tan and Meyer, 2010: 156). Exploring new resources in international markets is generally taken into the consideration as the main reason for international expansion of EM MNCs, despite the classical view of RBV that asserts the importance of firm specific resources which lead firm specific heterogeneity and competitive advantage (Barney, 1991: 101). EM MNCs may attempt to create valuable assets through expansion in international markets via arousing organizational learning dynamics (Cuervo-Cazurra, 2012: 161; Yamakawa, et al., 2008: 67). This study argues that even though EM MNCs may not have traditional valuable assets to trigger their internationalization, they may use their context specific resources such as, home market dominance, diversified business activities and ability to perform in uncertain environments (Chang and Hong, 2000: 432; Ramamurti, 2012: 245; Tan and Meyer, 2010: 156).

However, access to resources isn't independent from institutional and transaction cost constraints of the emerging markets. The success of EM MNCs is based on their capacity to understand and to respond to local customers' needs better than their Western counterpart in their home markets, on their low cost production capability, on their strength to operate in mid-tech industries and on their know-how and experience of operating in institutionally weak environments (Ramamurti, 2011: 157). Therefore, it is critical to embrace a multi theoretical approach to understand EM MNCs and their success. For example, most of the EM MNCs have to face with high transaction costs for operating in uncertain environments (Williamson, 1979: 246) as well as for accessing to the valuable and rare resources, they also have to evolve into highly hierarchical governance structures to fill institutional voids (Hoskisson et al., 2000: 254; Ma, et al., 2006: 480; Manikandan and Ramachandran, 2015: 611). Institution based view should also be adopted to understand and explain emerging market firms and their long term strategies in their distinctive local or global environments since the institutions generally shape the rules of the game that regulate the relationships among parties, eliminate uncertainties and reduce transaction costs in the economies (Hoskisson et al., 2000: 253; North, 1990: 3). For example, most of the EM MNCs from China are state owned and incentivized by Chinese government's "Go Global" policy. Indian MNCs are also more motivated to shift their activities from exportation to international direct investment if they are affiliated to a BG (Gaur, et al., 2014: 18; Williamson and Raman, 2013: 260). Correspondingly, institution based view provides insights regarding governance issues of EM MNCs to understand the structure of ownership (which is generally concentrated) and interactions among parties of this distinctive form (Peng, et al., 2008: 928). IB studies have largely proposed home country environmental constraints as the determinants of internationalization of EM MNCs alongside the agency problems and the governance structures (Chari and Acikgoz, 2016: 5; Cuervo-Cazurra and Genc, 2008: 975). These home country coercions urge EM MNCs to develop firm-specific resources by establishing some close relationships, in other words institutional relatedness, with regulatory institutions that allocate resources in the emerging markets (Peng, et al., 2005: 623). Institutional relatedness can be achieved through informal relations with the state and as well as the network relations with some ethnic groups and helps them to configure their resource bundles during their internationalization journey (Tan and Meyer, 2010: 162). Another response of EM MNCs to institutional voids and market imperfections is to internalize their markets by creating a micro institutional context. Internalizing imperfect markets generally leads these firms to restructure their organizations as business groups (Khanna and Palepu, 2000b: 269; Yiu et al., 2007: 1575).

Consequently, theoretical framework of most of the strategy research in emerging markets has been shaped by institution based, resource based and transaction cost based view (Hoskisson et al., 2000: 260). Scholars adopt a multi theoretical perspective to find under which circumstances firms elaborate their international strategy and how institution, resource and transaction based constraints interact with each other in studying emerging market firms. Furthermore, strategy studies in emerging markets have also embrace a bi-dimensional pattern that combine both the governance studies, which focus on hybrid organizational forms called as BGs and the internationalization of emerging market firms generally known as EM MNCs

(Yaprak and Karademir, 2010: 255). Early BG literature has shown that the accumulation of resources and reduction of transaction costs are among the main outcomes of institutional environment in emerging markets. On the other hand, resource based, transaction cost based and institution based view accentuated the importance of the ownership structure of EM MNCs as another key determinant of their international expansion (Chittoor, et al., 2015b: 270). The literature on EM MNCs has merged multiple perspectives to interpret their international strategy behavior by using them solely or together. According to these arguments, we can argue that resource based, transaction cost based and institution based constraints in emerging markets have shown a stratified conceptual model as can be seen in Figure 1. This stratified model is based on a simple assumption that the weak institutional environment and imperfect market conditions might cause high transaction costs for emerging market firms. Therefore resource acquisition can only be achieved through eliminating these high costs whether by adopting different organizational forms or by escape-oriented internationalization strategies.

Figure 1: Conceptual Framework for International Strategy of EM MNCs



2.2. Business Groups from Emerging Markets

After the World War I, since international trade and investment activities have become as country specific structures, capitalism exhibits itself as different national business systems which influence the formation of big businesses (Whitley, 1998: 449). Indeed, big businesses in developed countries were generally formed after the industrial revolution and shaped these economies in the long run. The first and foremost definition has been made for big businesses by Chandler (1977: 1) as “Modern Enterprise” which displaced market mechanisms to coordinate and designate resources within its structure. However, different forms of capitalism are generally seen in emerging markets. Close relationships between the state and businesses are very imperative for the survival and performance of BGs. BGs perform as rent seekers in underdeveloped markets by forming close bonds with the state or ruling government (Khanna and Yafeh, 2010: 352). BGs, defined as a group of legally independent firms which are connected to each other with cross shareholdings, have operations in highly diversified industries and controlled by a head company, are generally dominant organizational forms in emerging markets like South Korea, Brazil, Thailand, Indonesia, Chile and Turkey (Colpan and Hikino, 2010: 17). However, these business systems can show divergence from one emerging country to another by their names or by attributed features such that they are called as “guanxi qiye” in Taiwan, "business houses" in India, "chaebol" in South Korea and "family holdings" in Turkey (Yiu et al., 2007: 1552). Since different perspectives like economy, political economy or relational and agency theory and resource based view have shaped their diverse definitions, studying and understanding the BGs become more difficult by focusing on one perspective solely. For instance, BGs have been defined as networks which have valuable resources and competencies accumulated by entering unrelated industries swiftly due to the asymmetric foreign trade and investment environments (Guillen, 2000: 368) and formed as a result of market imperfections via diversifying its activities related to high risk and uncertainty (Leff, 1978: 666), shaped by close relations with state and policy makers (Ghemawat and Khanna, 1988: 40), characterized by formal and informal bonds among related parties like family or kinship networks (Granovetter, 2005: 431) and has governance related issues for tunneling wealth through cross shareholdings by dominant shareholders (Chang, 2003: 250; Morck and Yeung, 2003: 372). As can be seen from the definitions provided by several authors; diversification, relationships among parties and valuable resources are the three broad themes that can be used to explain BGs of the emerging markets. These themes and the attributes of BGs according to each perspective have been summarized in Table 1.

In general, BGs can be defined as legally independent firms connected to each other by formal and informal bonds and can operate across unrelated industries with a controlling head quarter or parent company (Khanna and Yafeh, 2010: 331). The success of BGs is a result of the weak legal and economic environment and the rent seeking behavior of the founding entrepreneur or his offspring. On the other hand, problems regarding the protection of minority shareholders and pyramidal structures with "tunneling" issues are among the other features of BGs in emerging markets. Although some of the emerging markets may have different experiences, in general, privatization policies and governments' willingness for establishing a national capital structure have caused BGs to become significant actors in their national economies and make them also strong rivals to foreign multinationals (Khanna and Yafeh, 2010: 352; Yiu et al., 2007: 1563). Furthermore, the role of family has got considerable attention in many studies on BGs conducted on different emerging market contexts (Chung, 2013: 886; Chang, 2003: 250; Colpan and Hikino, 2008: 25; Erdener and Shapiro, 2005: 427). This attention is a consequence of the power of controlling families and their long-term effect on the strategies of BGs and their affiliates. To sum up, studies on BGs from emerging markets should consider their diverse features related to the different contexts they are operating and the role of governance structures on their long-term strategies.

Table 1. Characteristics of Business Groups and Basic Perspectives

Focus of the Perspective	**Perspective**	**Authors**	**Characteristics of Business Groups**
Diversification Strategy	Economist Perspective	(Leff ,1978)	Operating in multiple industries Control of a joint head (generally family)
	Political Economy Perspective	(Ghemawat and Khanna, 1988)	Diversifying in broad industry segments Partial financial bonds Control of a governing family
Relations	Relational Perspective	(Granovetter, 2005)	Legally independent companies

			Affiliates which are related to each other formal and informal bonds
	Agency Theory	(Chang, 2003) (Morck and Yeung, 2003)	Relations with dominant and minority shareholders Pyramidal structure
Resources	Resource Based View	(Guillen, 2000)	Exploitation of inside and outside resources within a joint venture Operating in multiple industries

2.3. Family Business Groups in Turkey

The evolution of big business in Turkish economy has followed a bi-directional pattern. This pattern has been dominated by two main types of organization, which are family businesses called as “family holdings”, as well as state controlled enterprises which are the result of the 1930s’ statist economy policies. The newly formed republican regime’s policy towards establishing its own businessman class has caused the formation of FBGs (Buğra, 1995: 112). Through International Monetary Fund’s (IMF) support for free market economy, state funded infrastructure investments and international trade policies after 1980 military coup and customs union agreement in 1995, Turkish BGs have continued to diversify their business activities at both national and international level (Buğra, 1995: 211; Colpan and Hikino, 2008: 34; Önis, 1992: 8). Since the foundation of Republic of Turkey, state has intervened to economy constantly and adopted joint goals with core families of big businesses to shape country’s economy (Önis, 1992: 11). Following the liberalization of the economy in the 1980s, family BGs (or family holdings) continued to be the dominant actors of the Turkish economy with newcomers (Colpan and Hikino, 2008: 28–29). From this point of view, BGs in Turkey are different from Chinese BGs that are generally controlled by the state or Taiwanese ones, which were established through network ties among several firms. Their birth and growth with unrelated diversification has been shaped by the state (the dominant institution in Turkish economy until the 1980s) in Turkish economy. The constant intervention of the state to country’s economy has led business class to diversify their operations among different industries in order to reduce their investment risk. As BGs diversified in Turkish economy, their size and contribution to Turkey’s economy has also augmented (Colpan and Hikino, 2008: 35; Gökşen and Üsdiken, 2001: 326; Yaprak, et al., 2006: 281).

As proposed by Yaprak et al. (2006: 286), four different types of BGs have emerged in Turkey’s economy. The first one is “holding company” that is highly diversified first movers in Turkey’s import substitution period and generally controlled by known families (e.g. Koç Holding, Sabancı Holding, Zorlu Holding). Another type is called as “emergent business groups” and is described as newcomers of the market liberalization period with highly diversified activities in foods or automotive products industries like their predecessors. After signing Customs Union agreement with European Union, a new kind of business group has emerged and developed as regional networks by producing similar products and structured as confederations. Yaprak et al. (2006: 289) have defined these BGs as “encouraged networks”. Lastly, small and mid-sized companies that are linked to each other with supplier agreements and prefer to operate in specific regions with operations in concentrated industries formed “regional networks”. Notwithstanding the liberalization policies in economy after the 1980s and the known feature of BGs that they are outcomes of weak institutional environment and market imperfections, BGs seem to increase in number and activities in Turkey. Like other emerging markets, the number of BGs and the number of affiliated companies are 80 and 156 respectively in the İstanbul Chamber of Industry's (ISO) list for 500 largest companies for the year of 2010 (Dirlik, 2014: 22). Although, BGs (especially family BGs) are the pivotal actors of Turkey's economy, their international investments and growth has encouraged a small amount of research so far. As a result, studying internationalization of FBGs in Turkey can expand our understanding about unique organizational forms in general and the reasons behind unhindered success of BGs.

2.4. Internationalization of Business Groups

Internationalization covers subjects such as investment motivations, entry modes, target market features and timing (Tsai and Eisingerich, 2010: 119) and it has been shaped by resource based view, transaction cost based view, eclectic paradigm and organizational capability perspectives in general (Andersen, 1997: 31). On the other hand, internationalization of emerging market firms has been explained by a narrower approach with a focus only on resource, transaction cost and institution based views. Similar to this, the internationalization of BGs along with their specific characteristics can also be analyzed through these theoretical views. For instance, features like using early mover advantages in the home market, the government protections, foreign alliances, unrelated diversification strategies, lower degree of home market competition and ability to access to capital easier than standalone firms have helped BGs to dominate their national economies (Kim, et al., 2004: 21). Beside these factors, they can become immediate candidates for developed country MNCs to establish partnerships during the market liberalization process in emerging markets through their dominant market position and knowledge. By forging alliances with foreign partners, BGs have got the chances to access to new financial and intangible assets as well as managerial capabilities (Hitt et al., 2000: 462) and to expand their outward internationalization activities (Ramamurti, 2012: 247). As can be seen from previous research, BGs have expanded their resource base as a result of their institutional environment and the higher transaction costs in these institutional contexts. Despite a growing body of research about EM MNCs and the significant amount of FDI by emerging market BGs, there is still a gap on the internationalization of emerging market BGs and the factors that determine this process (Yiu, et al., 2013: 30). As Amsden (2009: 66) has proposed, BGs are intriguing actors for international business studies apart from their significant role in home markets as national champions of economic growth. Especially, industrial diversification as a well-known BG feature can have a positive contribution on the knowledge based assets of affiliated firms, which can lead these groups to become further outward internationalization agents of their economies. EM MNCs and BGs have been both affected by their home market's institutional environment and tried to eliminate these disadvantages by expanding in international markets (Stal and Cuervo-Cazurra, 2011: 224). BGs in emerging markets can use their micro institutional context created by the network relationships with their affiliated firms to establish ownership, location and internalization advantages and actuate these advantages through linkage and leverage occasions during international expansion (Yiu, 2011). The network environment not only serves the affiliated firms as a micro institutional context for their national investments but also helps them to invest on asset seeking FDI via horizontal linkages and on market seeking FDI through vertical linkages (Yiu, et al., 2013: 30). Furthermore, firms that are affiliated to BGs in emerging markets are generally have superior resources and competitive advantages than non-affiliated firms though this gives a upper hand to BGs to make more outward FDI than the independent firms in the future (Chari, 2013: 356). However, it is still difficult to generalize the research results about BGs and their internationalization across different emerging markets (Holmes et al., 2018: 136).

In align with this, Turkish BGs and EM MNCs from Turkey have not been investigated separately in most of the earlier studies in the relevant literature. The related research is very limited in terms of number and scope to clearly define whether BG characteristics are factors determining firms' internationalization strategies or their internationalization level. Also, these studies have investigated BGs from the resource based view or the institutional theory perspectives in general (Dirlik and Asunakutlu, 2014: 498; Gökşen and Üsdiken, 2001: 328; Selekler-Gökşen and Yildirim-Öktem, 2008: 55; Yaprak and Karademir, 2010: 248). We propose that institution based view, resource based view and transaction cost view can be used in combination to understand internationalization of BGs in Turkey. As a result, the need for extending internationalization of BGs in a different emerging market context will shape the next chapter of this study.

3. The determinants of Internationalization of Turkish Family Business Groups

Family BGs in Turkey have been the ultimate partners for developed country MNCs to establish strategic alliances as they can provide valuable resources and competitive advantages and knowledge to operate in an emerging market. In that respect, it is not unexpected that Koç Holding, the biggest BG in Turkey economy, was the first Turkish company to internationalize (Ataay, 2012). FBGs in Turkey has the ability of using knowledge and experience of their inward internationalization to internationalize outwardly (Erdilek, 2008: 753). For example, Arçelik, an affiliate of Koç Holding, is the most significant example of how a local reputable brand can evolve into a global MNC. Arçelik has made international investments to increase its brand image and technological capability by acquisitions of known brands in white goods sector. Arçelik's internationalization process has begun with the license agreements with GE and Bosch-Siemens in the domestic market as an original equipment manufacturer (Bonaglia, et al., 2007: 375). Arçelik continued these collaborations by making OEM agreement to produce refrigerators for the American Sears Roebuck company under the Kenmore brand. Then, by making an OEM agreement with Whirlpool company, it produced refrigerators for the European market for this brand. After several experience in the field of OEM, Arçelik decided to export to Europe with its own brand by creating the Beko brand and developed different strategies for each market in Europe. The outward internationalization potential of FBGs from Turkey can also be seen in Table 2 which shows the research of Foreign Economic Relations Board of Turkey and Vale Columbia Centre on Sustainable International Investment.

Table 2. The List of Turkish MNCs in 2012 DEİK Report

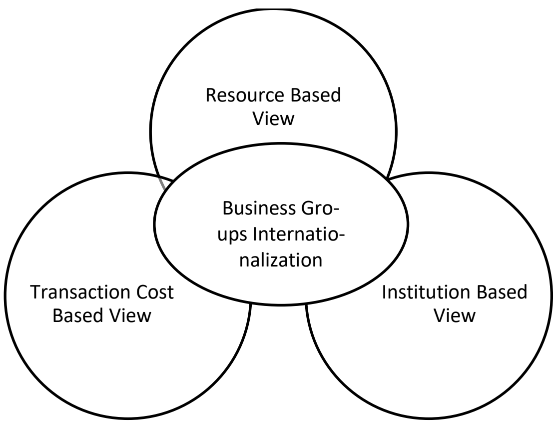
Company Name	Foreign Assets (Million US Dollars)	Type
Enka İnşaat	3,779	BG affiliate
Turkcell	1,057	BG affiliate
Çalık Holding	816	BG
Koç Holding	3,333	BG
Anadolu Grup	4,443	BG
Türkiye Petrolleri Anonim Ort.	4,872	State Owned Enterprise
Şişecam A.Ş.	1,368	BG affiliate
Tekfen Holding	1,250	BG

Sabancı Holding	828	BG
Eczacıbaşı Holding	371	BG
Borusan Holding	973	BG
Zorlu Enerji Grubu	1,120	BG affiliate
Doğuş Grup	3,104	BG
Doğan Holding	486	BG
Alarko Grup	651	BG
TAV Holding	1,081	BG
Orhan Holding	534	BG
Yıldız Holding (Ulker)	1,277	BG
Eroglu Holding	148	BG
Çelebi Holding	167	BG
Yıldırım Holding	1,867	BG
Hayat Holding	780	BG
Gübretaş	686	Cooperative affiliate
Türk Telekom	444	Independent firm
Türk Hava Yolları	400	Independent firm
Ekol Lojistik	375	Independent firm
Kürüm Holding	281	BG
Teklas	175	Independent firm
Evyap	98	Independent Firm

Resource: (DEIK 2014, 2)

Most of the companies participated to the survey on Turkish OFDI are BGs or their affiliated companies. This is consistent with the academic findings on the FBGs' pivotal role in international investments among Turkish firms. Moreover, BGs are hybrid organizational forms created by complex relations, which bring together different resources, institutions and industries. Thus, a multi theoretical perspective is needed to study them (Gaur, et al., 2014: 13; Purkayastha, et al., 2018: 105). The undifferentiated EM MNCs and BGs literature is among the other reasons to adopt a multi theoretical perspective to define the determinants of outward internationalization of FBGs from Turkey, which can be followed from the Figure 2.

Figure 2. Internationalization Framework of Family Business Groups



BGs can constitute their ownership advantages via unrelated diversification strategies in imperfect market conditions (Chang and Hong, 2000; Yiu, 2011). Being first movers in the national markets helped them to grow in those markets for many years and they have adopted these advantages for international markets successfully (Kim, et al., 2004: 20). Furthermore, as developed country MNCs, BGs have embraced a "focus on core competences" strategy during liberalization process in their markets (Goldstein, 2009: 140). However, Turkish family business groups do not share the same characteristics of "born global" firms. The born global firms are known for pursuing a higher international performance as they have knowledge based assets and can sell and export products in many countries since the beginning of their existence (Knight and Cavusgil, 2004: 124). However most of Turkish FBGs have shown an incremental approach for internationalization and have benefitted from market liberalization activities of the 1980s. Consistent with Penrose's (2009) resource based view of the firm and the ownership advantages literature, the unrelated diversification strategy of FBGs can be the significant force to drive and manage their internationalization activities. Family BGs have the ability of using dynamic capabilities such as the creation, usage and development of core competences that can be created through endemic organizational resources (Luo, 2000: 357). In the case of FBGs, dynamic capabilities can emerge by creating pooled resources among affiliated firms and can be allocated among member firms easily. FBGs in Turkey can use valuable resources by entering multiple industries swiftly and can also develop them by their own learning abilities. They can embrace this situation as an ownership advantage for international expansion (Amsden, 2009: 66). For instance, Lamin (2013: 1498) has found that firms that are affiliated to BGs can serve more industries as the group's diversification level increases and can enter more foreign markets as the group's foreign sales increase. Furthermore, when trying to expand in domestic market Turkish FBGs have chosen unrelated diversification strategies due to underdeveloped and risky market conditions of Turkish economy (Karaevli, 2008: 92). For example, Sabancı Holding has started its investments mainly in agriculture related industries and expanded into manufacturing and construction materials industries as the group evolves in years. In other words, FBGs can use their knowledge base to internationalize more as they diversified in unrelated industries and consequently we can propose that:

The more unrelatedly diversifies family BGs from Turkey, the more likely their outward internationalization level increases.

Furthermore, FBGs have been significant partners of developed country MNCs invested in Turkey since they can exploit valuable resources and have the market knowledge of emerging markets. FBGs and their affiliates access to technological, managerial and product development capabilities through these partnerships and have got the opportunity to use these capabilities in their future investments for growing in both home and international markets (Amsden, 2009: 76; Hitt et al., 2000: 462; Kim, et al., 2004: 22). For instance, Luo and Wang (2012: 257) have found that inward internationalization activities help EM MNCs to make international investments earlier than the others, with high amount and also towards the advanced markets. Due to these arguments, BGs can exploit these alliances for accessing to strategic assets with internalizing advantages and can also eliminate the "liability of foreignness" while expanding internationally (Singla and George, 2013: 2505; Yiu, et al., 2013: 30; Zaheer, 1995: 342). Since inward internationalization helps firms that are affiliated to BGs to establish some network relations with their technological resource suppliers, these firms can broaden into international markets via this external social capital (Purkayastha and Kumar, 2016: 117). This situation is similar for

FBGs from Turkey since their outward international investments have been expanded through accumulated international experience. Arçelik's JV agreement with LG Korea to produce air conditioners in Turkey in 1999 can be a good example of this situation (Bonaglia, et al., 2007: 375). As a consequence, previous joint ventures in home country may determine level of outward internationalization of Turkish FBGs and we can propose that:

Turkish family BGs with a higher level of JV experience with foreign MNCs in home country will more likely have a higher level of outward internationalization.

International business involve both trade activities like importing and exporting as well as foreign direct investment (Collinson and Pettigrew, 2009: 5). Early internationalization of most of Turkish firms has been occurred with export activities like other emerging market companies. Particularly, after the implementation of liberalization policies in Turkish economy in the 1980s, international trade incentives have directed Turkish BGs to establish foreign trade companies abroad to expand in global markets (Ataay, 2012; Buğra, 1995: 214). International trade activities have an accumulating effect on international experience of Turkish FBGs, like Koç Group and one of its most known affiliate, Arçelik, which started its internationalization via exporting to foreign markets (especially to neighbor countries), built up a brand reputation by collaborations with Sears Roebuck and Whirlpool, invested into technological assets and acquired its competitors (Bonaglia, et al., 2007: 375; Buğra, 1995: 213; Colpan, 2010: 511). Similar studies about Indian BGs have demonstrated that the export experience can foster outward internationalization activities of BGs and can decrease the negative effect of product diversification on internationalization level (Gaur, et al., 2014: 18; Kumar, et al., 2012: 184). Export activities can be a resource based advantage for FBGs for further outward internationalization since the experience of exporting through business networks in foreign markets would alleviate "liability of foreignness" of these firms (Johanson and Vahlne, 2015: 33). Ülker's previous export experience that started in 1970s has given this firm the advantage to make international acquisitions like Godiva and United Biscuits during 2000s. Consequently, it is expected that export experience of Turkish FBGs will enhance their internationalization level and we propose that:

Turkish family BGs with a higher level of export experience will more likely have a higher level of outward internationalization.

In addition to exploiting their country specific and firm specific advantages during their internationalization, EM MNCs have also tried to explore new resources in global markets by outward FDI activities. Moreover, BGs in emerging markets have a superior position compared to the independent firms since they have a micro institutional context which enable them to allocate resource among their affiliates (Peng, 2012; Yiu, 2011). This resource allocation could have also used in inward FDI activities of FBGs in Turkey. These groups have got new capabilities, skills and resources acquired through strategic alliances in their domestic markets. By these alliances, BGs have generated their own research and development (R&D) departments and activities that contributed to their experiential learning and their OFDI (Bonaglia, et al., 2007: 375; Erdilek, 2008: 753). As emerging markets become more competitive, EM MNCs and BGs directed their technological resource bundles from technology importing to creating their own technology (Chittoor, et al., 2015a: 149). Besides, related literature have confirmed the positive effect of R&D investments on outward internationalization of BGs or their affiliates (Chari, 2013: 354; Gaur, et al., 2014: 18; Kumar, et al., 2012: 188). As a result, like in the Arçelik example, we can expect that as R&D expenses of Turkish FBGs increase, their internationalization level will augment and we will propose that:

Turkish family BGs with a higher level of technological capability will more likely have a higher level of outward internationalization.

Thus far, our propositions have focused on valuable resources and ownership advantages of BGs and how these resources affect their internationalization level. Another significant approach to investigate internationalization of FBGs is the transaction cost based view. Underdeveloped markets and institutional voids in emerging countries have lead firms to organize as BGs with highly diversified operations to minimize transaction costs. However, expansion in unrelated industries did also mean an expansion in size for BGs. (Khanna and Yafeh, 2010: 341). However, company size combined with highly diversified activities is seen as a negative attribute for MNCs from developed countries in the literature. Internal markets of MNCs have created several costs such as accounting and control costs, management costs as well as system costs for transferring knowledge among the affiliate firms (Rugman and Verbeke, 2003: 127). The ability to operate in volatile environments and to cope with high transaction costs have seen as valuable capabilities for BGs (Wright et al., 2005: 12; Yaprak and Karademir, 2010: 257). Although, some findings have claimed the detrimental effect of the firm size, it has argued that it may be a firm specific advantage for internationalization activities (Agarwal and Ramaswami, 1992: 4; Brouthers and Brouthers, 2000: 95; Kaya and Erden, 2008: 772). Furthermore, studies have shown a positive relationship between the size of an affiliate or a BG itself and the foreign investments of the emerging market firms (Chari, 2013: 354; Xia et al., 2014: 1356; Gubbi, et al., 2015: 12). Similar to these findings BGs, grown with unrelated diversification, can internalize their transaction costs, thus can benefit from "economies of scale". BGs have accelerated their internationalization activities in their maturity periods even if they are from different emerging market contexts. (Kim, et al., 2004: 26). For instance, the most well-known Turkish FBGs with their cross-border investments such as Koç Holding, Anadolu Group and Yıldız Holding are the biggest economic actors of Turkey. Consequently, the size of family BGs in Turkey could be a significant antecedent for their internationalization and accordingly we propose that:

As the size of Turkish family BGs increase, they will more likely have a higher level of outward internationalization.

Institution based view has been the most pertinent approach for understanding the environment in emerging markets regarding resource acquisition and transaction costs. For instance, governance studies (especially family ownership studies) have been the most well-known ones to understand the long term strategy and the performance of BGs (Ghemawat and Khanna, 1988: 42; Granovetter, 2005: 441; Khanna and Palepu, 2000a: 869; Khanna and Yafeh, 2010: 348; Morck and Yeung, 2003: 370). Similar to most of the emerging country BGs, FBGs in Turkey are also owned and controlled by reputable Turkish families (Colpan, 2010: 487; Yaprak, et al., 2006: 286; Yurtoglu, 2000: 204). In most of the cases, families own the majority shares of the companies and family members sit on the boards. Besides, family ownership can be seen as an outcome of institutional environment of emerging markets since underdeveloped market structures does not protect minority shareholders (Peng and Jiang, 2010: 253). As a result, family ownership can also be seen as an institution based constraint. The valuable resources and competitive advantages of Turkish FBGs have been accumulated throughout years via reputable families and their direct management and control. Pyramidal structure supported by family ownership is among the key features of Turkish BGs and has shaped their strategies of unrelated diversification and internationalization for several years (Colpan, 2010: 512; Morck and

Yeung, 2003: 372; Yurtoglu, 2000: 203). However, family ownership in BGs have shown differentiated effects on the strategies like R&D orientation and internationalization (Chung, 2008: 26; Chung, 2008: 16; Morck and Yeung, 2003: 377). For example, BG affiliates with a higher degree of family ownership can strengthen the positive relationship between R&D intensity and internationalization in Indian context (Purkayastha, et al., 2018: 11). Thus, family ownership would have an accumulating effect on the long term strategies of FBGs in Turkey since owner families want to increase their wealth and expand their businesses for future generations of the family (Gu, et al., 2016: 21; Yurtoglu, 2000: 211; Chung, 2013: 886). FBGs in Turkey were generally born with an entrepreneur's visions and motivations and sustained with his/her family offspring's involvement in management of businesses (Colpan and Jones, 2016: 15). Since the family members on the board are significant actors of the strategic decision making process, BGs would involve in internationalization activities even if they have high risks such as unrelated diversification and R&D decisions (Chittoor et al., 2015a: 149). Similar to unrelated diversification strategies, Turkish BGs have used their bigger sizes as an indicator of reputation and financial strength for new investments both in national and international levels. Eventually, the big FBGs are generally owned by known families and are named after owners' family name to create and accentuate a brand reputation (Buğra, 1995: 248; Gökşen and Üsdiken, 2001: 338; Önis, 1992: 10). Related to this, family ownership level and control would fortify long-term strategic decisions in Turkish FBGs and we propose that:

The positive influence of unrelated diversification on outward internationalization in Turkish family BGs will be stronger when family ownership is higher.

The positive influence of technological capability on outward internationalization in Turkish family BGs will be stronger when family ownership is higher.

The positive influence of size on outward internationalization in Turkish family BGs will be stronger when family ownership is higher.

Even though BGs in emerging markets are seen as outcomes of the underdeveloped markets and institutions, they have continued to grow and expand their business activities in these markets with their traditional governance mechanisms like family ownership even after the liberalization efforts in these markets (Chittoor et al., 2015: 1293; Khanna and Palepu, 1997). Promarket reforms in emerging markets have made profound changes in institutional infrastructure of the countries, which motivated developed country MNCs to develop tight relationships with local BGs. These relations have also influenced the governance mechanisms of BGs since MNCs from developed markets give the opportunity for international expansion and knowledge accumulation to BGs (Chittoor et al., 2015: 1293; Manikandan and Ramachandran, 2015: 608). As known for tunneling problems due to their concentrated family ownership and their pyramidal structure, BGs can provide an unfavorable image for foreign firms to establish alliances. However, capital market participation can be a solution not only for eliminating these concerns but also for accessing to new financial resources that can be helpful for their outward internationalization (Satta et al., 2014: 432). In addition to the advantages created by their international JV experience in their home country and by their integration into free market economy, being listed on İstanbul Stock Exchange, established in 1985, will affect FBGs' financial resources and strategic investments positively by providing them with some important international credentials for their future foreign investors. Accordingly we propose that:

The positive influence of JV experience with a foreign MNC in home country on outward internationalization in Turkish family BGs will be stronger when family BGs have capital market participation.

4. Discussion

Global investments have been diversified in recent years due to the market liberalization in emerging economies followed by increased FDI from these markets (Ramamurti, 2012: 241). Although, FDI activities of EM MNCs have decreased 6 percent in 2017 compared to the previous year, these companies have become significant competitors for developed country MNCs (UNCTAD, 2018: 6). Recent literature have focused on these latecomers to understand the antecedents and motives of their internationalization strategies and processes (Luo and Tung, 2007; Mathews, 2006; Ramamurti, 2009). Strategy research on the emerging market firms have followed a bilateral direction by focusing on their specific organizational forms and governance structures as well as on the internationalization of EM MNCs (Yaprak and Karademir, 2010: 255). As a result of this, a complementary approach to understand international investments of emerging market firms is needed with a special focus on the governance mechanisms.

This study attempts to understand the main antecedents of internationalization of Turkish family BGs. Turkey provide us a significant research settings with his early attempts for free market economy in the 1980s. The close bonds with many developed markets of Europe via Turkish diaspora and the OECD membership have made Turkey an important FDI actor in its region during the 1990s. Moreover, family BGs have been leading actors in Turkey's economy since the foundation of new republic in 1923 with their increasing expansion in both domestic and international markets (Buğra, 1995: 112). Even though, it may be hard to generalize the propositions retrieved based on one emerging market, country related effects of BGs may provide some important and valuable insights for studies to be conducted in BGs of some other emerging markets (Holmes et al., 2018: 13).

IB studies on EM MNCs as well as strategy research on emerging markets have been shaped by the institution, transaction cost and resource based view (Hoskisson et al., 2000: 260; Yiu et al., 2007: 1554; Holmes et al., 2018: 4). However, we have proposed a stratified framework to explain the factors affecting the internationalization level of EM MNCs via three important theoretical approaches, namely, institution based view, resource based view and transaction cost based view. Institutional constraints that are shaped by institution-based view would be in the outer circle of our framework since both the transaction costs and the resources are allocated through these constraints in emerging markets. Moreover, resource based constraints are generally shaped by the level of transaction costs that firms have to deal with in these markets. This framework is based on the findings of the previous studies. Future studies may take into consideration of this framework to elaborate their research models and to differentiate their variables for a multi-level approach.

BGs have been economically known actors in both emerging and developed markets. However, these organizational forms may differ through different emerging markets contexts due to the dissimilarities in their factor markets, institutions and culture (Holmes et al., 2018: 13; Yiu et al., 2007: 1552). For example, most of the Chinese BGs are state-owned but Indian or Taiwanese BGs generally rely on family ownership. Nevertheless, BGs are formed as legally independent firms linked with formal and informal bonds and these independent firms operate in unrelated industries with a controlling head company (Khanna and Yafeh, 2010: 331). Family

BGs in Turkey also share these common characteristics of emerging market BGs with an addition of family concentrated ownership and pyramidal structure (Yurtoglu, 2000: 204). As a conclusion, this study has addressed the well-known features of family BGs of Turkey as antecedents of their internationalization.

Family BGs in Turkey may have used their unrelated diversification, their experience on strategic alliance and past internationalization activities, their R&D capability accumulated by their international cooperation and their size as leverage for their outward internationalization activities. Furthermore, family ownership as wealth maximization mechanism and capital market participation as prevention for bad governance reputation will challenge these relations in Turkey context. Consequently, internationalization of family BGs in Turkey would be shaped by institution based, resource based and transaction cost based view.

This study has tried to question and broaden theoretical lens of internationalization studies on family BGs in a different emerging market context. Future studies may consider multiple approaches to operationalize all these variables in different levels. Also, related with previous studies about emerging market BGs, researchers should acknowledge other theoretical approaches such as agency theory, organizational learning approach or social capital theory to analyze internationalization attempts of BGs with a special focus on the transformation in institutional environment of emerging markets. Even though, family ownership is a significant determinant of Turkish FBGs' long-term strategies, the relations of BGs with the state may also diversify the motivations behind their outward internationalization.

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