

The Determinants of Turkish Outward Foreign Direct Investment

İbrahim Anıl¹, İsmail Armutlulu¹, Cem Canel², Rebecca Porterfield²

¹Faculty of Business Administration and Economics, Department of Business Administration, Marmara University, Istanbul, Turkey

²Cameron School of Business, University of North Carolina Wilmington, Wilmington, USA
E-mail: porterfieldr@uncw.edu

Received July 12, 2011; revised August 20, 2011; accepted September 29, 2011

Abstract

The general theory of Foreign Direct Investment (FDI) has been built on the experience of developed countries' investors. Therefore, there is an extensive amount of literature about firm behaviors in developed countries. Some researchers have started investigating why, how and when developing countries' firms engage in outward FDI. All of these studies have shown that the FDI determinants of firms in newly industrialized economies (NIEs) are different from the FDI determinants of firms in developed economies. This study investigates the entry mode and location choice determinants of Turkish firms' outward direct investments, which are operating in Central Asia, Russia and Balkan Countries, over the period of 1989 to 2005. We find that these investments are associated with high levels of economic and political risks, cultural proximity and lack of ownership advantages. The main purpose of this study is to provide new evidence for these NIE's outward determinants.

Keywords: International Business, Manufacturing, Foreign Direct Investment

1. Introduction

Many individual Turkish entrepreneurs made investments during the period of 1989-2005 in the Turkic Republics where new market economies emerged following the dissolution of the Soviet Union. These activities were regarded as investment opportunities. Although there have been some studies related specifically to FDI in some Turkic countries [1] there have been few studies about the Turkish FDI's, analyzing why and how those companies chose outward countries for FDI, their competitors, and their performances in those countries.

The direct foreign capital investments of Turkish firms most of which emerged as international firms in this region, reached 4644 billion YTL by 2007. Few international competitors entered these markets, due to perceptions of the high levels of risk and uncertainties involved. Turkish firms, however, have maintained their activities with considerably high performance. This phenomenon cannot be explained through existing international direct investment theories or by current studies on global emerging firms. The involvement of emerging country firms in direct foreign investment is a wholly original

phenomenon in terms of theories of direct investment.

Therefore, in this study, data from 107 firms and 169 facilities that directly invested in four Turkic Republics, Bulgaria, Romania and Russia were collected through surveys and in-depth interviews in order to discover the determinants of the investment and location decision making of these firms and the fundamental dynamics of the global emerging firms.

In order to ensure an accurate comparison with developed countries' determinants, the factors affecting the decision making processes of the survey group were obtained using the same determinants used to identify the factors within developed countries. Most of the Turkish firms that went to the Turkic Republics for direct investment decided to find new markets and to use the competitive advantage of being the first to enter into the market. Those firms, which found cheap goods, labor, and quality resources decided to invest in these markets only to find appropriate resources whilst totally ignoring the domestic market. Ironically, some of them wanted to export those products. This study explains the research findings and relates them to existing theories. The next section provides the theoretical framework for this study,

section three presents the research findings and section four provides conclusions.

2. Theoretical Framework

The majority of the information regarding international business administration is based upon analysis of the behavior of firms in developed countries. All the existing theories of direct investment have been shaped and developed in order to explain the behaviors of the firms in developed countries. Bucklet *et al.*, [2] noted that investment by developing countries in developed or developing markets has emerged as a recent focus of research, generally applying existing theories. With the exception of analysis of motivation for FDI in Bulgaria [1], many of the FDI strategies have focused on industry specific motivations [3-5].

The direct capital investments of Turkish firms and of international entrepreneurs display characteristics which differ from the behavior of companies from other developing countries. Hymer [6] used the industrial organization approach to explain the direct foreign capital investments to developed, and developing countries. Several researchers [7-9] attempted a similar analysis utilizing the internalization approach which focuses on the motivation of coordinating interconnected functions for purposes of cost reduction and knowledge sharing. Dunning [10-12] maintained that the internationalization of production is such a complex process that it cannot be explained by a single theory or approach, and as a response developed the more comprehensive eclectic approach created from a synthesis of these two approaches. Other theories developed during the same period include the competitive international industry approach by Vernon [13,14] studies by Kojima [15] to explain Japan's direct investments, and lastly, foreign capital theories based on firm growth theories by Penrose [16] and Scriber [17]. Dunning's eclectic approach, also referred to as the Ownership, Location and Internalization (OLI) approach, maintains a strong position in recent studies [18] According to the OLI approach direct capital investments have the advantages of ownership, benefiting from economies of scale, the skills of technology, patent advantage, brand development and unique management skills allowing for duplication in other geographic locations. The advantages of location are the natural resources of the country, the size of the domestic market, the low input costs such as energy and labor, and taxes and subventions. In the internalization set, the objective is usually to make use of the existing deficient competitor conditions in these countries. In this framework, two of the three basic motives in Dunning's approach were taken as the basis of the analysis of deter-

minants of direct investments. Thus, those investing in order to seek market or to seek cheap resources (Efficiency Seeking) have been grouped separately and the differences between them have been explained [10,19].

Global borning firms are the new phenomena in international business literature. Having been established without passing through the Uppsala model which resembles Penrose's company growth theories [20] and through the phases conceptualized in innovation models [21] these companies [22] have been internationalized by reaching the level at which they can sell at least one quarter of their goods abroad within the first three years of their existence. The studies that have been conducted to explain the behavior of the companies in this area [23-26] aim to specify the dynamics of global born firms. International born Turkish firms, apart from those, which are global borning firms, are those whose first foundation took place abroad without any ownership advantage. Following the dissolution of the Soviet Union, Turkish companies were established in the newly-independent countries as international firms in order to take advantage of the developed countries' avoidance of these "risky" emerging economies and thus operate in markets free of competition. They were established without concern for the level of technological development so as to benefit from the opportunities presented by the market. Based on the assumption that they would not face competition for a long period, firms even accepted the risks of high costs of implementing the contracts. Some of the Turkish companies operating in developing markets such as Romania, Turkmenistan, Kazakhstan and Bulgaria play important roles in those domestic competitive markets, with billion dollar annual revenues, the developed technology, the distribution channels and the managerial skills they possess. Findings about the international borning Turkish firms are not familiar to scholars studying international investment theories. The emergence into the global economy of Turkish firms has not been the focus of attention amongst theorists and thus, cannot be explained within the framework of generally accepted theories of direct foreign capital investment.

3. Methodology and Research Findings

3.1 Method

This study focused on identifying the determinants of Turkish FDI's in seven countries based on an questionnaire survey format developed by Tatoglu and Glaister [27]. The questionnaire was given to 107 firms with wholly owned subsidiaries and 169 facilities in Bulgaria, Romania, Uzbekistan, Kazakhstan, Turkmenistan, Kyrgyzstan and Russia. We personally went to the countries

and asked the managers who made the investment decisions to fill out the survey forms. With the Foreign Economic Relations Board and the country's commerce consulates, we formed a sample which is calculated from the total census by analyzing the businesses with more than fifty employees. According to our list 20 companies did not wish to participate in the survey, and we had an 84% response rate. As it can be seen from the total investment amounts shown in **Table 1**, the majority of the companies consist of small-scale businesses. The average investment amount is 1,704,241 dollars. **Table 2** shows the industrial distribution of our sample. The 107 companies in our sample had operations in 129 different sectors. Some of the companies had more than one factory in the same sector, which provided us with 169 companies in our data set.

In this study we used the survey form developed by Tatoglu and Glaister [28]. Tatoglu and Glaister [29] provide the details for the development, accuracy and confidence results of the survey form. The survey form enabled us to compare the results by developed and developing countries. In our study we used a survey form consisting of 16 sections besides the beginning section where company information is presented. **Table 3** provides a summary of each of the sixteen sections.

3.2. Results and Findings

Table 4 addresses the motivations for country choice by asking "How important were the following factors in your decision to choose the country as a location for investment?" For this study a new question; "to have the advantage of being the first to enter the market" was added to the questionnaire form. The survey and results follow:

Choosing the magnitude of the average as the criterion, the most important factor in determining the choices of country is the "Advantage of being the first to enter the market" with an average score of 4.743. Other important

determinant factors are, "Purchasing power of customers" (3.718) in second position "Level of competition in Industry" third (3.717), "Growth rate of the country" (3.715) fourth, "Size of the Market" fifth (3.463.), "Possibility of obtaining low cost inputs" sixth (3.438), "Easy access to markets of neighboring countries" seventh (3.374), and "Return of the Profit to the country of origin" (3.313), in the eighth position. Market motivation is consistent with the Bitzenis [30] (2007) findings.

According to the analyses conducted with the secondary data (population, national income level, population size of the Turkish minority, and national income per capita of the country) it can be seen in **Table 5** that there is no correlation between the level of investment provided by the Turkish firms and the population, national income level, population size of the Turkish minority, and national income per capita of the country. Similar to the foreign investments by China, Turkish firms invest more in countries where there are Turkish or Turkic minorities in the framework of cultural similarity. [31] The study by Buckley *et al.*, [31] provides the data and analysis related to China.

The Kaiser-Meyer-Olkin measure of sampling adequacy tests whether the partial correlations among variables are small. Bartlett's test of sphericity tests whether the correlation matrix is an identity matrix, which would indicate that the factor model is inappropriate. The next item from the output is the Kaiser-Meyer-Olkin (KMO) and Bartlett's test. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Looking at **Table 5**, the KMO measure is 0.605. From the same table, we can see that the Bartlett's test of sphericity is significant. That is, its associated probability is less than 0.05. In fact, it is actually 0.000. This means that the correlation matrix is not an identity matrix.

3.2.1. Distribution of the Determinants in the Seven Countries

Our analysis showed that 64 of the 107 firms were

Table 1. Countries and companies used in the study.

Countries	Number of Companies	Small size and Construction Companies	Number of Target Companies	Number of responding Companies	Number of non-responding Companies	Total Exported Capital (€)
Türkmenistan	25	16	9	6	3	57551.386
Russia	128	105	23	22	1	188990.715
Romania	166	136	30	27	3	151281.240
Uzbekistan	79	60	19	17	2	37765.125
Kyrgyzstan	17	6	11	10	1	24148.093
Kazakhstan	100	85	15	11	4	444157.768
Bulgaria	56	36	20	14	6	69227.331
Total	571	444	127	107	20	973121658

Resource: (€) <http://www.hazine.gov.tr> (Undersecretariat of Treasury statistics (2005)).

Table 2. Distribution of the industry sectors used in the study.

Industry	A	B	C	D	E	F	G	H	I	K	L	M	N	Total
Total	3	6	25	16	14	3	22	1	9	7	6	2	15	129

A: Auto, transport; B: Electronics and electrical machinery; C: Food/Drink Manufacturing; D: Textile, apparel and leather; E: Computer and software; F: Metal, iron and steel; G: Other manufacturing; H-Export-import trading; I: Tourism, K: Financial services; L: Architecture, construction services; M: Transport; N: Other services.

our analysis showed that 64 of the 107 firms were “market seeking” and 43 were “resource seeking”. **Table 6** shows how many firms in each of the countries included in our study was “resource seeking” and how many were “market seeking”. It is interesting to note that all of the firms investing in Turkmenistan were “resource seeking” and 21 out of the 22 firms investing in Russia were “market seeking” and 9 out of the 11 firms investing in Kazakhstan were also “market seeking”. The number of “resource seeking” and “market seeking” firms in the other four countries does not seem to be significantly different. **Table 6** shows the results of the chi-square test where Turkmenistan and Kyrgyzstan are combined in the first phase. In the second phase Romania and Kazakhstan are combined and the hypothesis of H_0 : Row and Columns are independent is tested with 5 degrees of freedom in the first phase and 4 degrees of freedom in the second phase. In both phases, this hypothesis could not be rejected.

Table 3. Summary of the survey form.

Section	Questions' coverage
1	Company's major activity and relations with the other sectors
2	Company's entry strategy
3	Factors that affect the entry strategy
4	Motivation factors
5	Company's perceptions of its strengths
6	Performance expectations related to various criteria and their satisfaction level
7	Overall performance of investments
8	The performance of the company's investments compared to home country operations
9	Performance compared to the competitors in the country of investment
10	Managerial control over the investment
11	Management problems areas and their frequency
12	Similarity of cultures between the host country and company
13	Percentage of the products purchased from the main company
14	Percentage of the products purchased from the investment company
15	The existence of the relationship with the host country before the investment and the form of existing relationship
16	The factors and how much they are considered during the investment period

Table 4. Host country factors for wholly owned subsidiary (WOS) formation. How important were the following factors in your decision to choose the Country as a location for the WOS or JV? (1 = of no importance, 5 = of major importance).

Question	Factor	Average
1	Market size	3.463
2	Growth rate of the country's economy	3.715
3	Political stability in the country	2.654
4	Economic stability in the country	2.673
5	Infrastructure development level in the country	2.654
6	Possibility of obtaining qualified local labor	2.415
7	Foreign investment policy of the government	3.000
8	Possibility of obtaining subventions	2.075
9	Cost of international transportation and communication	2.687
10	Return of profit to the country of origin	3.313
11	Possibility of obtaining qualified inputs	2.396
12	Possibility of obtaining low cost inputs	3.438
13	Tax advantages	3.986
14	Geographical proximity	2.692
15	Level of trade unionism	1.358
16	Purchasing power of customers	3.718
17	Level of competition in industry	3.717
18	Easy access to markets in neighboring countries	3.374
19	Advantage of being the first to enter the market	4.743

Table 5. Explanatory factor analysis. (a) Turkish investment amounts and average per capita income, population, the ratio of the Turkish Minority and the relation between magnitude of the national income.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.*	0.605
Bartlett's Test of Sphericity**	Approx. Chi-Square
	Df
	Sig.
	472,612
	120
	0.000

*Based on correlations; Rotated Component Matrix.

	Component				
	1	2	3	4	5
Economic Stability	0.892	0.046	0.129	-0.029	0.155
Political Stability	0.889	0.059	0.113	-0.095	0.149
Repatriability of Profit	0.414	0.156	-0.055	0.280	-0.239
Access to other markets	0.196	0.839	-0.010	0.189	-0.154
Availability of low cost inputs	-0.092	0.734	0.043	-0.040	0.283
Availability of qualified inputs	0.144	0.578	-0.012	0.189	0.468
Market size	0.071	0.045	0.882	-0.125	0.005
Purchasing power of customers	-0.084	-0.167	0.790	0.021	-0.072
Growth rate of economy	0.388	0.170	0.590	0.135	-0.053
Degree of unionization	0.180	0.230	0.320	0.147	0.126
Geographical proximity	-0.361	-0.011	0.072	0.814	-0.128
International Transport and communication cost	0.108	0.114	-0.061	0.792	0.018
Level of Infrastructure	0.241	0.344	0.164	0.457	0.142
Tax advantages	0.157	0.309	-0.087	0.219	0.729
Level of industry competition	-0.200	-0.299	0.304	-0.295	0.494
<i>First enter to the market</i>	0.036	0.032	-0.018	-0.045	0.261

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a Rotation converged in 8 iterations.

(a)

	Population	Per capita income	National income	Turkish Investment	Total Investment	Turkish minority
Population						
Pearson Correlation	1	0.541	0.989**	0.170	-0.203	-0.591
Sig. (2-tailed)		0.210	0.000	0.716	0.662	0.217
N	7	7	7	7	7	6
Per Capita income						
Pearson Correlation	0.541	1	0.616	0.477	0.595	-0.845*
Sig. (2-tailed)	0.210		0.141	0.279	0.159	0.034
N	7	7	7	7	7	6
National income						
Pearson Correlation	0.989**	0.616	1	0.206	-0.130	-0.645
Sig. (2-tailed)	0.000	0.141		0.657	0.781	0.167
N	7	7	7	7	7	6
Turkish Investment						
Pearson Correlation	0.170	0.477	0.206	1	0.104	-0.183
Sig. (2-tailed)	0.716	0.279	0.657		0.825	0.729
N	7	7	7	7	7	6
Total investment						
Pearson Correlation	-0.203	0.595	-0.130	0.104	1	-0.668
Sig. (2-tailed)	0.662	0.159	0.781	0.825		0.147
N	7	7	7	7	7	6
Turkish minority						
Pearson Correlation	-0.591	-0.845*	-0.645	-0.183	-0.668	1
Sig. (2-tailed)	0.217	0.034	0.167	0.729	0.147	
N	6	6	6	6	6	6

The data used for the analysis of the secondary data was obtained from the related country's statistics (World Investment Report, United Nations Statistics and the Undersecretariat of Treasure Statistics 2005).

Table 6. Firms distribution according to investing reasons.

	COUNTRIES							Total
	Turkmenistan	Bulgaria	Kýrgyzstan	Kazakhstan	Romania	Uzbekistan	Russia	
Resource Seeking	6	7	6	2	11	10	1	43
Market Seeking	0	7	4	9	16	7	21	64
Total	6	14	10	11	27	17	22	107

3.2.2. Results of the Factor Analysis Based on the Identified Criteria

When explanatory factor analysis is applied to the nineteen criteria of investment determinants, the results are distributed under 5 factors as shown in **Table 7**. The main reason to apply the factor analysis techniques is 1) to reduce the number of variables and 2) to detect structure in the relationships between the variables (to classify them to the most appropriate category).

The criteria “Possibility of obtaining qualified local labor” in question 6, “Foreign investment policy of the government” in question 7, and “Possibility of obtaining subventions” in question 8 were removed from the differentiating list since they were associated with more than one factor. The first factor consists of criteria that constitute the risk factor: “Economic stability in the country” in question 4, “Political stability in the country” in question 3, “Return of the profit to the country of origin” in question 10. The second factor consists of criteria that constitute the resource factor: “Easy access to markets of neighboring countries” in question 18, “Possibil-

ity of obtaining low cost inputs” in question 12, “Possibility of obtaining qualified inputs” in question 11. The third factor consists of criteria that constitute the market factor: “Size of the market” in question 1, “Purchasing power of the customer” in question 16, “Growth rate of the country’s economy” in question 2, “Level of trade unionism” in question 15. The fourth factor consists of criteria that constitute the logistics factor: “Geographical proximity” in question 14, “Costs of international transportation and communication” in question 9, “Level of development of infrastructure in the country” in question 5. The fifth factor consists of the criteria that constitute the competition factor: “Tax advantages” in question 13, “Level of competition in industry” in question 17, and the “Advantage of being the first to enter the market” in question 19.

3.2.3. Differences between the Groups in Terms of the Market and Resource Factors

Among the investment motives of the Turkish firms, it is possible to find two of the three motives that Dunning

Table 7. Rotated component matrix.

	Component				
	1	2	3	4	5
Economic Stability	0.892	0.046	0.129	-0.029	0.155
Political Stability	0.889	0.059	0.113	-0.095	0.149
Repatriability of Profit	0.414	0.156	-0.055	0.280	-0.239
Access to other markets	0.196	0.839	-0.010	0.189	-0.154
Availability of low cost inputs	-0.092	0.734	0.043	-0.040	0.283
Availability of qualified inputs	0.144	0.578	-0.012	0.189	0.468
Market size	0.071	0.045	0.882	-0.125	0.005
Purchasing power of customers	-0.084	-0.167	0.790	0.021	-0.072
Growth rate of economy	0.388	0.170	0.590	0.135	-0.053
Degree of unionization	0.180	0.230	0.320	0.147	0.126
Geographical proximity	-0.361	-0.011	0.072	0.814	-0.128
International Transport and communication cost	0.108	0.114	-0.061	0.792	0.018
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Tax advantages	0.157	0.309	-0.087	0.219	0.729
Level of industry competition	-0.200	-0.299	0.304	-0.295	0.494
First enter to the market	0.036	0.032	-0.018	-0.045	0.261

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. ^aRotation converged in 8 iterations.

used in his eclectic approach: investing to seek markets and resources. The two groupings have been used since the companies in this region do not have the opportunity to engage in international growth [32] in order to seek strategic resources and markets.

The firms investing to seek markets were distinguished according to factor analysis, from those investing to seek resources. Their distribution throughout the countries in the study is presented in **Table 6**. Although the size of the market is a determinant in all studies [33] for a considerable number of the Turkish firms (33%) it is an unimportant factor in their decisions. The size of the domestic market for international borning Turkish firms is seen as an important determinant with a 90% reliability level as shown in **Table 8**.

3.2.4. Analysis of the Advantages of Ownership and Location

For all the countries in the study, the potential motivations were measured based on the results from the fourth section of the questionnaire by the fields of benefiting from economies of scale, better resource and capacity use, qualified and privileged access to inputs, presence in new markets, opportunity for rapid entry into markets, investment profitability, harmony with Turkish government policy, cost of contracting and implementation, avoiding the risk of misusing production information, ensuring sufficient quality control, insufficient legislation on patent and license rights, inability to make technology transfers through licensing and patents, and in agencies and licensing. The “gain presence in new markets” by a score of 4.79 out of 5, “opportunity for rapid

entry into markets” by a score of 4.25, and “investment profitability” by a score of 3.97 are the important factors and the others scoring below an average of 2.5 are the non-significant factors.

International experience, brand and product image, practicing level of technology and managerial information, experience in markets of the chosen country, quality of staff improvement program, staff quality and product differentiation and development skills were measured (based on the results from the fifth section of the questionnaire) as the starting advantages (Ownership) of the firms. It was observed that the founders of the firms, which were born in the country invested in, had international experience by a rate of 2.45/5, practicing level of technology and managerial information by 2.75/5, and the quality of staff improvement program by 2.55/5, whereas they do not possess any of the other starting advantages. The starting advantages for the firms, which originated in Turkey, are above the average of 4.5/5, thus, they fulfill the conditions of traditionally internationalized firms [6,10,19,34].

No statistically significant difference was found between the averages except for product differentiation and development skills, when the starting advantages of those investing for market and those for export were compared in terms of Turkish investments. It could be seen that those investing for the market possess product differentiation and development skills, whereas those investing to export their existing products do not possess a high degree of these skills as presented in **Table 9**. When the same comparison is made for the direct investments by Turkish owned firms, **Table 10** shows that

Table 8. The relationship between the birthplace of the firms and the reasons of expatriation.

		QUESTION 2d		Total	
		Founded in Turkey	Founded Abroad		
Resource Seek	0.00	Count	12	31	43
		Expected Count	16.5	26.5	43.0
Market Seek	1.00	Count	29	35	64
		Expected Count	24.5	39.5	64.0
Total		Count	41	66	107
		Expected Count	41.0	66.0	107.0

Chi-Square Tests.

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3297	1	.069		
Continuity Correction	2601	1	.107		
Likelihood Ratio	3360	1	.067		
Fisher’s Exact Test				.104	.053
Linear-by-Linear Association	3266	1	.071		
N of Valid Cases	107				

^aComputed only for a 2 × 2 table; ^b0 cells (.0%) have expected count less than 5. The minimum expected count is 16.48.

Table 9. The relationship between the reasons of expatriation and the starting advantages (for all firms).

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
International experience of company	Equal variances assumed	0.033	0.857	-1.096	95	0.276	-0.399	0.3638
	Equal variances not assumed			-1.101	77.501	0.274	-0.399	0.3621
Trade Mark and Brand Image	Equal variances assumed	0.074	0.786	-0.100	95	0.921	-0.039	0.3889
	Equal variances not assumed			-0.100	76.255	0.921	-0.039	0.3891
Technological and managerial know-how	Equal variances assumed	4.232	0.042	-0.402	94	0.688	-0.137	0.3403
	Equal variances not assumed			-0.419	86.400	0.676	-0.137	0.3266
Experience of foreign market	Equal variances assumed	0.004	0.950	-1.404	95	0.164	-0.498	0.3550
	Equal variances not assumed			-1.396	75.026	0.167	-0.498	0.3570
Quality of training programs	Equal variances assumed	0.286	0.594	-0.720	94	0.473	-0.234	0.3253
	Equal variances not assumed			-0.717	75.496	0.476	-0.234	0.3268
Quality of personnel	Equal variances assumed	1.431	0.235	-1.304	92	0.195	-0.473	0.3625
	Equal variances not assumed			-1.285	70.798	0.203	-0.473	0.3679
Ability to develop differentiated	Equal variances assumed	3.327	0.071	-2.898	94	0.005	-0.967	0.3335
	Equal variances not assumed			-2.991	84.231	0.004	-0.967	0.3232

there is a significant difference between the averages of those firms that possess a high degree of technology and high managerial information practicing level (with p-value 0.018), experience in foreign country markets (with p-value 0.015), staff quality (probability of type I error 0.048) and product differentiation and development skills (probability of type I error 0.001) went to invest in those countries for the market. The propensity to make use of these advantages is observed in the investments of the Turkish firms which invested to search for markets. The variables shown in **Table 9** are based on the fifth section of the questionnaire.

3.2.5. Analysis of Findings on Risk Taking

The risk-taking behavior of traditionally internationalized firms is explained by a correlation with the amount of expected inputs [33,35]. Buckley *et al.*, [31] verified that the phenomenon of highly risk-laden direct capital investments ventured by China is also true for the foreign

investments by Turkish firms. All of the Turkish firms, except for one operating in Uzbekistan, work at high performance as measured in the seventh section of the questionnaire. It is seen that they have made their investments without considering the risk aspect [36] which verifies the findings of previous studies. No correlation has been found between (United Nations Conference on Trade and Development's (UNCTAD) data on the total investment countries receive and the data of the Undersecretariat of Treasury of the Turkish Republic. The same is true for risk factor data and COFACE (Country Risk Rating) risk index data. The results are shown in **Table 11**. Political stability was measured on a 1 - 5 likert scale based on the responses to questions three in the third section of the questionnaire.

Based on these results, there is no difference in the importance between those that responded negatively and positively to the criterion of implementation cost of contracts. Those who claimed that it was unimportant ex-

Table 10. The relationship between the reasons of expatriation and the starting advantages (for the firms located in Turkey).

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	T	df	Sig. 2-tailed	Mean Difference	Std. Error Difference
International experience of company	Equal variances assumed	0.203	0.655	-1.557	39	0.127	-0.749	0.4807
	Equal variances not assumed			-1.513	19.393	0.146	-0.749	0.4947
Trade mark and Brand image	Equal variances assumed	0.907	0.347	-1.010	39	0.319	-0.428	0.4239
	Equal variances not assumed			-0.943	17.946	0.358	-0.428	0.4538
Technological and managerial know-how	Equal variances assumed	0.799	0.377	-2.482	38	0.018	-0.631	0.2542
	Equal variances not assumed			-2.189	16.276	0.043	-0.631	0.2882
Experience of foreign market	Equal variances assumed	1.577	0.217	-2.558	39	0.015	-1.374	0.5369
	Equal variances not assumed			-2.365	17.600	0.030	-1.374	0.5809
Quality of training programs	Equal variances assumed	0.766	0.387	-0.763	38	0.450	-0.196	0.2575
	Equal variances not assumed			-0.731	19.066	0.474	-0.196	0.2686
Quality of personnel	Equal variances assumed	3.336	0.076	-2.045	37	0.048	-0.630	0.3078
	Equal variances not assumed			-1.625	13.761	0.127	-0.630	0.3875
Ability to develop differentiated products	Equal variances assumed	4.163	0.048	-3.695	38	0.001	-1.417	0.3834
	Equal variances not assumed			-3.187	15.668	0.006	-1.417	0.4445

pressed that they accepted the risk in order to achieve the required outcome, whereas those that regarded it as

highly important said that this factor ensures a non-competitive environment and so this aspect was very

Table 11. Turkish firms and their relationship with the risk dimension of all investments.

	Total Investment	Turkish Investment	Political Stability	Confidence Index
Total Investment Pearson Correlation	1	0.104	-0.577	-0.241
Sig. (2-tailed)		0.825	0.175	0.603
N	7	7	7	7
Turkish Investment Pearson Correlation	0.104	1	0.584	0.143
Sig. (2-tailed)	0.825		0.169	0.760
N	7	7	7	7
Political Stability Pearson Correlation	-0.577	0.584	1	0.246
Sig. (2-tailed)	0.175	0.169		0.595
N	7	7		7
Confidant. Index Pearson Correlation	-0.241	0.143	0.246	1
Sig. (2-tailed)	0.603	0.760	0.595	
N	7	7	7	7

Total Investment Amounts: UNCTAD, Turkish Investment Amounts: Treasure, Political Stability 3.3 Political Stability Standard and Trust Index: COFACE. H_0 : "question 2d and question 48 are independent from each other". It is rejected at the .05 level of significance.

important in order to sustain the same environment.

None of the Turkish firms surveyed stated that they invested in order to seek strategic resources, and they pointed out that the material conditions in the region were not optimal for investing with such an objective. Furthermore, it is observed that some of these companies established in Turkey aim to benefit from the ownership advantages of OLI when the analyses are conducted on the basis of different investing strategies.

4. Conclusions

The purpose of this research was to add to the body of literature in the identification of FDI investments strategies in Turkic countries and to assess the differences from traditional FDI strategy research in developed versus less developed countries.

This research studied the highly risk-laden direct investments of Turkish firms under two sub-groups. International borning firms are established and operate on determinants not explained by existing theories of direct foreign capital investment. The actions of these companies are only partially related to location choice factors.

The choice of markets which are not considered from developed and developing countries due to high cost of contracts is an exceptional situation peculiar to the seven countries which are the focus of this current research. The studies on Foreign Direct Investments examine the investments from companies and analyze them. In this study 42 of the companies are established in Turkey, whereas 65 of them were first established in Turkey

showing that 61% of the companies were first established abroad.

There is a dual structure evident in the direct investments of the Turkish firms in this study. Sixty-four firms invest in order to be the first to enter the market and to operate in a non-competitive environment. Those firms that invested for the market and that possess considerable starting ownership advantages attach importance to cheap and qualified inputs as well as to the size of the market and the purchasing power of the customer. Those companies that invested in order to enter into production in the investment target countries and to export these goods to other countries possess less starting ownership advantages as compared to those investing for the market. Companies setting up production units prefer these countries because of cheap and quality inputs, low business taxes and subvention advantages. Attaching no importance to the domestic market, these firms create a positive externality in the countries in which they invest by supporting the development of industry and exports.

This research indicates that strategic motivations for FDI in Turkic countries are consistent with FDI investment published on developed and developing countries. However in all studies no assessment of the historical origin of the Turkish culture was assessed as to its impact on Turkish investing in Turkics and the correlation with potential historical cultural implications. This information may have reduced the perception of risk due to administrative heritage. A limitation of this study was the nature of the firms surveyed. Further research should yield additional factor information based on subsets of

the borning firms related to such issues as entrepreneurial behavior and origins, historic cultural influences as related to risk taking. Due to the rapidly evolving economies of these countries, relevance to development stages could constitute longitudinal studies in better understanding the factor influencers as countries go through different stages of development.

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