

ANALYZING ACTIVITIES OF MULTINATIONAL ENTERPRISES THROUGH
FOREIGN DIRECT INVESTMENT PATTERNS:
A VALUE CHAIN BASED PERSPECTIVE

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Thesis Abstract

Pınar Büyükbacı, “Analyzing Activities of Multinational Enterprises through Foreign Direct Investment Patterns: A Value Chain Based Perspective”

Main aim of this study is to analyze foreign direct investment patterns of multinational enterprises in Turkey by attempting to understand their relation with type of competitive advantage pursued by the firm and firm performance. Value chain framework has been used in the study while classifying foreign direct investments as “upstream” and “downstream”, and also certain dynamics as degree of coordination/integration in the corporate network, degree of subsidiary autonomy, and certain environmental factors like degree of across density and within density in the MNE network have been taken into account while developing research hypotheses. The research model and related hypotheses are tested using data from 95 multinational enterprises all of which are International Investors Association of Turkey (YASED) members.

The results indicate that, while the mediating role of differentiation based competitive advantage prevails in the relationship between all types of investments and firm performance, this role is valid for cost leadership based competitive advantage only in terms of export performance. Furthermore, the results point out the significant role of within density for firms in creating both types of competitive advantages. Also, it is found that, degree of global coordination/integration in the MNE network is negatively related to degree of subsidiary autonomy.

Tez Özeti

Pınar Büyükbalcı, “Çok Uluslu İşletmelerin Faaliyetlerinin Doğrudan Yabancı Yatırım Hareketleri Yoluyla İncelenmesi: Değer Zinciri Temelli Bir Yaklaşım”

Bu çalışmanın amacı, Türkiye’deki çok uluslu işletmelerin doğrudan yabancı yatırım hareketlerini, izledikleri rekabet avantajı ve firma performansı ile ilişkili olarak analiz etmektir. Araştırma hipotezleri geliştirilirken, doğrudan yabancı yatırımların, “yukarıya dönük” ve “aşağıya dönük” olarak sınıflandırılmasında değer zinciri yaklaşımı ele alınmış, bunun yanında, işletme ağındaki koordinasyon / bütünleşme düzeyi, işletme ağındaki çapraz ve içsel yoğunluk ve şube özerkliği dinamikleri de göz önünde bulundurulmuştur. Araştırma modeli ve ilgili hipotezler, Yabancı Sermaye Derneği (YASED) üyesi olan 95 çok uluslu işletmeden elde edilen veriler yoluyla test edilmiştir.

Sonuçlar, farklılaştırma temelli rekabet avantajının, tüm yatırım tipleri ile firma performansı arasındaki ilişkide önemli bir rol oynadığını gösterirken, maliyet liderliği temelli rekabet avantajının, yalnızca yapılan doğrudan yabancı yatırımlar ile ihracat performansı bağlamında önemli bir rolü olduğunu göstermektedir. Bunun dışında, sonuçlar, içsel yoğunluk düzeyinin her iki türdeki rekabet avantajı üzerinde de önemli bir etkisi olduğuna işaret etmektedir. Ayrıca, işletme ağındaki koordinasyon / bütünleşme düzeyi ile şube özerkliği arasında negatif bir ilişki olduğu ortaya konmuştur.

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CONTENTS

CHAPTER 1. INTRODUCTION.....	1
CHAPTER 2. LITERATURE REVIEW.....	4
Concept of Foreign Direct Investment.....	4
Theory of Multinational Enterprise and Related Issues.....	6
Porter’s Generic Strategies and Their Relation to Value Chain Framework in International Business Literature.....	19
CHAPTER 3. RESEARCH DESIGN AND METHODOLOGY.....	25
Research Objectives.....	25
The Qualitative Study.....	26
The Conceptual Model and Development of Research Hypotheses.....	31
Operationalization of Variables.....	42
Data Collection Method.....	46
Sampling Procedure.....	48
CHAPTER 4. DATA ANALYSIS AND FINDINGS OF THE STUDY.....	53
Testing the Assumptions of Multivariate Analysis for Metric Variables.....	53
Reliabilities of Scales and Exploratory Factor Analysis for Scale Purification.....	58
Summary Statistics of Study Variables.....	68
Hypothesis Testing.....	71
CHAPTER 5. DISCUSSION AND CONCLUSION.....	108
Summary and Discussion of Findings.....	108
Limitations and Suggestions for Future Research.....	120
Conclusions and Implications.....	122
APPENDICES.....	124
Appendix A. Qualitative Study Interview Questions for Experts.....	124
Appendix B. Qualitative Study Interview Questions for Managers.....	126
Appendix C. Notes Taken During Interviews.....	128
Appendix D. Final Version of the Questionnaire (in Turkish).....	137
Appendix E. Final Version of the Questionnaire (in English).....	148
Appendix F. Reliability Values of the Study Variables.....	157
Appendix G. Summary Statistics of Items in Each Variable.....	160
REFERENCES.....	163

FIGURES

1. Types of international strategy	16
2. Integration - responsiveness grid	17
3. Porter's generic strategies	20
4. Porter's value chain	23
5. Research model	34
6. Expanded research model	67

TABLES

1. Affiliate Competence and Affiliate Initiative	11
2. Final Categorization of Content Analysis	29
3. Research Hypotheses	41
4. Items Measuring Degree of Global Integration	43
5. Items Measuring Across Density	43
6. Items Measuring Within Density	44
7. Items Measuring Degree of Autonomy	44
8. Items Measuring Competitiveness	45
9. Items Measuring Firm Performance	46
10. Industry Classification	47
11. Industry Type and Firm Size Distribution of the Sample	50
12. Distributional Characteristics and Testing for Normality	55
13. Results of Homoscedasticity Tests	56
14. Factor Analysis Results for Degree of Global Coordination/Integration.....	61
15. Factor Analysis Results for Degree of Autonomy	62
16. Factor Analysis Results for Within Density	62
17. Factor Analysis Results for Differentiation Based Competitive Advantage..	63
18. Factor Analysis Results for Cost Based Competitive Advantage	64
19. Factor Analysis Results for Firm Performance	65
20. Reliability Values of Scales Measuring All Dimensions	66
21. Summary Statistics of Study Variables	68
22. Intercorrelations among the Variables Studied	70
23. Regression Results for Upstream FDI and Direct Cost Based CA	78
24. Regression Results for Upstream FDI and Indirect Cost Based CA	79
25. Regression Results for Downstream FDI and Direct Cost Based CA	81
26. Regression Results for Downstream FDI and Indirect Cost Based CA	82
27. Regression Results for Upstream FDI and Image and Operations Differentiation Based Competitive Advantage.....	85
28. Regression Results for Upstream FDI and Product and Service Differentiation Based Competitive Advantage.....	86
29. Regression Results for Downstream FDI and Image and Operations Differentiation Based Competitive Advantage.....	89
30. Regression Results for Downstream FDI and Product and Service Differentiation Based Competitive Advantage.....	90
31. Regression Results for Upstream FDI and Financial Firm Performance	92
32. Regression Results for Downstream FDI and Financial Firm Performance	94
33. Regression Results for Upstream FDI and Strategic Firm Performance	96
34. Regression Results for Downstream FDI and Strategic Firm Performance...	98
35. Regression Results for Upstream FDI and Export Performance	101
36. Regression Results for Downstream FDI and Export Performance	102
37. Summary of Hypotheses Testing	106

CHAPTER 1

INTRODUCTION

Activities of multinational enterprises (MNEs) have been an issue of interest in international business literature since forces of globalization started to shape market conditions. Rapid economic growth of Japan was followed by newly industrialized countries (NICs) since 1970s, and international transactions boomed as a result of the dominance of a more liberal trade environment all over the world (Flaherty, 1996). Under these changing market conditions, the antecedents and outcomes of the activities carried out by MNEs are changing drastically as well; and in this change process, MNEs strongly affect and, in turn, are being affected by the strength of certain global forces. Even the small businesses cannot be thought to be immune from the impact of these global forces as they are obliged to share common customers and resources with their giant counterparts (Kanter, 1997).

According to widely accepted international reports like that of OECD and UNCTAD, tracking “Foreign Direct Investment” (FDI) flows is the best way to follow and capture the essence of activities performed by MNEs. In literature, definition of MNE emphasizes making a substantial amount of direct investment in foreign countries, not just performing trading relationships of export and import (Bartlett et al., 2008). More specifically, FDI is “a financial process associated with companies operating and controlling income-generating facilities in at least one country outside their country of origin”; while an MNE is “a tangible entity that in

some way will impact a home country, which is where its headquarters is located, and one or more host countries, the recipient(s) of incoming FDI” (Cohen, 2007; p.36). Moving from this definition on, analyzing the activities and strategies of MNEs will require a deep analysis of direct investment structure of those companies, along with other variables.

However, using a systemic framework is an obligation to trace these flows to be able to accurately interpret them. At this point, strategic management literature integrates harmonically with international business literature and provides the tools that are needed to uncover the reasoning behind certain strategies of MNEs.

Strategic decisions of a firm competing in the global marketplace is very complex due to interdependent nature of decisions regarding global operations consisting of multiple products, different country environments, resource sourcing options, corporate and subsidiary capabilities, and strategic options (Pearce & Robinson, 2003). To effectively manage this complex decision process, MNEs should carefully analyze its strategic inputs as they provide the foundation for its strategic actions that will help them to achieve competitiveness and above-average returns (Hitt et al., 2005).

In compliance with these, this study attempts to integrate foreign direct investment patterns of MNEs in Turkey with Porter’s (1998) “Value Chain” framework and generic strategies of cost and differentiation. It also attempts to clarify this relationship by putting it into a framework consisting of moderating variables regarding the relationship between subsidiary and MNE headquarter, the network structure of MNEs in terms of degree of global coordination/integration and “across density” and “within density” concepts of Ghoshal and Bartlett (1990). Throughout the study, Strategic Approach, which attempts to analyze organizational

dynamics in large multinationals which have already undertaken internationalization process on multiple occasions (Galan et al., 1999) has been adopted. Within this approach, organizational structure also plays an important role; thus Network View of the multinational enterprise has been highly referred to throughout the research conducted.

Moving from these points on, this dissertation is structured as follows: The following chapter introduces a theoretical framework by presenting a literature review on research constructs. The third chapter outlines research design and methodology, by putting forth research objectives, the qualitative study, and the conceptual model along with operationalization of variables, data collection method and sampling procedure. Following, the fifth chapter presents data analysis and findings of the study; and, the final section draws conclusions from these findings as well as presenting certain research limitations and future research veins.

CHAPTER 2

LITERATURE REVIEW

Literature review aims to shed light on main constructs employed in the model that will be researched in further parts. These issues include; concept of foreign direct investment, multinational enterprises and dynamics related to their competitiveness, headquarter - subsidiary relationship within MNE network structure, major international strategies employed by MNEs, Porter's value chain and its relation to generic strategies in international business environment.

Concept of Foreign Direct Investment

Direct investments made by foreign firms in host countries have been considered to be important anchors of international business activities especially in the last few decades. While a century ago economic transactions were largely conducted between independent buyers and sellers, today, a large amount of non-agricultural trade in goods, and a large amount of cross-border capital and technology flows are undertaken by and within the same company or groups of related companies (Dunning, 2002). Proportionately with the intensity of these flows, firms transfer their resources to different regions of the world to benefit from the variety of opportunities existing in the global marketplace; and foreign direct investment (FDI), represents the ultimate point of penetration to foreign markets. In other words, the

territorial expansion of a firm's production outside its national boundaries has been achieved by extending itself through making foreign direct investments (Dunning & Lundan, 2008; Wilkins, 2003). Therefore, foreign direct investment data are regarded as one of the most relevant indicators of multinational enterprise activity by scholars (Robock & Simmonds; 1989).

In a recent OECD report, FDI has been defined with the following words (Christiansen et al., 2007):

Foreign direct investment (FDI) reflects the objective of obtaining a lasting interest by a resident entity in one economy (direct investor) in an entity resident in an economy other than that of the investor (direct investment enterprise) (p. 20).

The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise.

For a company, there are two ways of making FDI. The first one is through making a "greenfield investment", which means the creation of a local production facility by setting up a new facility that fully complies with the corporate's structural needs in the host country, while the second one is through a "merger or acquisition", which means taking over an existing facility and thus presenting the benefit of strengthening the existing ownership advantages by combining them with the assets of the foreign entity (Morsink, 1998). Whatever the type of FDI is, recently, many countries are competing to attract FDI by providing certain incentives for investing companies, making attempts to develop human resources, maintaining a higher degree of liberalization, and trying to set the right balance between restrictive policies comprising tight reins over the economic and industrial power of foreign investors and enlightened control (Spar, 2003; Sagafi-Nejad, 1998).

Finally, it should be noted that, in studies on FDI, interpreting only the statistical figures is not enough to evaluate the nature, amount and type of FDI made by a company. In international business literature, it is a widely accepted criterion that a company is expected to have value-added facilities in more than two countries, before being classified as a multinational (Cohen, 2007). Thus, studying the role of FDI in relation with value creating activities of a firm is highly desired in literature.

Theory of Multinational Enterprise and Related Issues

Transaction Cost Theory and Internalization Advantage

Transaction cost theory (TCT) sees the transaction as the basic unit of analysis and points out that understanding how to economize the costs of these transactions is central to the study of organizations (Williamson, 1981). The theory identifies certain characteristics of transactions which create problems and difficulties and accordingly argues that transaction costs can be minimized when the costs of negotiating, monitoring and enforcing transactions are economized by use of an appropriate governance mechanism (Roberts & Greenwood, 1997).

According to the theory, transaction costs stemming from the relationships between the organization and its environment are of primary importance in determining organizational characteristics (Williams, 2000). With this premise, the theory becomes a prominent approach to evaluate the costs that occur as a result of MNEs' expansion abroad as such an expansion necessitates a governance mechanism to effectively organize the interdependencies emerging between agents located in different countries each of which constitute a different environment with new actors.

As a structural governance mechanism, MNE should be the most efficient way to minimize the costs incurred between these actors and the MNE itself – costs involving transfer of know-how, raw materials, components, marketing and distribution services and financial capital. In other words, these costs should be lower than the benefits gained through a multinational structure (Hennart, 2003). To maintain such a structure, a comparison of the relative costs of negotiating, monitoring and enforcing contracts, and carrying out the transactions internally versus externally is of critical importance (Wiersema & Bowen, 2008).

As can be understood from the above explanation, the notion underlying TCT is largely reflected in the internalization advantage of MNE which proposes that costs of individual transactions appear to be the main reason of internalization of intermediate product markets. Therefore, as a result of internalization advantage, MNE emerges as a governance structure for global operations to manage dynamic coordination of costs and benefits arising from the access to cross-border assets and learning capabilities (Dunning, 2000a).

Resource Dependence Theory and Ownership Advantage

Resource Dependence Theory (RDT) argues that the goal of an organization is to minimize its dependence on other organizations for the supply of scarce resources in its environment and to find ways of influencing them to make resources available (Jones, 2004). In this sense, RDT examines the process used by managers to assess the environment, devise strategic responses, and restructure the organization to reduce or eliminate resource vulnerability. Thus, organizations act proactively to

manage resource dependence and, in the process, they can shape and alter the environment in which they operate (Jaffee, 2001).

In terms of international expansion, RDT posits that the opportunity to leverage the firm's excess resources into new markets is the basis and motive for corporate strategic choice (Wiersema & Bowen, 2008). Parallel to this notion, Dunning (2002) emphasizes ownership advantages obtained by a multinational enterprise as the means to manage critical resources. Especially, two aspects caused by this advantage are directly related to resource-based view. The first one is about a preferential access to a particular input or market. Here, the firm has the option of leasing the rights obtained by this input or market to other local or foreign firms. Second one regards the possession of a unique intangible asset like a patent or a trade mark, which is often the output of the firm's own research and development activities or the accumulation of managerial expertise, and is transferred to other firms through a technical service agreement, managerial contract and the like.

To sum up, RDT integrates with MNE theory in that, it highlights the importance of unique resources and the dynamics of resource accumulation along with certain ownership advantages that a firm acquires to create these particular resources and competences (Dunning & Lundan, 2008).

Location Specific Advantage and Related Theories

Dunning (2000b) puts forth the role of several theories that supports the importance of location specific advantages for the MNE. These theories mostly focus on demand and supply oriented variables, economies of scale and scope, existence of complementary assets and certain government induced incentives, oligopolistic

behavior and exchange rate. All these diverse theories are also supported by general theories of resource dependence and transaction cost in certain aspects, as they attempt to facilitate cost reduction through gaining access to certain regions, providing economies of scale and scope, and benefiting from advantageous exchange rates, while providing competitive advantage in terms of gaining access to resources like complementary assets and incentives.

Network Theory

As a response to the increase in international trade activities, functions of MNEs get more and more dispersed, causing the number of connections in the international organizational structure of the MNE to increase. This interconnected structure of MNE has sometimes been viewed as a spatial network driven by the geographical distances and sometimes as a global information network driven by entrepreneurs (Casson, 2005). No matter what the deriving point is, viewing this international structure as a “network” has been widely approved in literature as it provides a useful framework for anticipating the relationships created by these numerous connections (Parkhe et al., 2006; Contractor et al., 2006). This view as a tool has been best described by Ghoshal and Bartlett (1990) in the following statement:

In particular, we believe that the concept of network, both as a metaphor and in terms of the tools and techniques of analysis it provides, reflects the nature and complexity of the multinational organization and can provide a useful lens through which to examine this entity (p.604).

Network approach provides a useful framework especially to trace internalization and ownership advantages simultaneously, as transaction costs incurred and ownership patterns of resources are best represented with individual linkages utilized

by such an integrated system (Buckley & Casson, 2003). These networks consist of certain relationships of MNEs with suppliers, customers, particular governments, NGOs and even competitors (Bartlett & Ghoshal, 2002; Dunning & Lundan, 2008).

Also from a different but not controversial angle, a network approach provides a useful framework for analyzing the activities of MNEs as it allows the researcher to emphasize the issues of control and coordination, and their institutional roots, which are directly or indirectly related to dynamics regarding both transactions of the market and the administrative structure of the firm (Dunning & Lundan, 2008).

The most classical approach to this kind of network perspective is to assume the MNE as consisting of a “national subsidiary structure”. In a national subsidiary structure, each foreign subsidiary reports directly to the president or main board of the parent, without intermediate layers of management either at regional headquarters or international division headquarters (Robock & Simmonds, 1989).

Regarding the issue of control and coordination, there emerged a substantial amount of literature basing on the subsidiary being autonomous or not (e.g. Birkinshaw, 1996; Andersson et al., 2007; Nohria & Ghoshal, 1994). Following former studies, Papanastassiou and Pearce (1994) examined foreign affiliates and identified three main groups. The first was the “truncated miniature replica” (TMR) affiliate, which was defined as an import-substituting affiliate that produces and sells locally the established products of the MNE. Second type of affiliate was “rationalized product subsidiary” (RPS), which is involved in the production of intermediate goods. And the third type was the “world” or “regional” product mandate (WPM/RPM) affiliate. According to the authors;

...while RPSs may provide a valuable first step, by increasing the scope for the use of a country’s current productive resources (a quantitative benefit), WPMs can take their contribution beyond this by (in a more qualitative manner) providing the country’s more

distinctively talented personnel with the opportunity to help to develop a unique source of competitive advantage within the MNE's global portfolio of assets (p.214).

Finally one of the widely accepted works in the field of subsidiary autonomy is that of Martinez and Jarillo (1991). In a study of fifty subsidiaries of MNEs, they found a connection between their strategy and their use of different coordination mechanisms; more specifically, the authors found that, subsidiaries pursuing strategies with a high degree of integration with their corporate parent make a much more extensive use of both "formal" and "subtle" coordination mechanisms. Moving from this point on, Martinez and Jarillo (1991) defined three types of subsidiaries; namely, *autonomous*, *receptive* and *active*. They differentiated between "receptive" and "autonomous" subsidiaries by proposing that, receptive subsidiaries will make a heavier use of coordination mechanism than autonomous subsidiaries. Also, they defined "active" subsidiary as one that performs many value chain activities in a close interdependence with the rest of the firms, thus constituting and active node in a tightly knit network. However, they found no empirical support for the use of specific coordination mechanisms by active subsidiaries.

By looking at the issue from another perspective, Beamish et al. (2003) developed a framework regarding "affiliate competence" and "affiliate initiative".

Table 1. Affiliate Competence and Affiliate Initiative

	<i>Low Affiliate Capability</i>	<i>High Affiliate Capability</i>
<i>High localization pressures</i>	Form alliances or make acquisitions	Take strategic initiative
<i>High globalization pressures</i>	Follow parent's instructions	Influences parent strategies

As seen in Table 1, before taking initiatives, capabilities of affiliates and parents should first be evaluated for the area in question. The parent's capability in affiliate's market will depend on whether the affiliate's market is significantly different from what the parent is used to (high localization pressures) or not (high globalization pressures). If it is, and if the affiliate has a good depth of knowledge in the area, it should provide strategic leadership. If neither the parent nor the affiliate has the necessary competence, the company should either get out of the segment or the affiliate should try to build capability, perhaps by alliance or acquisition. In product areas where globalization potential prevails, the affiliate will need to pay close attention to parent company expertise. When the affiliate's technological and market knowledge is low relative to that of the parent, the affiliate should simply follow parent company direction. However, when affiliate's competence is also high, the affiliate will attempt to influence parent strategy.

Beamish et al. (2003) further emphasize that, affiliate managers, whether taking strategic initiative or following parent instructions, must be well-connected to their headquarters, as taking initiative does not necessarily imply declaring independence and is also possible to some extent in an interdependent relationship. Taking the initiative in an interdependent relationship means bringing ideas and plans to the key management committees and championing them.

Finally, one of the most outstanding studies regarding the coordination mechanisms within the MNE network has been conducted by Ghoshal and Bartlett (1990). They pointed out the importance of the network perspective by stating the shifting interest towards the coordination of tasks in a network of established foreign subsidiaries and analysis of the competitive advantages that arise from the potential scope economies of such a network. Ghoshal and Bartlett (1990) stated the main

argument in their paper as, "...different attributes of a multinational such as the configuration of its organizational resources and the nature of interunit exchange relations that lead to such a configuration can be explained by selected attributes of the external network within which it is embedded and on which it depends for its survival." (p. 604).

Two important concepts have been introduced by Ghoshal and Bartlett (1990) when these attributes of the MNE network are considered and these concepts are explained over an example. In this example, the authors describe a multinational enterprise, M, with operating units in countries A, B, C, D, E, and F and a focal organization in the corporate headquarters, H. By the term multinational network, the authors refer to all the relationships and linkages that exist among the different units of M. In this network, each of the national operating units of M is embedded in a unique context and, for any type of exchange relationship, has its own organization set. For example, the unit A can have existing or potential exchange relationships with a specific set of suppliers (s_A), buyers (b_A), regulatory agencies (r_A), and its competitors (c_A). Collectively, the group consisting of s_A , b_A , r_A , c_A , etc. constitutes the "organization set of A" (OS_A). Ghoshal and Bartlett (1990) name the extent to which the actors within the set are connected to one another as the "density of OS_A " which indicates the extensiveness of exchange ties within the elements of the organization set of A. Such linkages among the different local organization sets of different units of M collectively constitute the *external network*. Considering the boundaries of this network, the authors introduce two important concepts: "within density" and "across density". The density of ties within each of the local organization set is named as *within density*; while the density of ties within the total external network, in other words, across different organization sets, is named as *across density*. The main

thesis of authors is that, distribution of resources among different affiliates and the structural characteristics that mediate internal exchange relationships within the MNE network can be explained in terms of attributes stemming from these two densities. With this, they imply that, these two concepts act as important determinants in international business research.

Ghoshal and Bartlett (1990) further mention that, across density has increased substantially due to the emergence of digital technology and the growing trends of standardization, which facilitated cross-border integration among suppliers, customers and other industry participants. In this vein, across density represents “global linkages” which requires higher degrees of cross-border integration; while within density represents “local linkages” which requires higher degrees of integration with local actors.

Thus, implementation of international strategies employed by MNEs (which will be explained in the following part) should also be considered in relation to the impact of these linkages in the overall network of MNE.

Internationalization Strategies of MNEs and Their Relation to Global Coordination/Integration of MNE Activities

Multinational enterprises are believed to play a prominent role as they have a global reach that allows them to co-ordinate production and distribution across many countries. By virtue of operating internationally, the MNE enjoys much wider geographic scope than the purely national domestic corporation. This also causes the MNE to face more complex, multiple operating environments than does the domestic firm. This makes strategic decision-making a challenging process by increasing the

range of strategic options or choices of strategic directions available to the firm (Robock & Simmonds, 1989; OECD Report, 2007).

To develop a worldwide competitive advantage, an international company must achieve three strategic objectives (Bartlett et al., 2008); it must build global-scale efficiency in its existing activities, it must develop multinational flexibility to manage diverse country specific risks and opportunities, and it must create the ability to learn from its international exposure and exploit that learning on a worldwide basis. To achieve these objectives, some corporate strategies give individual country units the authority to develop their own business level strategies while others dictate the pre-determined business level strategies in order to standardize the firm's products and sharing of resources across countries (Hitt et al., 2005; Prahalad & Doz, 1987; Birkinshaw, 2001).

Kogut (1989) points out the need for a new perspective which combines the investments made overseas with the strategic purposes of the companies by basing on that; global competition has changed in 1980s and interest has shifted towards the decisions made on investing overseas to increase the strategic value of operating assets in multiple countries. Regarding these investment decisions, an argument took place in literature on making a strategic choice between "standardization" of products and services worldwide and "adaptation"; that is, staying responsive to local differences (Levitt, 1983; Prahalad & Doz, 1987; Bartlett & Ghoshal, 2002; Ghemawat, 2003). The governance mechanisms supporting these choices differ from each other mainly in terms of "degree of global coordination/integration of activities" in the total MNE network (Bartlett & Ghoshal, 2002; Bartlett & Ghoshal, 2003).

Two similar frameworks especially reflect this aspect and take the coordination/integration of activities into account while discussing the international

strategies of MNEs. One of them is the *Configuration – Coordination Model* of Porter (1986a), and the other is the *Integration – Responsiveness Model* developed by Prahalad and Doz (1987).

Porter (1986a) introduces two dimensions named as “*Configuration*” and “*Coordination*” in his framework to describe the international strategies employed by MNEs throughout their global expansion (Figure 1).

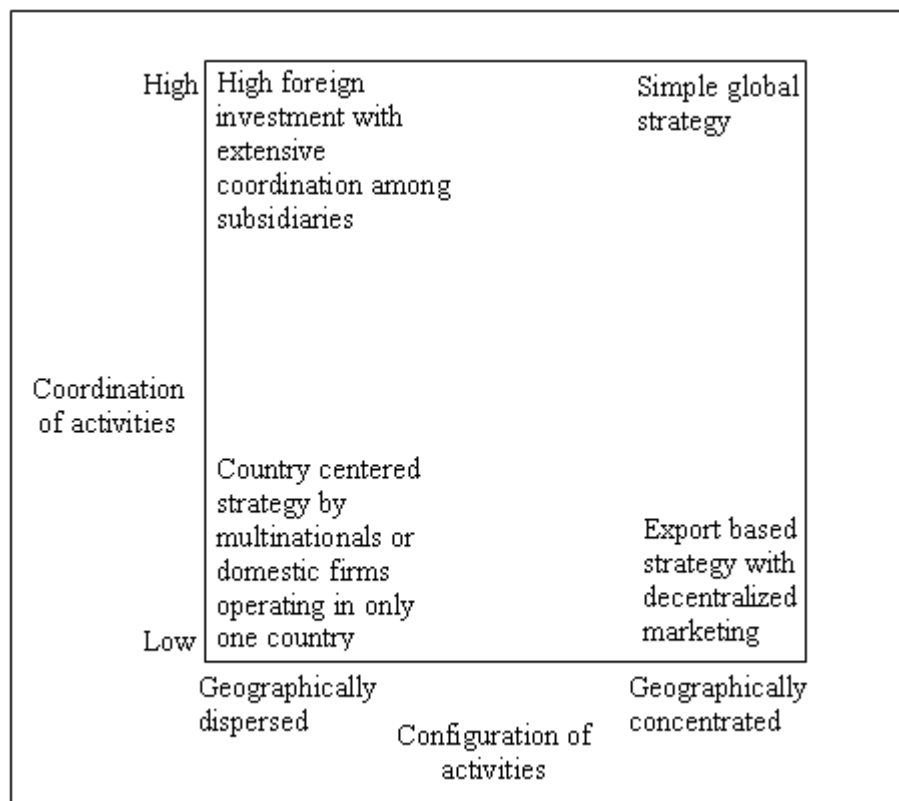


Figure 1. Types of international strategy

Briefly, configuration of a firm’s activities represents the geographical deployment of each function in the value chain, while coordination represents the mutual linkage or integration of the activities performed in different configurations.

The other important model regarding global expansion paths of MNEs has been designed by Prahalad and Doz (1987). Actually, their model provides a very

complementary perspective when thought in relation to that of Porter (1986a).

Following the same premise in Porter's model, Prahalad and Doz (1987) introduced two dimensions, namely "integration" and "responsiveness". "Integration" represents the extent to which a firm integrates its functional activities in global scale, while "responsiveness" is the level of adaptation to the local differences in customer preferences.

The authors have illustrated the strategic focus of "integration-responsiveness grid" as seen in Figure 2 (Prahalad & Doz, 1987).

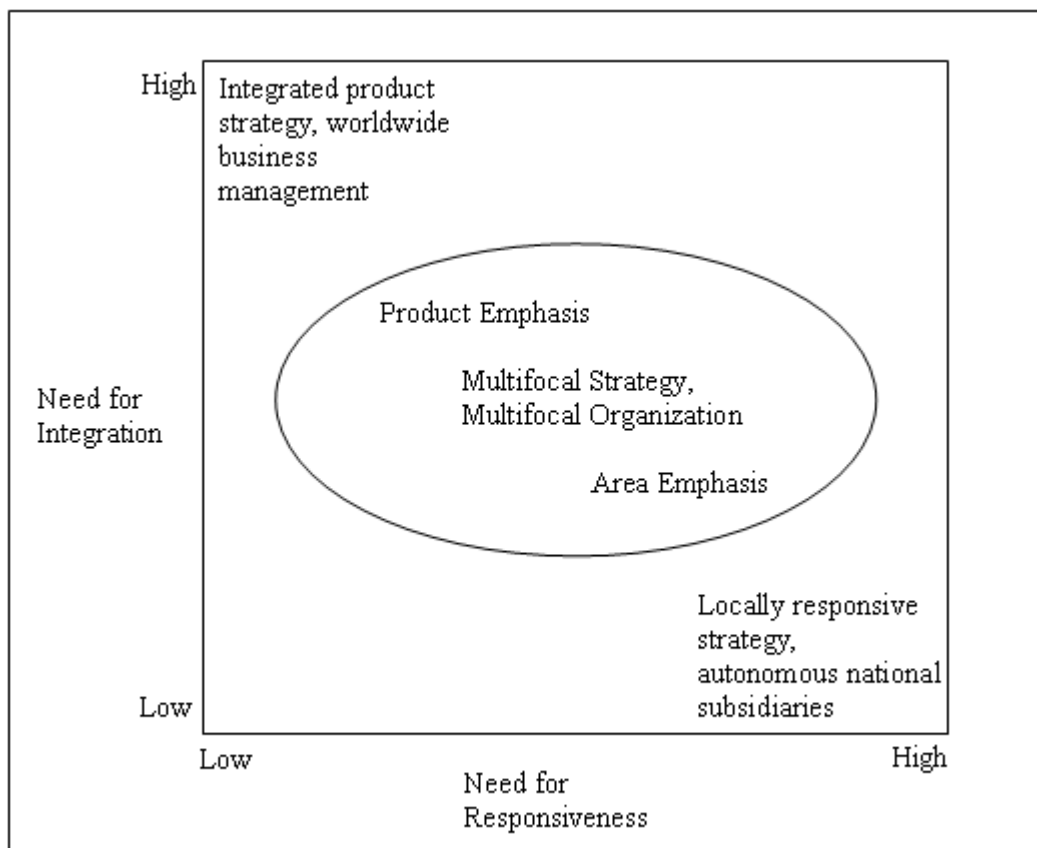


Figure 2. Integration - responsiveness grid

As seen in the figure, the two dimensions of the grid are not necessarily the "opposite ends of a spectrum"; rather, certain industry – specific factors may cause these two ends to constitute feasible combinations. For example, Ghoshal and Nohria (1993)

found in their research that in industries like computers, strong simultaneous demands for global integration and responsiveness exist, while in other industries “weak-weak” combinations can also be present. Cement products, for example, are highly standardized, hence local responsiveness is weak; yet global integration is also weak because of the nature of economies of scale and transport costs in the cement industry.

Basing on these two models in the literature, Moon and Kim (2008) have recently developed a new framework called “*A Dynamic Diversification-Coordination (DDC) Model*” for global integration. The DDC Model uses the typology of multidomestic, global and transnational strategies as alternatives for the global expansion paths of MNEs. According to the authors, there are three stages in global expansion; starting from a “domestic” type; where a firm has no international existence; moving on to either “global” or “multidomestic” type, and finally reaching to transnational stage.

In the research part of the study, Moon and Kim (2008) found adequate empirical support for the predictions of the model and summarized them as follows:

- Each function in the value chain has a unique way of global expansion. The global strategy is suitable for production function, while the multidomestic strategy is applicable to marketing function.
- Each function follows a dynamic path of global expansion from domestic to transnational via either global or multidomestic, according to the innate characteristics of the corresponding function.
- The degree of global expansion of a firm is positively correlated with its financial performance.

Porter's Generic Strategies and Their Relation to Value Chain Framework in
International Business (IB) Literature

Generic Strategies

To many authors, the most important way for managers and organizations to learn if they are to reach and remain at the top of the competitive environment of business is the use of organizational resources to build a competitive advantage (George & Jones, 2006). According to Daft (2008), competitive advantage is central to strategy creation and delivering value as it refers to what sets the organization apart from others and provides it with a distinctive edge for meeting customer needs in the marketplace. Thus, a long-term strategy must be based on a core idea about creating and exploiting such a competitive advantage and leading the firm compete in the marketplace.

According to Michael Porter (1998), there are two basic types of competitive advantage a firm can possess: low costs or differentiation. These combine with the scope of a firm's operations (the range of market segments targeted) and lead to "three generic strategies" for achieving above-average performance in an industry: cost leadership, differentiation and focus strategies (see Figure 3).

Main motive in "cost leadership strategy" has been pointed out as "striving to achieve lower overall costs than rivals and appealing to a broad spectrum of customers, usually by underpricing rivals", while the main motive in "differentiation strategy" has been emphasized as "seeking to differentiate the company's product offering from rivals' in ways that will appeal to a broad spectrum of buyers".

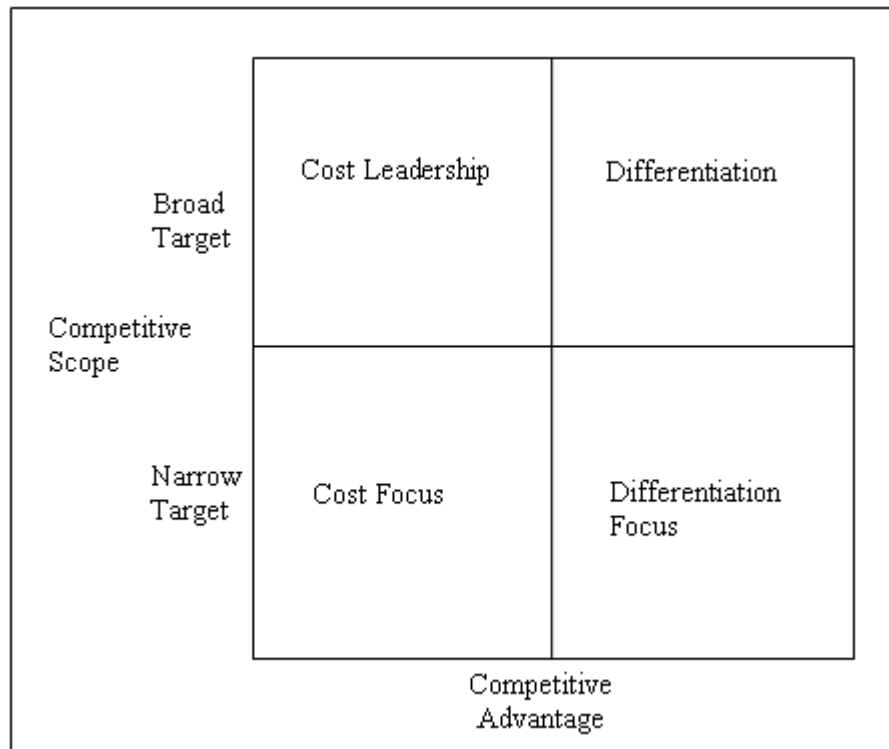


Figure 3. Porter's generic strategies

Focus strategies of both types adopt the same motives, but concentrate on a narrow buyer segment (Thompson et. al., 2007).

The requirements for each generic competitive strategy differ from each other. To state in a more specific way, strategies basing on cost-leadership advantages focus on cost reductions and efficiencies by attempting to maximize economies of scale, maintaining operational efficiency, implementing cost cutting technologies, stressing reductions in overhead and in administrative expenses. A low-cost leader is able to use its cost advantage to charge lower prices or to enjoy higher profit margins. On the other hand, strategies dependent on differentiation are designed to appeal those customers with a special sensitivity for a particular product/service attribute, and thus require skills such as strong marketing abilities, new product development, building corporate reputation for quality and technological leadership, maintaining strong coordination in marketing channels.

Finally, a firm pursuing a focus strategy should have the skills to serve isolated geographic areas and to tailor the product to the somewhat unique demands of the small-to-medium-sized customer (Pearce & Robinson, 2003; Akan et. al., 2006).

When it comes to the use of two main generic strategies, namely “cost-leadership” and “differentiation”, simultaneously, Hill (1988) argues that a combination of differentiation and low-cost may be necessary for firms to establish a sustainable competitive advantage. He claims that these two competitive advantage sources should be used in order to support each other for sustainable competitiveness.

Particularly in global markets, the firms’ ability to integrate the means of competition necessary to implement the cost leadership and differentiation strategies is thought to be critical to developing competitive advantage. Compared to firms implementing one dominant generic strategy, the company that successfully uses integrated cost leadership/differentiation strategy is believed to be in a better position to adapt quickly to environmental changes, learn new skills and technologies more quickly, and effectively leverage its core competencies while competing against its rivals (Hitt et. al., 2005). More specifically, firms may choose to internationalize to gain more cost advantages by, (1) increasing sales to realize economies of scales, (2) gaining access to low-cost labor, and (3) gaining access to low-cost raw materials. On the other hand, firms may choose to invest in foreign markets to implement a product/service differentiation strategy by being locally responsive in certain respects (Barney & Hesterly, 2008).

Value Chain Framework and Its Relation to Generic Strategies

Porter (1998) states the goal of any generic strategy as “to create value for buyers at a profit”. Building on this “value” concept, which is the brickstone of competitive advantage, Porter (1998) created “Generic Value Chain” and defined it with the following words:

.....a systemic way of examining all the activities a firm performs and how they interact for analyzing the sources of competitive advantage. Such a chain, and how it performs individual activities, reflects a firm’s history, its strategy, its approach to implementing its strategy, and the underlying economies of the activities themselves (p.33).

According to Porter (1998), value activities can be divided into two broad types: primary activities and support activities (see Figure 4). Primary activities are the activities involved in the physical creation of the product and its sale and transfer to the buyer as well as after-sale assistance. On the other hand, support activities support the primary activities and each other by providing purchased inputs, technology, human resources, and various firm-wide functions.

Regarding the spread of activities in the value chain, Porter (1986) describes primary activities in the chain as consisting of “*upstream activities*” and “*downstream activities*”. “Upstream activities” are those economic activities (inbound logistics activities, operations activities, some outbound logistic activities) which are performed in the early stages of the value adding process and which occur close to the firm’s suppliers but far away from the buyer; and “downstream activities” are those activities (some outbound logistic activities, marketing and sales activities, service activities) that occur closer to the buyer but far away from the firm’s supplier.

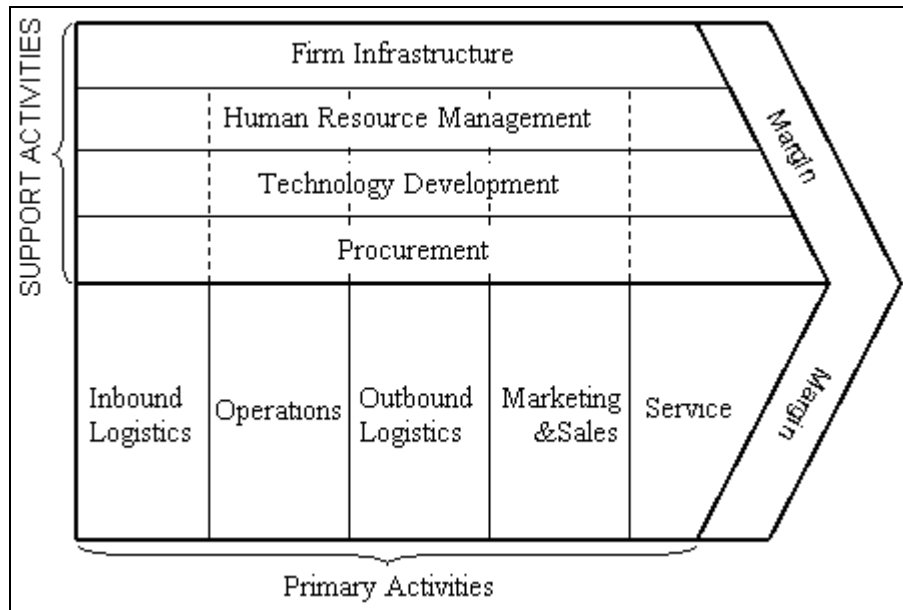


Figure 4. Porter's value chain

According to Porter (1986a), a firm that competes internationally must decide how to spread the activities in the value chain among countries. He asserts that downstream activities, which are more related to the buyer, should be located at the buyer's location. Upstream activities and support activities, on the other hand, can be decoupled from where the buyer is located in most industries. Moving from this point on, he proposes that downstream activities create competitive advantages that are largely country specific (a firm's reputation, brand name, service network, etc.), and that competitive advantage in upstream and support activities often grows more out of the entire system of the countries in which a firm competes rather than from its position in one single country. Also, in industries where downstream activities are vital to competitive advantage, there tends to be a more multidomestic pattern of international competition (as in many service industries); and in industries where upstream and support activities such as technology development and operations are crucial to competitive advantage, global competition, in which the location and scale

of value chain activities is optimized from a worldwide perspective, is more common.

When thought in global context, value chain is getting more and more globalized each day to meet the needs of the global producers and their customers. According to a recent OECD Report (2007), the globalization of value chain is motivated by a number of factors one of which is the desire to increase efficiency, as growing competition in domestic and international markets forces firms to become more efficient and to lower costs. Also, the need to enter new emerging markets and provide access to strategic assets that can help access to foreign knowledge are among other important factors.

As stated by UNCTAD, what is distinct about the rise of international production systems as opposed to earlier MNEs is, first, the intensity of integration both on a regional and a global scale, and, second, the emphasis on the efficiency of the system as a whole. In accordance with these, value chain is becoming fragmented, as business functions are differentiated into ever more specialized activities (WIR, 2002).

Regarding the management of this fragmented value chain, Gupta and Govindarajan (2001) point out that managers should first evaluate the optimality of the firm's global network for each value-chain activity along the dimensions of activity architecture, competencies at different locations, and coordination across locations and then, based on this evaluation, they should design and execute necessary actions to eliminate the sub-optimality in the whole value chain system.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

Research Objectives

Main aim of this study is to analyze foreign direct investment patterns of MNEs in Turkey from a value chain perspective which presents a systemic framework for studying the activities of a company.

Main research questions of the study can be stated as follows:

- Is it possible to analyze FDI flows with a value chain perspective?
- Which factors affect the relationship between FDI patterns and competitiveness?
- Which primary value chain activities are seen as investment areas by foreign direct investing firms in Turkey?
- What type of competitive advantages do foreign direct investing firms in Turkey look for?
- What is the effect of network perspective on strategies and investment patterns of MNEs?
- How is degree of subsidiary autonomy related to the strategies and competitive position of affiliates?

The Qualitative Study

Purpose and Data Collection

The qualitative study conducted here is mainly exploratory in its nature, as it is undertaken to gain familiarity with the phenomena being researched and to better comprehend the nature of the problem. Basing on the robust foundation thereby provided, face validity, which ensures the measures used during the quantitative research include an adequate and representative set of items that tap the concept, is aimed to be maintained (Sekaran, 2000).

For this purpose, an extensive literature review related to research questions is conducted first. The importance of literature review stems from its role in bringing clarity to the research problem, improving researcher's methodology, and broadening his knowledge base (Kumar, 2005).

Following literature review, a series of semi-structured, in-depth interviews have been conducted with a convenience sample consisting of experts and managers (refer to Appendices for interview questions and notes taken during interviews). In total eight in-depth interviews, three with experts and five with managers, have been realized. Seven of these interviews were conducted face-to-face; however, one was conducted via telephone, as the respondent was out of city borders.

In literature, the view regarding the number of interviews needed during an exploratory research suggests that data collection should continue until theoretical saturation takes place; in other words, until the researcher decides that no new data are being unearthed (Strauss & Corbin, 1998). Here, as the researcher believes that

no further data can be unearthed, eight in-depth interviews have been found adequate for the purposes of this research.

Two groups of interview questions were prepared; one for the “experts group” and the other for the “managers group”. Basically, the same questions were asked to these two groups utilizing different wordings (see Appendices A and B).

The interviews with experts were conducted at their offices at pre-scheduled times and lasted between sixty to ninety minutes; while the interviews with managers (except for the one made via telephone) were conducted at informal settings and lasted about forty minutes.

One of the main handicaps of conducting qualitative research in MNEs regards providing the adequate level of reliability. This mainly stems from the context-bound nature of the interview (Marschan-Piekkari et al., 2004). To minimize this problematic effect, at the beginning of each interview, managers were asked to think both from their affiliates’ and headquarters’ perspective while answering the questions.

Data Analysis and Findings of the Qualitative Study

As stated by Glesne and Peshkin (1992), “data analysis is the process of organizing and sorting data in light of increasingly sophisticated judgments and interpretations” (p.130). Qualitative data deal with meanings and, therefore, are in the form of words (Ruona, 2005). For organizing and sorting this kind of data, ethnographic summary method was used. This method was chosen as it uses direct quotation from the interviewees’ words and thus described in the literature as an excellent method for capturing the nuances and subtleties of a situation.

For data analysis purposes, the framework proposed by Kumar (2005) has been employed. The framework suggests that data editing, coding (developing themes) and content analysis should take place after data collection phase is completed.

Following this framework, first, data editing took place, and the notes taken during the interviews have been purified by the researcher by excluding any quotations that does not make sense. Next, main themes regarding the answers of the respondents were developed. Churchill and Iacobucci (2010) have emphasized that one way to develop a consistent coding is to use multiple coders and to provide inter-rater agreement. Basing on this, first, the researcher (as the coder) developed themes and classified the answers of the respondents under these themes. From this point on, content analysis was simultaneously started, which included a sorter (a PhD candidate in management) who separately developed themes and accordingly classified the answers of the respondents. Then, the coder and the sorter discussed their classifications and developed a final list of themes with the related answers grouped under them. This final list of themes is presented in Table 2. Appendix C presents the verbatim transcripts obtained from these interviews. In the final stage, a judge (a management consultant with a PhD) was sent the agreed themes and asked to group the items under these themes.

To rate inter-judge reliability between the categorizations of the researcher and the sorter and that of the judge, Cohen's Kappa Index^a, one of the most widely used measures of inter-judge reliability has been employed (Perreault.& Leigh, 1989). A score of 0.73 was calculated and was found to be adequate as it exceeds the threshold value of 0.70.

^a $K = (F_0 - F_C) / (N - F_C)$; where N is the total number of judgments made by each judge, F_0 is the number of judgments on which the judges agree, and F_C is the number of judgments for which agreement is expected by chance.

Table 2. Final Categorization of Content Analysis^a

Factors Related to Network Relations	<p>Power of political authority in that country (1)</p> <p>Dependency on local partner (2)</p> <p>Range and number of activities performed in that country (4)</p> <p>The uniqueness of the relationship with the community in that country(3)</p> <p>Sectoral dependency to the government (1)</p> <p>Degree of investment in development of suppliers and customers (1)</p> <p>Working with the same auditing firms, suppliers and NGOs all over the world (3)</p>
Degree of Autonomy Indicators	<p>Degree of dependency in terms of strategy and budget formation (4)</p> <p>Degree of dependency in terms of setting corporate vision and objectives (1)</p> <p>Dependency in terms of information flow (1)</p> <p>Dependency in terms of investment decisions (2)</p> <p>Dependency in terms of daily routine activities (1)</p> <p>Dependency in terms of general strategies (1)</p> <p>Global credibility of the manager in charge in that host country (1)</p> <p>The nationality of managers in critical positions (2)</p> <p>Importance of local information in that market (1)</p> <p>Dependency in terms of production decisions (1)</p> <p>Dependency in terms of personnel policy (2)</p> <p>Dependency in terms of marketing decisions (2)</p> <p>Dependency in terms of setting product portfolio (1)</p>
Financial Performance Criteria	<p>Export performance (1)</p> <p>Market share (2)</p> <p>Profitability (3)</p> <p>Sales numbers (1)</p> <p>Growth (1)</p>
	<p>Extent to which the objectives set while entering the market has been accomplished (2)</p>

^a Numbers in parantheses are the frequencies indicating the number of mentions of this statement.

Strategic Performance Criteria	<p>Reverse transfer of the experience gained in host country in terms of know-how and managerial experience (2)</p> <p>Impact of local experience on global competitive position of MNC (2)</p> <p>The value added to the host country's macro and micro economic factors (1)</p> <p>The extent to which the affiliate exploits resources in the host country in a way to strengthen the global competitive position of MNC (1)</p>
Factors to Differentiate Between Global and Multidomestic Strategies	<p>The similarity of market conditions in host countries (1)</p> <p>Competing with the same global competitors all over the world (3)</p> <p>Commonality of the performance standards used for control (1)</p> <p>Adaptation of strategies to different cultural clusters (2)</p> <p>The risk level of the host country in terms of certain investment factors (1)</p> <p>Existence of competition conditions unique to that country (1)</p> <p>Dependency to raw material producers and local competitors (1)</p> <p>Unique needs of the host country in terms of CSR projects (1)</p> <p>Uniqueness of customer needs in that host country (1)</p> <p>Role of local competitors in shaping the strategy (4)</p> <p>Adaptation of same strategies by all affiliates (1)</p> <p>Ratio of adaptations made in terms of general strategies vs. tactics (2)</p> <p>Producing similar products worldwide (1)</p>
Factors Related to Regional Headquarters	<p>Taking the stakeholders in other countries into consideration (1)</p> <p>Increase in R&D investments (2)</p> <p>Increase in the ratio of white-collar workers in the total workforce (1)</p> <p>Increase weighted impact of regional dynamics (1)</p> <p>Increase in the information flow from the HQ and other affiliates (2)</p> <p>Increase in similarity to HQ in terms of organization structure (2)</p> <p>Increase in the importance of control and coordination functions and related managerial positions. (1)</p> <p>Increase in the number of activities in which investments are made (2)</p>

In addition to these, a focus group interview was also planned to be made within qualitative study process. However, as it was very hard to bring relevant individuals who are well-informed on the subject together in a limited time period, the previously planned study was cancelled.

The Conceptual Model and Development of Research Hypotheses

The conceptual model and research hypotheses were formed and developed basing on the theoretical foundations discussed during literature review and the results of the qualitative study.

The research model is put forth in Figure 5. The model attempts to understand certain dynamics regarding the acts of MNEs by observing their Foreign Direct Investment (FDI) patterns. While analyzing these dynamics which, at the same time, highly affect the strategic options and decisions of international firms, value chain framework designed by Michael Porter (1998) is considered to provide a useful analytical tool. To state more specifically; investment decisions of MNEs are examined in terms of the activities that consists the “primary value chain” and which are divided into two parts as “upstream” and “downstream”. The investment decisions of firms in either group of activities are thought to be affected by certain variables as “global network specific factors” and “subsidiary specific factors”. Overall, with the effect of all these variables, the dispersion of the total amount of foreign direct investment among upstream and downstream activities in the value chain is expected to affect the type of competitive advantage pursued by the firm in different ways, specifically, causing it to pursue either “cost leadership” based or

“differentiation” based competitive advantage. Finally, the effects of both types of competitive advantage are traced by examining certain firm performance indicators.

In line with the conceptual model, research hypotheses are developed. In the following parts of this section; the hypotheses are stated and explained by referring to previous discussions and findings in related literature.

As labeling a company an MNE requires that company has value-added facilities in more than two countries (Cohen, 2007), taking the dispersion of FDI among value-chain activities into consideration while analyzing certain motives and mechanisms within the international enterprises’ network is assumed to provide a useful framework by many scholars (e.g. Porter, 1986a, 1998; Chakravarthy & Perlmutter, 1985). In the same vein; Kogut (1984), points out the robustness of the concept of value-added chain as a tool to explain the advantages firms gain through international operations. While discussing these advantages, Porter’s generic strategies of “cost leadership” and “differentiation” have been highly referred to in international strategic management literature (e.g. Yip, 1992), and have mostly been related to issues of “standardization” and “differentiation” (e.g. Paik & Derick-Sohn, 2004).

However, in a contradictory manner, Kogut (1984, 1985) emphasizes that it will be “misleading” when the strategic moves of MNEs are put in the context of “standardized vs. differentiated products/services”. He implies that these concepts are not necessarily mutually exclusive and supports this by explaining the role of “international marketing” by stating that marketing may be highly differentiated by country and market segment, but the firm may still exploit upstream competitive advantages by linking shared resources across product lines and countries. According to Kogut (1984, 1985), the task of international marketing (and related functions) is

to differentiate products/services (by using marketing tools and by adapting itself to country specific characteristics if necessary) which embody the shared resources across product lines and countries.

Moving from this point on, it can be claimed that a product or service may be globally standardized in a large sense but also be differentiated from its competitors at the same time, and the source of differentiation may come from upstream or downstream activities in the value chain; but the role of marketing activities become prominent in either case, as differentiation requires the ability to offer buyers something attractively different from competitors. To communicate this difference, marketing related activities become critically important and should be designed in accordance with the local environment's unique needs. Harzing (2000) also supports this view by pointing out that it is mostly the "adaptation of marketing activities" that makes companies locally responsive.

On the other hand, in terms of production activities, Porter (1986b) puts forward that configuration issues deal largely with location of production facilities for components and end products mainly due to structural characteristics which represent concentration costs.

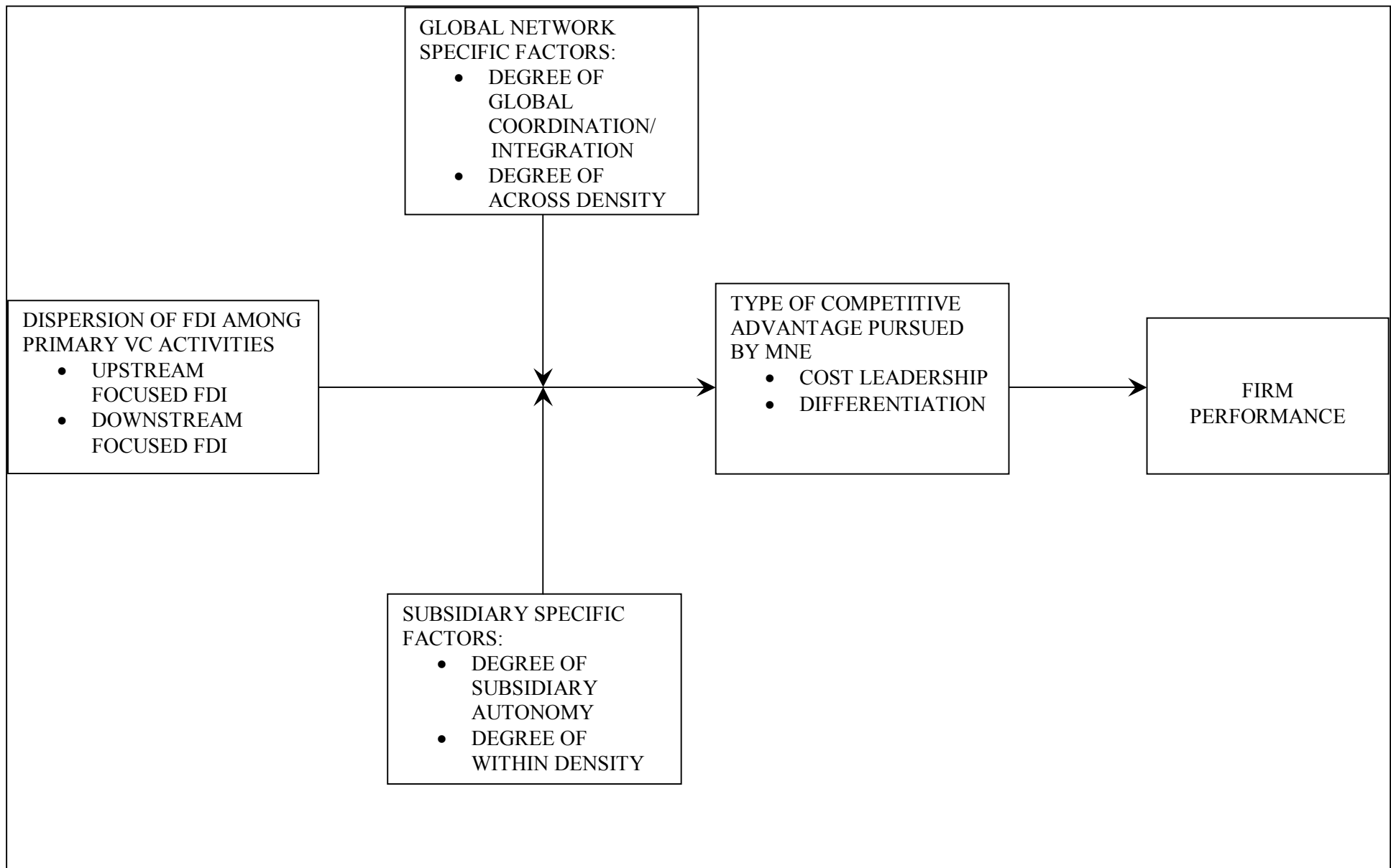


Figure 5. Research model

Basing on these, it is hypothesized that;

H1a: Firms with higher levels of FDI in upstream activities will gain competitiveness through exploiting cost leadership advantages, which in turn is expected to cause an increase in the overall performance of the firm.

H1b: Firms with higher levels of FDI in downstream activities will gain competitiveness through exploiting differentiation advantages, which in turn is expected to cause an increase in the overall performance of the firm.

In international business literature, nature of planning and control mechanisms within the network of MNE has been found to be highly relevant in explaining the extent of international operations of a company (e.g. Doz & Prahalad, 1984; Malnight, 1996); and has led to the emergence of new constructs, one of which is the “Degree of global integration/coordination” employed in an MNE’s global network. Porter (1986b), while discussing the dispersion of value chain activities in terms of international configuration and coordination issues, argues that firms prefer to locate downstream activities in each of the countries in which it operates, mainly because of the motive to be close to the buyer. On the other hand, “as the competitive advantage in upstream activities grows more out of the entire system of countries, firms may locate these activities decoupled from where the buyer is located” (p.16). It is obvious from this debate that, degree of global integration will be more heavily required to integrate the “decoupled” upstream activities with other activities of the whole MNE. However, as the downstream activities will be located close to buyers,

degree of global integration needed to be responsive in the markets the MNE operates will be much less.

Therefore, it is hypothesized that:

H2a: The relationship between “upstream – focused – FDI” and “cost leadership based competitive advantage (CA)” will be moderated by “degree of global coordination/integration” in a positive way such that higher degrees of global coordination/integration will increase the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.

H2b: The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of global coordination/integration” in a negative way such that higher degrees of global coordination/integration will decrease the strength of the relationship between “downstream – focused – FDI” and “differentiation based CA”.

Above stated argument proposed by Porter (1986b) also complements with “within density” and “across density” concepts introduced by Ghoshal and Bartlett (1990), which have been explained in the previous chapters.

According to Ghoshal and Bartlett (1990), when the interaction densities within different national organization sets are low – that is, when within density (WD) is low - the social context exerts limited influence and intended economic rationality becomes the dominant factor in resource configuration decisions. In such a situation, mainly to benefit from scale and scope economies, the firm will concentrate production, assembly, and other similar activities and locate them on the

basis of resource niches that may exist in different countries due to their comparative advantages. Therefore, the firm's overall resource configuration will show relatively low dispersal and high specialization. When within densities are high, however, the company will be forced to fragment its activities and resources to provide the necessary variety to match the organization to the unique contexts of local organization sets. Moving from this point notion, the authors propose that, when across density (AD) is high in the external network of the MNE, resource configuration of the company will show lower degrees of dispersal coupled with increasing specialization, and when within density (WD) is high in the network resource configuration will show increased dispersal and decreased specialization.

Taking its roots from the above stated discussion, it is hypothesized that:

H3a: The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of AD” in a positive way such that higher degrees of AD will increase the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.

H3b: The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of AD” in a negative way such that higher degrees of AD will decrease the strength of the relationship between “downstream – focused – FDI” and “differentiation based CA”.

H4a: The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of WD” in a negative

way such that higher degrees of WD will decrease the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.

H4b: The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of WD” in a positive way such that higher degrees of WD will increase the strength of the relationship between “downstream – focused – FDI” and “differentiation based CA”.

Finally, “degree of autonomy” a subsidiary has is also another construct that is widely used in international business studies (e.g. Martinez&Jarillo, 1991; Taggart, 1997, 1998, 1999). The importance of the construct comes from the challenge a subsidiary faces while dealing with contradictory pressures emerged in its environment. Rosenzweig and Singh (1991) described this situation with the following words:

Subsidiaries of MNEs face dual pressures: they are pulled to achieve isomorphism with the local institutional environment, and they also face an imperative for consistency within the organization (p. 340).

In a similar vein, Brock and Thomas (1998) revealed certain tensions between subsidiaries and the overall context of MNE in terms of planning horizons, reporting processes, relative performance criteria, etc. They also found out that these tensions increase when the pressures in the domestic context increase.

Basing on these, it can be expected that subsidiaries operating in complex environments will be more informed about the dynamics of this environment,

including stakeholders unique to this subsidiary and, therefore, will be given higher degrees of autonomy to be able to fully exploit the differentiation advantage they pursue. More specifically, they will need higher degrees of autonomy to use the marketing tools they have in a way to match the unique needs of this environment with the differentiated offerings of its products/services. This notion is also supported by the findings of Gençtürk and Aulakh (1995) concluding that as the degree of internationalization of business units is increased, headquarters will prefer to employ simple output controls rather than more extensive process controls.

Thus, this conclusion can be hypothesized as follows:

H5a: “Degree of subsidiary autonomy” will moderate the relationship between “upstream – focused – FDI” and “cost leadership based CA” in a negative way such that higher degrees of subsidiary autonomy will decrease the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.

H5b: “Degree of subsidiary autonomy” will moderate the relationship between “downstream – focused – FDI” and “differentiation based CA” in a positive way such that higher degrees of subsidiary autonomy will increase the strength of relationship between “downstream – focused – FDI” and “differentiation based CA”.

Moving from the fact that every overseas subsidiary faces a “one-of-a-kind mix of pressures from customers, headquarters, host governments, workers, and civil society” (Cohen, 2007, p.14), the strength of its established network with the

business community and governmental agencies and the required responsiveness to these is expected to be varied among subsidiaries (Luo, 2001). As explained previously, this kind of pressures will be seen in networks with high within density; and as the complexity of the local environment in which the subsidiary operates increases, they will be expected to have a high degree of autonomy in such an environment, as they will acquire more information regarding the forces in this unique environment, when compared to headquarter (Nohria & Ghoshal, 1994). Also, in such a network structure, degree of global integration is expected be lower. On the other hand, when there exists a globally integrated mechanism in MNC network, planning and control functions will be centralized in a way that compels making value chain decisions at headquarters (Sullivan, 1992; Fan et al., 2008; Andersson&Forsgren&Holm, 2002); and giving lower degrees of autonomy to subsidiaries.

Accordingly, the following hypotheses are developed:

H6: “Degree of subsidiary autonomy” is expected to be negatively related to “degree of global coordination/integration”.

H7: “Degree of WD” is expected to be negatively related to “degree of global coordination/integration”.

H8: “Degree of AD” is expected to be positively related to “degree of global coordination/integration”.

All hypotheses are summarized in Table 3.

Table 3. Research Hypotheses

H1a: Firms with higher levels of FDI in upstream activities will gain competitiveness through exploiting cost leadership advantages, which in turn is expected to cause an increase in the overall performance of the firm.
H1b: Firms with higher levels of FDI in downstream activities will gain competitiveness through exploiting differentiation advantages, which in turn is expected to cause an increase in the overall performance of the firm.
H2a: The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of global coordination/integration” in a positive way such that higher degrees of global coordination/integration will increase the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.
H2b: The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of global coordination/integration” in a negative way such that higher degrees of global coordination/integration will decrease the strength of the relationship between “downstream – focused – FDI” and “differentiation based CA”.
H3 _A : The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of AD” in a positive way such that higher degrees of AD will increase the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.
H3 _B : The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of AD” in a negative way such that higher degrees of AD will decrease the strength of the relationship between “upstream – focused – FDI” and “differentiation based CA”.
H4a: The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of WD” in a negative way such that higher degrees of WD will decrease the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.
H4b: The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of WD” in a positive way such that higher degrees of WD will increase the strength of the relationship between “downstream – focused – FDI” and “differentiation based CA”.
H5a: “Degree of subsidiary autonomy” will moderate the relationship between “upstream – focused – FDI” and “cost leadership based CA” in a negative way such that higher degrees of subsidiary autonomy will decrease the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.
H5b: “Degree of subsidiary autonomy” will moderate the relationship between “downstream – focused – FDI” and “differentiation based CA” in a positive way such that higher degrees of subsidiary autonomy will increase the strength of relationship between “downstream – focused – FDI” and “differentiation based CA”.
H6: “Degree of subsidiary autonomy” is expected to be negatively related to “degree of global coordination/integration”.
H7: “Degree of WD” is expected to be negatively related to “degree of global coordination/integration”.
H8: “Degree of AD” is expected to be positively related to “degree of global coordination/integration”.

Operationalization of Variables

Variables of the study include dispersion of FDI among primary value chain activities; which consists of upstream focused FDI and downstream focused FDI; degree of global coordination/integration, degree of across density, degree of within density, degree of subsidiary autonomy, type of competitive advantage pursued by MNE; consisting of cost leadership based advantage and differentiation based advantage; and performance indicators.

To measure these variables, scales have been developed by adopting items used in previous researches in the literature, and by taking the findings of qualitative research into account.

FDI Dispersion among Primary Value Chain Activities

Level of FDI made in each primary value chain activity is measured by simply asking the respondents to indicate the ratio (dispersion) of their investments in a way that reflects their company's FDI position in Turkey.

Degree of Global Coordination/Integration

A ten-item, six-point Likert scale ranging from "1 = strongly disagree" to "6 = strongly agree" is used to measure the degree of global integration. The items have been adopted from literature (i.e.; Morrison & Roth, 1992; Birkinshaw et al., 1995; Taggart, 1998) and from qualitative research results (see Table 4). In the table, the

numbers next to each item indicate the question number including this item in the questionnaire.

Table 4. Items Measuring Degree of Global Integration

All activities regarding the supply of raw materials to the distribution of finished product/services are internationally controlled. (Birkinshaw&Morrison&Hulland, 1995)	9
All activities regarding the transfer of intangible assets (e.g. skills, technology) within the organization are internationally controlled. (Birkinshaw&Morrison&Hulland, 1995)	9
Our MNE competes with the same global competitors in all key markets in which it operates. (Morrison & Roth, 1992)	9
Primary corporate strategies should be adapted to different cultural clusters. (Qualitative Study) (Reverse Coded - RC)	9
Market conditions are similar in all host countries of our MNE. (Taggart, 1998)	9
Our MNE works with same suppliers all over the world. (Qualitative Study)	9
Our MNE works with same customers all over the world. (Morrison & Roth, 1992; Qualitative Study)	9
Our MNE uses the same firms all over the world to outsource certain activities. (Qualitative Study)	9
Our company has very strong local competitors in Turkey. (Qualitative Study) (RC)	9
Technology development carried in this subsidiary is always transferred to other group subsidiaries in a short time period to make them benefit from these developments. (Taggart, 1998)	10

Type of Network Relations - Across Density and Within Density

To measure two main types of network relations – *across density* and *within density* – no operationalizations were available in related literature. Therefore, basing on definitions of Ghoshal and Bartlett (1990) and the results of qualitative study, two variables have been operationalized as seen in Table 5 and Table 6 and six-point Likert scale ranging from “1 – strongly disagree” to “6 – strongly agree” is used to measure the variables. In the tables, the numbers next to each item indicate the question number including this item in the questionnaire.

Table 5. Items Measuring Across Density

The actions and decisions of certain stakeholder groups (suppliers, customers, competitors, government, NGOs, etc.) of our company in Turkey impact the actions of their counterparts in other host countries. (Ghoshal&Bartlett, 1990)	10
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Table 6. Items Measuring Within Density

Exchange ties among the local stakeholder groups of our company (local suppliers, customers, banks, etc.) are very intense. (Ghoshal&Bartlett, 1990)	10
Range and number of activities carried out by our company in Turkey country is very high. (Qualitative Study)	10
Our company highly invests in the development of its local suppliers and customers in Turkey. (Qualitative Study)	10

Degree of Autonomy

A ten-item, six-point Likert scale ranging from “1 – strongly disagree” to “6 – strongly agree” is adapted from Taggart (1998) and from the results of qualitative study to measure degree of autonomy (see Table 7). In the table, the numbers next to each item indicate the question number including this item in the questionnaire.

Table 7. Items Measuring Degree of Autonomy

Our company acquires critical sectoral information regarding the host country’s (Turkey) local market and that information deeply affects the global performance of the whole MNE. (Qualitative Study)	10
Our company is dependent on international headquarter while making decisions related to determining the product range. (Taggart, 1998) (Reverse Coded – RC)	11
Our company is dependent on international headquarter while making decisions related to determining promotion activities including sales promotion, advertising and public relations. (Taggart, 1998) (RC)	11
Our company is dependent on international headquarter while making decisions related to R&D activities. (Taggart, 1998) (RC)	11
Our company is dependent on international headquarter while making decisions related to setting production capacity (Taggart, 1998) (RC)	11
Our company is dependent on international headquarter while making decisions related to changes in manufacturing /service technology. (Taggart, 1998) (RC)	11
Our company is dependent on international headquarter while making decisions related to budget formation. (Qualitative Study) (RC)	11
Our company is dependent on international headquarter while making decisions related to managing information flow within the company. (Qualitative Study) (RC)	11
Our company is dependent on international headquarter while making decisions related to performing daily routine activities. (Qualitative Study) (RC)	11
Our company is dependent on international headquarter while making decisions related to determining and implementing human resources policy. (Qualitative Study) (RC)	11

Type of Competitive Advantage

A fifteen-item, six-point rating scale ranging from “1 = does not affect at all” to “6 = affects totally” is used to measure the competitiveness. The items have been adapted from the related study of Nayyar (1993). Among those fifteen items, nine of them attempted to measure differentiation – based – competitiveness; while six of them attempted to measure cost – based – competitiveness (see Table 8). In the table, the numbers next to each item indicate the question number including this item in the questionnaire.

Table 8. Items Measuring Competitiveness

<i>Differentiation</i>	
Providing product(s)/services with many differentiating features (Nayyar, 1993)	12
Creating premium product/service quality (Nayyar, 1993)	12
Providing extensive customer/consumer service (Nayyar, 1993)	12
New product/service development (Nayyar, 1993)	12
Having high influence over distribution channels (Nayyar, 1993)	12
Targeting high-priced segment(s) (Nayyar, 1993)	12
Building/maintaining brand equity (Nayyar, 1993)	12
Building/maintaining brand reputation (Nayyar, 1993)	12
Spending a high amount of money on advertising activities. (Nayyar, 1993)	12
<i>Cost</i>	
Providing high operating efficiency/cost control (Nayyar, 1993)	12
Managing raw materials cost and availability (Nayyar, 1993)	12
Making improvements and innovation in manufacturing/service processes (Nayyar, 1993)	12
Product/service cost reduction (Nayyar, 1993)	12
Pricing below competitors (Nayyar, 1993)	12
Having highly skilled functional personnel (Nayyar, 1993)	12

Firm Performance Indicators

An eight – item, six-point Likert scale ranging from “1 = strongly disagree” to “6 = strongly agree” is used to measure the performance of the firms in the last three year

period. All items have been derived from qualitative study results. In Table 9, the numbers next to each item indicate the question number including this item in the questionnaire.

Table 9. Items Measuring Firm Performance

The objectives set while entering the market has been largely accomplished. (Qualitative Study)	13
The experience gained in Turkey in terms of know-how and managerial experience is reverse transferred to both home and other countries within the network of our MNE. (Qualitative Study)	13
The value added by our company to host country's (Turkey's) macro and micro economic factors is high. (Qualitative Study)	13
Our company exploits the resources it acquires by operating in Turkey in a way to strengthen the global competitive position of the whole MNE. (Qualitative Study)	13
Export performance of our company shows an increasing trend since we invested in Turkey. (Qualitative Study)	13
Our company has improved its market position in terms of market share since we invested in Turkey. (Qualitative Study)	13
Profitability ratios of our company have improved since we invested in Turkey. (Qualitative Study)	13
Growth has been provided in sales/service volume of our company since we invested in Turkey. (Qualitative Study)	13

Data Collection Method

In this study, a structured questionnaire has been employed as data collection tool.

The questionnaire items were translated to Turkish by the author. They are then back translated to English by a linguistic professional. Due to certain differences which emerged at the end of this process, necessary wording modifications were carried out.

Following this, the statements in the questionnaire were further clarified and reviewed by a pilot sample consisting of three executives, four PhD students and one management consultant. The participants in the pilot sample were asked to identify any ambiguities in the terms, concepts, or issues raised. Final modifications were

made by taking the feed-back information into account, an introduction part explaining the main purpose of the study and emphasizing confidentiality issues has been included in the questionnaire, and, subsequently, the questionnaire form was started to be sent to the respondents. The final version of the form is provided in appendices D and E.

The questionnaire was sent to respondents via e-mail; and the filled forms were returned to the author through the same channel. Therefore, the method of administration adopted in the study is self-administration method.

In addition to the items stated in the previous section, certain questions regarding the name, age, sector (see Table 10 for sector classification which has been derived from the classification used in the periodic reports of Undersecretariat of Treasury) and size of the firm have been added to the questionnaire to reveal the profile of participating firms. Also questions regarding the individual respondents' work experience, gender, level of education and position in the firm have been included in the questionnaire to get the individual respondents' profile.

Table 10. Industry Classification

Manufacture of Food Products, Beverages and Tobacco
Manufacture of textiles
Manufacture of Chemicals and Chemical Products
Manufacture of Machinery and Equipment
Manufacture of Electrical – Optical Products
Manufacture of Motor Vehicles, Trailers and Semi-Trailers
Electricity, Gas and Water Supply
Construction
Wholesale and Retail Trade
Hotels and Restaurants
Transport, Storage and Communications
Financial Intermediation
Real Estate, Renting and Business Activities
Health, and Social Work
Other Community, Social and Personal Service Activities
Agriculture, Hunting and Forestry
Fishing
Mining and Quarrying
Other (Please specify)

Moreover, two questions regarding the extent of geographic operation area and whether the firm is a regional headquarter or not have been asked in the questionnaire. These questions have especially been added with the intent of using them in future researches related to the constructs discussed in this research; as well as to employ them in the discussion section.

Sampling Procedure

The target population of the study consists of firms that make foreign direct investment in Turkey. To follow a systemic process, 2009 member list of International Investors Association of Turkey (YASED) was chosen as a sampling frame, as it includes firms that have profiles directly fitting the purposes of this study.

The sampling procedure adopted a firm-level approach as the unit of study is the organization itself. Data were collected through a six month period starting from September 2009 and ending on February 2010, from respondents holding managerial positions in their companies.

The member list of YASED included 213 firms in total. Out of these, contact people from 157 companies were reached and asked whether they consent to participate in the study or not. Nine of these managers declined to participate due to confidentiality issues. The remaining 148 firms were included in the study, and questionnaires were sent to them via e-mail. In total, 107 questionnaires were collected (with a response rate of 72.29 %). However, 12 of these questionnaires were found to be invalid, as they included missing data. In the end, number of valid questionnaires totaled 95, with a percentage of valid questionnaires being 88.78 %.

The data obtained from this sample is used in factor analyses and hypothesis testing through multiple regression analysis. In multiple regression, a sample size of 100 detects fairly small R^2 values (10 % to 15 %) with up to ten independent variables and a significance level of 0.05. If a significance level of 0.01 is desired, the analysis will still detect R^2 values in excess of 20 % (Hair et. al, 2010; p.175). During further analysis, R^2 values for both significance levels will be detected; thus, a sample size of 95 is found to be adequate for the purposes of this study.

Certain findings regarding the firm characteristics and respondent demographics should be presented before moving on for further analysis as they provide a baseline view on which the subsequent comments on study findings could be built on.

As presented in Table 11, firms are almost equally dispersed in terms of their sizes; with 33.7 % of them consisting of small firms (firms employing 250 or less employees), 31.6 % of medium sized firms (firms employing more than 250 to 1000 employees), and 29.5 % of large firms (firms employing more than 1000 employees). In terms of industry, “Manufacture of Chemicals and Chemical Products” (including petroleum, pharmaceuticals, cosmetics, etc) has the highest share in the sample (24.2 %), followed by “Financial Intermediation” firms (13.7 %), and next by “Transport, Storage and Communications” firms and “Manufacture of Food Products and Beverages” firms with an equal share of 11.6 %. Overall, 57.9 % of the firms are manufacturing firms, while 42.1 % of them are service firms.

Table 11. Sample Characteristics

Type of Industry	n	%
Manufacture of Food Products and Beverages, Tobacco	11	11.6 %
Manufacture of textiles	1	1.1 %
Manufacture of Chemicals and Chemical Products	23	24.2 %
Manufacture of Machinery and Equipment	5	5.3 %
Manufacture of Electrical – Optical Products	2	2.1 %
Manufacture of Motor Vehicles, Trailers and Semi-Trailers	8	8.4 %
Electricity, Gas and Water Supply	3	3.2 %
Construction	2	2.1 %
Wholesale and Retail Trade	4	4.2 %
Hotels ad Restaurants	3	3.2 %
Transport, Storage and Communications	11	11.6 %
Financial Intermediation	13	13.7 %
Real Estate, Renting and Business Activities	0	0.0 %
Health, and Social Work	2	2.1 %
Other Community, Social and Personal Service Activities	0	0.0 %
Agriculture, Hunting and Forestry	0	0.0 %
Fishing	0	0.0 %
Mining and Quarrying	1	1.1 %
Other	6	6.3 %
Missing	0	0.0 %
Total	95	100.0 %
Firm Size	n	%
Small Firms (with 250 or less employees)	32	33.7 %
Medium sized firms (with employees more than 250 to 1000)	30	31.6 %
Large firms (with employees more than 1000)	28	29.5 %
Missing	5	5.3 %
Total	95	100.0 %
Firm Age	n	%
Firms operating in Turkey for less than 10 years	23	23.9 %
Firms operating in Turkey between 10 and 50 years	51	59.0 %
Firms operating in Turkey between 51 and 106 years	13	12.9 %
Missing	4	4.2 %
Total	95	100.0 %

Of the participating firms, 23.9% have been operating in Turkey for less than 10 years, 59.0 % between 10 and 50 years, and 12.9% have been operating between 51 and 106 years. Also, 29.5% of the firms are defined as regional headquarters, and the rest (70.5%) are defined as local subsidiaries. When the location of headquarter is specifically examined, it is revealed that most of the firms in the sample have headquarters in USA (18.9 %), followed by Germany (17.9 %), France (12.6 %), Great Britain (7.4 %), Switzerland and Holland (with equal shares of 6.3 %) and others.

Finally, area of operation is considered to be an important element while making further interpretations regarding study variables. It is especially important to control for the operational setting to see whether it is possible or not to make general comments about the findings related to Within Density and Across Density, as these are the variables with the most extroverted nature. Moving from this point on, the area of operations were listed through using the web-site information of the participating firms and the required information was provided for 86 of them. When frequencies are computed, following results have been provided: 98.8 % of firms have operations in Europe, 90.7 % in North America, 77.9 % in South America, 90.7 % in Asia-Pacific, 57.0 % in Middle East, and 61.6 % in Africa. Basing on these numbers, it can be stated as a general finding that nearly 60 % of the participating firms have operations all over the world, and that over 90 % have operations in Europe, North America and Asia-Pacific region. Therefore, further comments throughout the research can be made by assuming a similarity among the operational setting of the participating firms.

In terms of respondent demographics, one of the most important positive aspects turned out to be the position respondent holds in that company. As most

questions in the questionnaire required high level of information regarding firm strategies, operations and corporate network – wide relationships, the position of respondents was considered to be an important issue throughout the research.

Largely satisfying this requirement; 24.2% of the respondents in the sample are CEO or General Manager, 21.1% are Assistant Manager or Director, 35.8% are manager, 17.8% are specialist or expert, and 1.1% hold other positions in the company.

In addition, majority (67.4%) of the respondents are male. While 47.3 % have only a bachelor's degree, 49.5 % have a master's and 3.2 % have PhD's. Also, 36.8% of the respondents have mentioned that they had worked abroad before.

Finally, regarding tenure, it is found that majority of the respondents (47%) have tenures between five and fourteen years, while 33% have tenures of less than five years, and 20% have tenures of more than fifteen years.

In the next chapter, data analysis process and the results obtained from these analyses will be presented.

CHAPTER IV

DATA ANALYSIS AND FINDINGS OF THE STUDY

Data obtained from the sample were analyzed using SPSS 18.0 for Windows. The results of the analyses are presented in this chapter.

Main analyses performed are as follows:

- The assumptions of multivariate analysis are tested for each metric variable.
- Reliabilities of the scales used are computed.
- Exploratory factor analysis is conducted for scale purification.
- Reliabilities of the scales revealed after factor analysis are computed.
- Summary statistics of the study variables are computed.
- The assumptions of multiple regression analysis (assumptions regarding the variate) are tested.
- The hypotheses of the study are tested through multiple regression analysis.

Testing the Assumptions of Multivariate Analysis for Metric Variables

Multivariate analysis requires that the assumptions underlying the statistical techniques be tested twice; first for the separate variables, and second for the multivariate model variate, which acts collectively for the variables in the analysis

(Hair et. al., 2010, p.70). Moving from this point on, first, the assumptions of normality, linearity and homoscedasticity were tested for each individual metric variable.

Normality

Normality is among the most fundamental assumptions in multivariate analysis. It is related to the shape of data distribution for an individual metric variable. More specifically, it includes tests that evaluate data distribution's correspondence to normal distribution (Hair et. al., 2010).

Normality of variables can be assessed through both statistical and graphical methods. As for statistical methods, kurtosis and skewness are the two components indicating the shape of distribution; whereas, the Q-Q plot is the most popular graphical method to test normality (Tabachnick & Fidell, 2007; Sharma, 1996).

In line with these, graphical examination of normality was conducted for each metric variable. Certain deviations from normal distribution were observed in graphical representations. For further investigation, these visual tests were followed by computations of skewness and kurtosis values and Kolmogorov-Smirnov and Shapiro-Wilk tests. Table 12 presents the results of these tests.

Table 12. Distributional Characteristics and Testing for Normality

Variable	Shape Descriptors		Test of Normality			
	Skewness	Kurtosis	Kolmogorov - Smirnov		Shapiro - Wilk	
	Stat.	Stat.	Stat.	Sig.	Stat.	Sig.
Upstream FDI	0.195	-1.211	0.112	0.005	0.920	0.000
Downstream FDI	-0.191	-1.202	0.112	0.005	0.920	0.000
Cost Based CA	-0.224	-0.267	0.128	0.001	0.978	0.109
Differentiation Based CA	-1.074	2.644	0.096	0.032	0.938	0.000
Degree of Global Integration	-0.346	-0.450	0.104	0.013	0.973	0.047
Degree of Autonomy	-0.329	-0.710	0.123	0.001	0.969	0.024
Across Density	-0.102	-0.961	0.207	0.000	0.910	0.000
Within Density	-0.324	-0.759	0.132	0.000	0.961	0.006
Firm Performance	-0.301	-0.653	0.119	0.002	0.974	0.059

As seen in Table 12, all metric variables, except for *Upstream FDI*, show negative skewness statistics, indicating a left-leaning distribution. Research has shown that the power of a test is not affected by violation of the normality assumption if the nonnormality is solely due to skewness (Sharma, 1996; p.375). However, when the kurtosis values are examined, it is seen that all kurtosis statistics, except for *Differentiation*, are negative, indicating a flat distribution which has a more severe effect in terms of statistical analysis.

Moreover, Kolmogorov-Smirnov and Shapiro-Wilk tests indicate significant statistics signaling that the assumption of normality is not met for any variable.

It is recommended that, if nonnormality is found, transformation of variables should be considered (Hair et. al., 2010; Tabachnick & Fidell, 2007). Thus, square root, inverse and logarithmic transformations were carried out and Kolmogorov -

Smirnov and Shapiro - Wilk tests were run again. However, none of the transformations improved the normality of the variables, thus the original values are used in the subsequent analysis.

Homoscedasticity

Homoscedasticity refers to the assumption that dependent variables exhibit equal levels of variance across the range of predictor variables (Hair et. al., 2010; p.74). Violation of this assumption has most certain effects in terms of Type I error (Sharma, 1996). Levene's test for equality of variances is used to test the hypothesis that the two population variances are equal and thus is employed for examining homoscedasticity (Ho, 2006).

Sector was used as the grouping variable since it divides the data into two groups nearly similar in sizes (manufacturing 57.9 % of the firms, service 42.1 % of the firms). The results of the test are presented in Table 13.

Table 13. Results of Homoscedasticity Tests

	Grouping Variable: Sector	
	Levene Stat. F	Sig.
Upstream FDI	1.89	0.171
Downstream FDI	1.70	0.195
Cost Based CA	0.76	0.387
Differentiation Based CA	0.11	0.743
Degree of Global Integration	7.61	0.007
Degree of Autonomy	5.78	0.018
Across Density	3.63	0.060
Within Density	1.37	0.246
Firm Performance	0.003	0.955

As seen in Table 13, except for *Degree of Global Integration* and *Degree of Autonomy*, none of the values is significant at the 0.05 level; indicating that the assumption of homogeneity of variance has not been violated, and thus, the equal variances assumed tests can be used for further analysis (Ho, 2006).

Linearity

The assumption of linearity is that there is a straight-line relationship between two variables. It is considered to be an important assumption because Pearson's R, which is a highly referred statistic in almost all multivariate analysis, only captures the linear relationships among variables, while ignoring any substantial nonlinear relationships among them (Tabachnick & Fidell, 2007).

The most common way of assessing linearity is to examine scatterplots of the variables or to run a simple regression analysis and to examine residuals through partial regression plots, which reflect the unexplained portion of the dependent variable; thus, is expected to reflect any nonlinear portion of the relationship (Hair et al., 2010). Examination of the partial regression plots showed that none of the relationships between the independent and the dependent variables show a significant nonlinearity.

Reliabilities of Scales and Exploratory Factor Analysis for Scale Purification

Scale Reliabilities

Reliabilities of the scales measuring study variables were examined by computing Cronbach's Alpha coefficients for each scale. Also, Hotelling's T-Squared value was referred to as it evaluates the statistical significance of the differences between the means of the items in the scales, and thus provides a measure of interrelatedness (Hair et al., 2010).

The results showed that deletion of six items would improve reliability of the scales used to measure *degree of global integration, degree of autonomy, cost based competitive advantage, within density and performance*. These items are as follows:

1. Primary corporate strategies should be adapted to different cultural clusters.
(Degree of global integration)
2. Our company has very strong local competitors in Turkey. (Degree of global integration)
3. Our company highly invests in the development of its local suppliers and customers in Turkey. (Within density)
4. Our company acquires critical sectoral information regarding the host country's (Turkey) local market and that information deeply affects the global performance of the whole MNE. (Degree of autonomy)
5. Pricing below competitors. (Cost based competitive advantage)
6. Export performance of our company shows an increasing trend since we invested in Turkey. (Firm performance)

Out of these items; first, second, fourth, and sixth ones were deleted. However, third and fifth ones were decided to be kept because only minor reliability improvements were provided in the scales after deletions. Thus, decreasing the number of items was not considered to be an optimal solution here.

All final values for scale reliabilities are presented in Appendix F.

Exploratory Factor Analyses

Exploratory factor analysis plays a unique role in the application of multivariate techniques as it provides the tools for analyzing the structure of the interrelationships among a large number of variables by defining certain sets of them, known as *factors* (Hair et al., 2010). For the purposes of this study, principle components analysis was chosen as the method of extraction since the main aim here is to “re-express the multivariate data” by making the necessary purifications and reductions. Principle components analysis is the most useful method in this sense as it allows the researcher to “reorient the data” so that the first few dimensions account for as much of the available information as possible. This dimension reduction makes visualization of the data more straightforward and subsequent data analysis more manageable (Lattin et al., 2003, p.83).

In determining the number of factors to be extracted, two conventional criteria exist. One of them, *eigenvalues*, indicates the significance of factor dimensions by referring to the common variance explained by an extracted factor. As this variance should be at least equal to the variance explained by a single variable, only factors with eigenvalues of 1 or greater are considered to be significant. The other criterion, *scree test*, is derived by plotting the eigenvalues against the number

of factors in order of extraction, and thus visually helps the researcher to identify the number of factors to be extracted (Ho, 2006).

Regarding the overall measures of intercorrelation, which indicates the appropriateness of factor analysis, the Bartlett test of sphericity and Keiser-Meyer-Olkin Measure of Sampling Adequacy (KMO – MSA) are the two critical tests to apply. A statistically significant Bartlett’s test of sphericity indicates that sufficient correlations exist among the variables to proceed. In terms of KMO - MSA values, the researcher should always have an overall value of above 0.50 before proceeding with the factor analysis. As KMO provides a general measure of sampling adequacy value, MSA values in anti-image correlation matrix should be checked for each item for further examination (Hair et al., 2010).

Throughout the analyses, among the orthogonal rotation techniques, varimax method was employed. Varimax has achieved the most widespread use as it gives the clearest separation of factors, by producing the maximum possible simplification of the columns (factors) within the factor matrix (Ho, 2006).

The results of factor analysis for *Degree of Global Integration* items are presented in Table 14. As seen in this table, Bartlett’s test of sphericity and KMO value (0.673) meet the prerequisites of the analysis. Also, none of the MSA values in the anti-image correlation matrix was lower than 0.50. In terms of factor loadings, the analysis revealed two factors, which were named as *Unification of Task Environment* and *Integration of Corporate Network*. It should be noted here that, the item, “Our MNE competes with the same global competitors in all key markets” almost equally loaded on both factors; and thus, was included in *Unification of Task Environment* by basing on previous literature information.

Table 14. Factor Analysis Results for Degree of Global Coordination/Integration

Factor Name	Factor Loading	Variance Explained
<i>Factor 1 – Unification of Task Environment</i>		27.428%
Market conditions are similar in all host countries of our MNE.	0.773	
Our MNE works with same suppliers all over the world.	0.687	
Our MNE works with same customers all over the world.	0.836	
Our MNE uses the same firms all over the world to outsource certain activities.	0.547	
Our MNE competes with the same global competitors in all key markets in which it operates.	0.244	
<i>Factor 2 – Integration of Corporate Network</i>		26.211%
All activities regarding the supply of raw materials to the distribution of finished product/services are internationally controlled.	0.766	
All activities regarding the transfer of intangible assets (e.g. skills, technology) within the organization are internationally controlled.	0.758	
Technology development carried in this subsidiary is always transferred to other group subsidiaries in a short time period to make them benefit from these developments.	0.654	
Total Variance Explained		53.639%
KMO Measure	0.673	
Bartlett's Test	184.442*	

* Significant at 0.01 level.

The results of the analysis for *Degree of Autonomy* items are presented in Table 15. The factor analysis for this variable was conducted in two rounds. In the first round, seven of nine items loaded on one factor, and the remaining two items loaded on the other factor. As such dispersion is unbalanced and very hard to interpret, another factor analysis was run to test the explanation power of the solution when the items are forced into a single factor. The tests revealed satisfying statistical values letting the single factor solution to be accepted. In the finalized solution, Bartlett's test of sphericity is significant and KMO value (0.863) is much above the threshold level of 0.50. When examined in terms of each item, it was found that, none of the MSA values in the anti-image correlation matrix was lower than 0.50.

Table 15. Factor Analysis Results for Degree of Autonomy

Factor Name	Factor Loading	Variance Explained
<i>Factor 1 – Degree of Autonomy</i>		
Our company is dependent on international headquarter while making decisions related to determining the product range.	0.749	
Our company is dependent on international headquarter while making decisions related to R&D activities.	0.660	
Our company is dependent on international headquarter while making decisions related to setting production capacity	0.827	
Our company is dependent on international headquarter while making decisions related to changes in manufacturing technology.	0.793	
Our company is dependent on international headquarter while making decisions related to determining promotion activities including sales promotion, advertising and public relations.	0.716	
Our company is dependent on international headquarter while making decisions related to budget formation.	0.636	
Our company is dependent on international headquarter while making decisions related to managing information flow within the company.	0.708	
Our company is dependent on international headquarter while making decisions related to performing daily routine activities.	0.651	
Our company is dependent on international headquarter while making decisions related to determining and implementing human resources policy.	0.657	
Total Variance Explained		53.916 %
KMO Measure	0.863	
Bartlett's Test	375.712*	

*Significant at 0.01 level.

In terms of Within Density items, the results of factor analysis are presented in Table 16.

Table 16. Factor Analysis Results for Within Density

Factor Name	Factor Loading	Variance Explained
<i>Factor 1 – Within Density</i>		
Exchange ties among the local stakeholder groups of our company (local suppliers, customers, banks, etc.) are very intense.	0.568	
Range and number of activities carried out by our company in Turkey is very high.	0.880	
Our company highly invests in the development of its local suppliers and customers in Turkey.	0.844	
Total Variance Explained		60.330 %
KMO Measure	0.563	
Bartlett's Test	57.015*	

*Significant at 0.01 level.

Again, no violations of the requirements of Bartlett's test of sphericity are seen.

KMO value (0.563) and all MSA values in the anti-image correlation matrix are also above the threshold value of 0.50. Only one factor explaining 60.33 % of the total variance was revealed as a result of the analysis.

For *Differentiation Based Competitive Advantage* items, results are presented in Table 17. As can be figured out from the Bartlett's test of sphericity and KMO value (0.792), there are no problems in terms of basic assumptions of factor analysis. No MSA values were found to lower than 0.50 in the anti-image correlation matrix, as well.

Table 17. Factor Analysis Results for Differentiation Based Competitive Advantage

Factor Name	Factor Loading	Variance Explained
<i>Factor 1 – Image and Operations Differentiation</i>		27.763 %
Having high influence over distribution channels	0.757	
Targeting high-priced segment(s)	0.603	
Building/maintaining brand equity	0.498	
Building/maintaining brand reputation	0.653	
Spending a high amount of money on advertising activities.	0.851	
<i>Factor 2 – Product and Service Differentiation</i>		27.005 %
Providing product(s)/services with many differentiating features	0.820	
Creating premium product/service quality	0.845	
Providing extensive customer/consumer service	0.601	
New product/service development	0.683	
Total Variance Explained		54.768 %
KMO Measure	0.792	
Bartlett's Test	230.436*	

*Significant at 0.01 level.

Results revealed two factors with eigenvalues greater than 1, explaining 54.77 % of the total variance. The factors were named as; *Image and Operations Differentiation* and *Product and Service Differentiation*.

Factor analysis results for *Cost Based Competitive Advantage* items are presented in Table 18. Results indicate significant Bartlett's test values. KMO

(0.731) values and anti-image correlation matrix values per item are also higher than 0.50.

Table 18. Factor Analysis Results for Cost Based Competitive Advantage

Factor Name	Factor Loading	Variance Explained
<i>Factor 1 – Direct Cost Factors</i>		32.945 %
Providing high operating efficiency/cost control	0.854	
Managing raw materials cost and availability	0.839	
Product/service cost reduction	0.619	
<i>Factor 2 – Indirect Cost Factors</i>		30.585 %
Making improvements and innovation in manufacturing/service processes	0.791	
Pricing below competitors	0.446	
Having highly skilled functional personnel.	0.832	
Total Variance Explained		63.530 %
KMO Measure	0.731	
Bartlett's Test	138.544*	

*Significant at 0.01 level.

The results showed that two factors explaining the 63.53 % of the total variance were extracted. These factors were named *Direct Cost Factors* and *Indirect Cost Factors*.

In terms of Firm Performance items, results obtained are presented in Table 19. According to the results, there are no violations in terms of Bartlett's test of sphericity, KMO measure (0.715), and item-level MSA values. When factor loadings are examined, it was seen that two factors with eigenvalues greater than 1 were extracted. These factors were named *Strategic Performance Indicators* and *Financial Performance Indicators*.

Table 19. Factor Analysis Results for Firm Performance

Factor Name	Factor Loading	Variance Explained
<i>Factor 1 – Strategic Performance Indicators</i>		31.916 %
The objectives set while entering the market has been largely accomplished.	0.713	
The experience gained in Turkey in terms of know-how and managerial experience is reverse transferred to both home and other countries within the network of our MNE.	0.553	
The value added by our company to host country's (Turkey's) macro and micro economic factors is high.	0.815	
Our company exploits the resources it acquires by operating in Turkey in a way to strengthen the global competitive position of the whole MNE.	0.790	
<i>Factor 2 – Financial Performance Indicators</i>		29.748 %
Our company has improved its market position in terms of market share since we invested in Turkey.	0.783	
Profitability ratios of our company have improved since we invested in Turkey.	0.816	
Growth has been provided in sales/service volume of our company since we invested in Turkey.	0.812	
Total Variance Explained		61.664 %
KMO Measure	0.715	
Bartlett's Test	190.232*	

*Significant at 0.01 level.

Finally, it should be noted that, as *Across Density* was measured by a single-item scale, no factor analysis was carried out for this variable.

Expanded Model and Reliability Values of All Variable Dimensions

As a result of exploratory factor analysis, new dimensions have emerged and, thus; the research model has been revised as can be seen in Figure 6.

Reliabilities of the scales measuring the new dimensions have been computed as well. The results are presented in Table 20.

Table 20. Reliability Values of Scales Measuring All Dimensions^a

	Cronbach's Alpha	Hotelling's T-squared Sign.	Number of Items
Unification of Task Environment	0.700	0.000	5
Integration of Corporate Network	0.655	0.009	3
Degree of Autonomy	0.877	0.000	9
Within Density	0.659	0.008	3
Image and Operations Differentiation Based CA	0.745	0.000	5
Product and Service Differentiation Based CA	0.765	0.001	4
Direct Cost Based CA	0.755	0.000	3
Indirect Cost Based CA	0.560	0.003	3
Financial Performance Indicators	0.769	0.001	3
Strategic Performance Indicators	0.722	0.000	4

^a Across Density is measured by a single-item scale, thus no reliability values have been calculated for this variable.

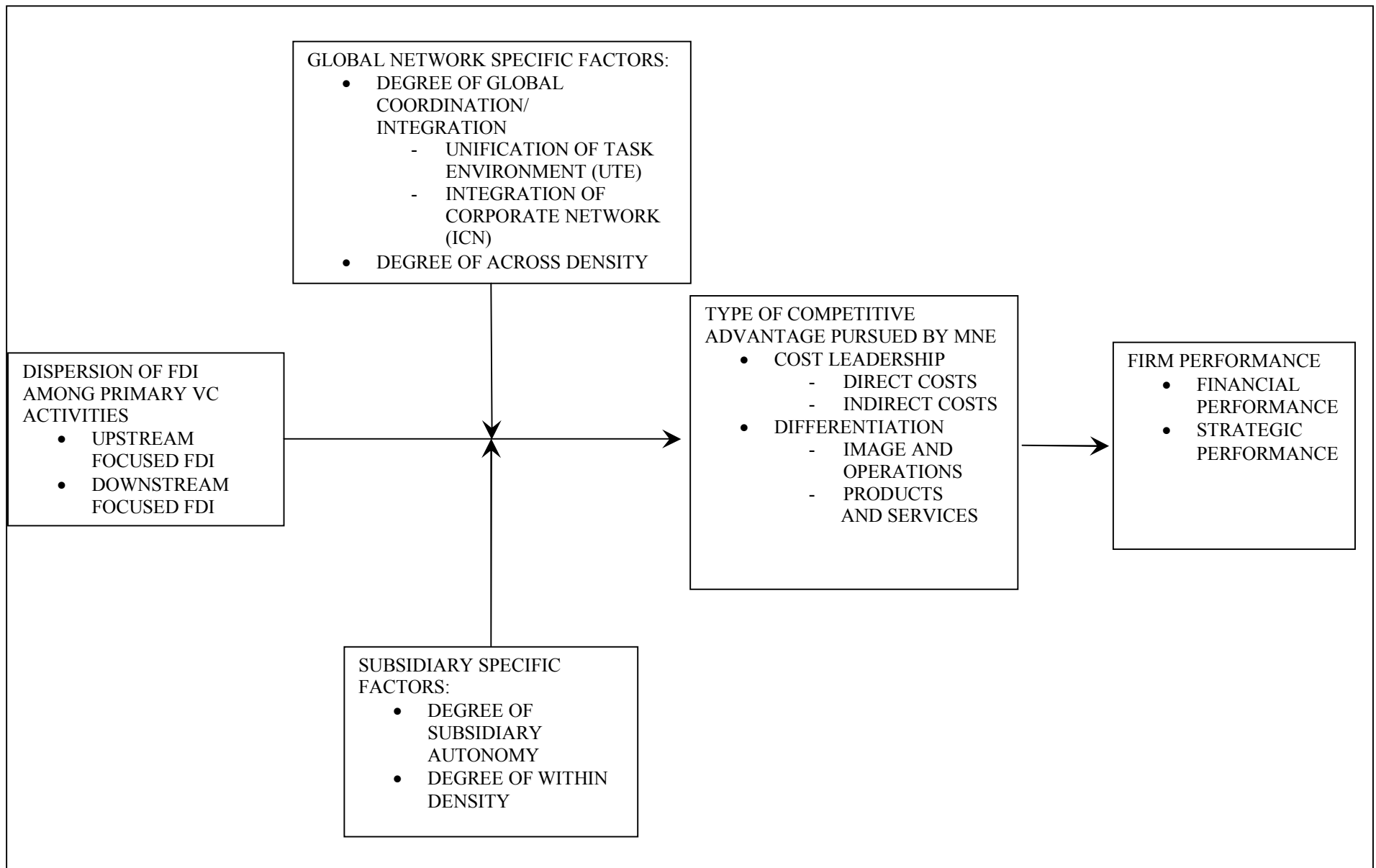


Figure 6. Expanded research model

Summary Statistics of Study Variables

Table 21 shows means, maximum and minimum values, and standard deviations of study variables.

Table 21. Summary Statistics of Study Variables

Variables*	N	Min.	Max.	Mean	SD
Upstream FDI	95	.00	100	39.09	30.83
Downstream FDI	95	.00	100	60.91	30.75
Direct Cost Based CA	95	1.67	6.00	4.40	1.01
Indirect Cost Based CA	95	2.00	6.00	4.25	0.89
Image and Operations Differentiation Based CA	95	1.40	6.00	4.17	0.93
Product and Service Differentiation Based CA	95	1.75	6.00	4.84	0.77
Unification of Task Environment	95	1.80	5.40	3.50	0.92
Integration of Corporate Network	95	1.00	6.00	4.25	1.07
Degree of Autonomy	95	1.00	4.89	2.79	0.92
Across Density	95	1.00	6.00	3.37	1.19
Within Density	95	2.00	6.00	4.18	0.98
Strategic Firm Performance	95	2.50	6.00	4.57	0.80
Financial Firm Performance	95	1.67	6.00	4.51	1.03

* The variables are measured on a 6-point scale where the maximum is 6 and the minimum is 1. For the subscales, which contained “reverse coded items”, necessary recoding is made.

When the mean dispersions of FDI are examined in terms of Upstream and Downstream activities, it is seen that participating firms invested a larger amount (60.91%) in downstream activities. In terms of competitive advantage firms pursue, “Product and Service Differentiation Based CA” is evaluated to be the most effective one (with a mean of score of 4.84), followed by “Direct Cost Based CA” (with a mean score of 4.40). Of the two “Degree of Global Integration” variables,

“Integration of Corporate Network” is evaluated as the more widely practiced one (with a mean score of 4.25). Additionally, firms participating in the survey indicated that they are moderately dependent on their headquarters while making decisions (with a mean score of 2.79 - calculated with recoded values). In terms of network density, most firms pointed out that they have higher levels of within density (with a mean score of 4.18) in their corporate networks when compared to levels of across density (with a mean score of 3.37). Finally, it should be noted that, level of strategic and financial performances are almost the same for the firms participated in the survey.

In addition to the above stated values, the correlations between the study variables have also been calculated. As seen in Table 22, there are certain significant relationships between study variables. The results will further be discussed in relation to multiple regression analysis findings.

Table 22. Intercorrelations among the Variables Studied

	1	2	3	4	5	6	7	8	9	10	11	12	13
1.Upstream FDI	1												
2.Downstream FDI	-1.000**	1											
3.Unification of Task Environment	-.075	.077	1										
4.Integration of Corporate Network	-.061	-.058	.343**	1									
5.Across Density	.119	-.118	.043	.153	1								
6.Degree of Autonomy	.022	-.021	-.296**	-.445**	.157	1							
7.Within Density	.038	-.042	-.054	.066	.176	.157	1						
8.Direct Cost	.238	-.239*	.004	-.099	-.128	-.072	.201	1					
9.Indirect Cost	.094	-.094	.077	.156	.071	-.069	.129	.456**	1				
10.Image and Operations Differentiation	-.085	.086	-.107	.053	-.063	-.088	.292**	.191	.324**	1			
11.Product and Service Differentiation	.010	-.010	-.110	.179	-.255**	-.091	.296**	.381**	.414**	.438**	1		
12.Strategic Firm Performance	.164	-.169	.082	.350**	.064	-.323**	.227**	.151	.216*	.120	.368**	1	
13.Financial Firm Performance	.112	-.114	-.013	.229*	.108	-.330**	.353**	.094	-.032	.279**	.150	.399**	1

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

Hypothesis Testing

In this section, information is provided on the multiple regression analyses carried out to test formerly stated research hypotheses.

Testing the Assumptions for the Variate

As emphasized in previous sections, multivariate analysis requires that the assumptions underlying the statistical techniques be tested twice; first for the separate variables, and second for the multivariate model variate, which acts collectively for the variables in the analysis (Hair et al., 2010, p.70). Accordingly, after the regression model was estimated, the variate is separately assessed for both financial firm performance and strategic firm performance, to see whether the assumptions of normality, linearity and homoscedasticity are met or not. As a final assumption, independence of residuals is also controlled for. Rather than explaining the processes employed for these assumptions separately for each variate, a general explanation on the results of the related tests will be provided here.

Residuals' scatterplots are examined to test the above mentioned assumptions between the predicted dependent variable (DV) scores and errors of prediction. Assumptions of analysis are that the residuals (differences between obtained and predicted DV scores) are normally distributed about the predicted DV variable, that the residuals have a straight-line relationship with predicted DV scores, and that the variance of the residuals about predicted DV scores is the same for all predicted scores (Tabachnick & Fidell, 2007, p.125).

For the assumption of normal distribution of error terms, normal probability plots of the standardized residuals have been examined (Hair et al., 2010). Only when the Image and Operations Differentiation Based CA and Product and Service Based CA is the DV in the analysis, a certain degree of skewness appears. However, as the departures from the diagonal are not substantial or systematic, the residuals are considered to represent a normal distribution.

The assumption of linearity of the variate is assessed through an analysis of the residuals (Hair et al., 2010). When null plots are examined, it is seen that none of the equations exhibit any substantial non-linear pattern.

For the assumption of constant variance of error terms (homoscedasticity), null plots are examined. As none of the plots exhibit a pattern of increasing or decreasing residuals, the assumption of homoscedasticity is concluded to be not violated.

In addition to these, independence of residuals is also examined as a final assumption. This assumption deals with the effect of carryover from one observation to another. When carryover is found, the researcher must identify the potential sequencing variables and plot the residuals by this variable (Hair et. al., 2010). Durbin-Watson statistic is a useful measure here, as it assesses autocorrelation of errors over the sequence of cases, and, if significant, indicates nonindependence of errors. More specifically, the more the value of this statistic deviates from two, the more likely that the residuals are not independent (Tabachnick & Fidell, 2007, p.128; Spicer, 2005). When Durbin-Watson statistics are examined, once again it is seen that, this assumption is violated to a certain degree when Image and Operations Differentiation Based CA and Product and Service Based CA is entered the model as the dependent variable. However, the statistics are slightly over the threshold level of 2 in these cases (the maximum value being 2.3); thus the variables are decided to be

kept for further analyses. However, as the above stated values are sufficiently deviant to raise doubts about the outcomes, recommendation of Stevens (2002) was adopted and alpha level was reduced to 0.01 for the interpretation of the results regarding these variables to cope with any possible Type I error (Spicer, 2005).

As a final point, it should be noted that R^2 and Adjusted R^2 values are compared throughout regression analyses to be able trace the real contribution of the variables included in the equation in each step. Due to overfitting, R^2 values may increase even when a nonsignificant predictor variable is added to the equation (Hair et al., 2010). Thus, each time a variable significantly enters the model, the adjusted R^2 value is controlled for to see whether there is a corresponding increase in the variance explained or not. As a general finding, it is found that, all significantly entering variables created a corresponding increase in Adjusted R^2 values related to that model.

Multiple Regression Analysis

Several regression analyses were run to test the relationships between the independent (Upstream FDI and Downstream FDI) and dependent variables (Strategic Firm Performance and Financial Firm Performance) of the study, and to diagnose any possible effects of moderating (Unification of Task Environment, Integration of Corporate Network, Degree of Operational Autonomy, Degree of Strategic Autonomy, Across Density, Within Density) and mediating (Image and Operations Differentiation Based CA, Product and Service Differentiation Based CA, Direct Cost Based CA, Indirect Cost Based CA) variables on these relationships.

Additionally, firm characteristics such as age, size and type of industry were included in the models as control variables.

During the analyses, collinearity (correlation among the independent variables) was tried to be identified by first examining the correlation matrix for the independent variables and then by examining condition indexes and VIF values. In the correlation matrix, it was seen that the independent variables of the study were perfectly correlated with each other. Further VIF – Variance Inflation Factor and CI - Condition Index values also supported this finding. As a rule of thumb, the threshold for VIF values is 10, and a CI over 15 indicates a possible multicollinearity problem while a CI of over 30 suggests a serious multicollinearity problem (Ho, 2006). VIF and CI values were found to be beyond these threshold values for both Upstream FDI and Downstream FDI. This identified multicollinearity problem can be due to many reasons. However, when the nature of the research variables is taken into consideration, the most possible reason of the problem here stems from including a summated scale along with the individual variables that created it. This problem is also expressed as “singularity” (Hair et al., 2010, p.202). Here including both Upstream FDI and Downstream FDI variables which together forms a summated scale (a scale that summates to 100%) simultaneously into the analyses is seen as the possible reason of the singularity problem.

For the purpose of removing singularity, among the possible remedies, two options were especially preferred. One of them is omitting one or more highly correlated independent variables (Hair et al., 2010, p.205). Accordingly, Upstream FDI and Downstream FDI were treated as separate independent variables during the analysis and the regressions were separately run for each of these variables. As a result, the problem of multicollinearity has been partially removed. More

specifically, while no multicollinearity has been diagnosed when the competitive advantage variables are treated as the dependent variable (in the first parts of the analyses), the problem is found to be still prevailing when the firm performance dimensions are included in the model as the dependent variable.

The other remedy for multicollinearity is to use the simple correlations between each independent variable and the dependent variable to understand the nature of the relationship between them (Hair et al., 2010, p.205). Therefore, to provide a more healthy and robust interpretation of the relationships, correlations between study variables were also treated as important indicators and taken into account during discussion of results.

Relationship between Upstream FDI and Cost Based Competitive Advantage

Two analyses are carried out to explore the relationship between Upstream FDI and each dimension of Cost Based CA.

Results of the analysis regarding the relationship between Upstream FDI and Direct Cost Based Competitive Advantage are depicted in Table 23. In the first model, only the control variables are regressed against the dependent variable to see whether they are all controlled for further analysis or not. Results indicate that the model explains 9.6 % of the variance in the importance attributed to Direct Cost Based Competitive Advantage by the firm, and that, the firm size is not fully controlled ($F_{(3,82)} = 2.889$, $p < 0.05$). Thus, it should be mentioned that, the findings are prevalent especially for large firms.

In the second step, with the inclusion of Upstream FDI in the model, the variance explained significantly increased ($\Delta R^2 = 0.053$; $\Delta F_{(1,81)} = 5.075$, $p < 0.01$).

According to regression results, Upstream FDI ($\beta_i = 0.277$; $p < 0.01$) is identified as a predictor of Direct Cost Based Competitive Advantage in the expected positive direction.

Finally, when the interaction terms are entered into the equation in the third model to investigate moderation effects, the variance explained increased significantly to 25.1 % ($\Delta R^2 = 0.102$; $\Delta F_{(5,76)} = 2.070$, $p < 0.05$). Here, it can be concluded that, Across Density (AD) ($\beta_i = -0.380$; $p < 0.05$) and Within Density (WD) ($\beta_i = 0.877$; $p < 0.01$) moderates the relationship between Upstream FDI and Direct Cost Based Competitive Advantage as they have significant interactions with the independent variable. However, it should be noted that, while AD moderates the relationship in a negative way, contrary to the expected, WD moderates it in a positive way.

Following the same vein, another series of regression analyses are conducted to explore the relationship between Upstream FDI and Indirect Cost Based Competitive Advantage. As can be seen in Table 24, in the first model, control variables explain only 2 % of the variance in the dependent variable ($F_{(3,82)} = 0.537$). When the independent variable Upstream FDI is entered the equation in the second model, it causes a nonsignificant increase in the variance explained ($\Delta R^2 = 0.010$; $\Delta F_{(1,81)} = 0.848$). In the third model, when the interaction terms are entered the equation, the variance explained increases in a statistically significant way ($\Delta R^2 = 0.107$; $\Delta F_{(5,76)} = 1.880$, $p < 0.05$). When the interaction terms are examined, it is seen that Unification of Task Environment (UTE) ($\beta_i = 0.661$; $p < 0.01$) and WD ($\beta_i = 0.774$; $p < 0.01$) moderates the relationship between Upstream FDI and Indirect Cost Based Competitive Advantage. At this point, it should also be stated that, as “sector”

($\beta_i = 0.229$; $p < 0.05$) is found to be significant indicator in the third model, the results are mostly valid for service firms rather than manufacturing firms.

Relationship between Downstream FDI and Cost Based Competitive Advantage

Two analyses are carried out to explore the relationship between Downstream FDI and each dimension of Cost Based Competitive Advantage (CA).

Results obtained from multiple regression analysis conducted to explore the relationship between Downstream FDI and Direct Cost Based Competitive Advantage are listed in Table 25. Control variables are regressed against the dependent variable in the first set, and, it is revealed that the firm size is not fully controlled ($R^2 = 0.096$, $F_{(3,82)} = 2.889$, $p < 0.05$). Thus, the results are mostly prevalent for firms with larger sizes.

With the inclusion of Downstream FDI in the second model, the variance explained significantly increased ($\Delta R^2 = 0.053$; $\Delta F_{(1,81)} = 5.026$, $p < 0.01$). According to the regression results, Downstream FDI ($\beta_i = -0.275$; $p < 0.01$) is identified as a predictor of Direct Cost Based Competitive Advantage in a negative direction. When the interaction terms are entered into the equation in the third model to trace moderation effects, the variance explained increased significantly to 29.8 % ($\Delta R^2 = 0.149$; $\Delta F_{(5,76)} = 3.226$, $p < 0.01$). According to the results, Downstream FDI significantly but negatively interacts with AD ($\beta_i = -0.393$, $p < 0.01$), while it significantly and positively interacts with degree of autonomy ($\beta_i = 0.603$, $p < 0.05$) and WD ($\beta_i = 0.603$, $p < 0.01$). Also, in the third model, it is seen that sector ($\beta_i = 0.258$, $p < 0.05$) appears as a significant predictor. Thus, the effects of interaction terms are stronger in service firms when compared to manufacturing firms.

Table 23. Regression Results for Upstream FDI and Direct Cost Based CA^{a,b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.346	0.260	0.291*	0.297	0.125	0.250*	0.158	0.137	0.132
Sector	-0.100	0.214	-0.051	0.168	0.240	0.086	0.368	0.243	0.188
Firm Age	-0.004	0.004	-0.112	-0.004	0.004	-0.127	-0.004	0.004	-0.112
Independent Variables									
Upstream FDI				0.009	0.004	0.277**	0.003	0.016	0.082
Interaction Effects									
UTE x Upstream FDI							0.003	0.003	0.377
ICN x Upstream FDI							-0.003	0.002	-0.467
Autonomy x Upstream FDI							-0.001	0.003	-0.132
AD x Upstream FDI							-0.003	0.002	-0.380*
WD x Upstream FDI							0.006	0.002	0.877**
Adjusted R Square	0.063			0.107			0.162		
R Square	0.096			0.149			0.251		
Δ in R Square	0.096			0.053			0.102		
F for Δ in R Square	2.889*			5.075**			2.070*		
F for ANOVA	2.889*			3.543**			2.829**		
*p<0.05									
**p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Direct Cost Based CA against the control variables only, and the following models include Upstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

Table 24. Regression Results for Upstream FDI and Indirect Cost Based CA^{a,b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.135	0.121	0.123	0.115	0.123	0.106	-0.006	0.135	-0.005
Sector	0.151	0.204	0.084	0.258	0.235	0.144	0.411	0.239	0.229*
Firm Age	-0.001	0.004	-0.023	-0.001	0.004	-0.029	0.000	0.004	-0.007
Independent Variables									
Upstream FDI				0.004	0.004	0.121	-0.032	0.015	-1.071**
Interaction Effects									
UTE x Upstream FDI							0.005	0.003	0.661**
ICN x Upstream FDI							0.000	0.002	0.043
Autonomy x Upstream FDI							0.000	0.003	0.029
AD x Upstream FDI							-0.001	0.002	-0.147
WD x Upstream FDI							0.005	0.002	0.774**
Adjusted R Square	-0.016			-0.017			0.035		
R Square	0.020			0.030			0.137		
Δ in R Square	0.020			0.010			0.107		
F for Δ in R Square	0.567			0.848			1.880*		
F for ANOVA	0.567			1.343			1.343		
*p<0.05									
**p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Indirect Cost Based CA against the control variables only, and the following models include Upstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

As seen in Table 26, in terms of the relationship between Downstream FDI and Indirect Cost Based Competitive Advantage, the first model is found to be nonsignificant and thus, the control variables are fully controlled. However, when Downstream FDI is entered no significant increase is seen in the variance explained ($\Delta R^2 = 0.010$; $\Delta F_{(1,81)} = 0.830$). Again, no significant increase is captured in the variance explained when the interaction terms are entered the equation in the third model ($\Delta R^2 = 0.030$; $\Delta F_{(1,81)} = 0.485$). Also, none of the interaction terms are significant; therefore no further analysis is carried out to investigate moderation effects.

Table 25. Regression Results for Downstream FDI and Direct Cost Based CA^{a,b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.346	0.126	0.291**	0.296	0.125	0.249**	0.246	0.123	0.207*
Sector	-0.100	0.214	-0.051	0.166	0.240	0.085	0.506	0.248	0.258*
Firm Age	-0.004	0.004	-0.112	-0.004	0.004	-0.125	-0.003	0.003	-0.076
Independent Variables									
Downstream FDI				-0.009	0.004	-0.275**	-0.004	0.013	-0.136
Interaction Effects									
UTE x Downstream FDI							0.000	0.002	0.064
ICN x Downstream FDI							-0.002	0.002	-0.287
Autonomy x Downstream FDI							-0.003	0.002	0.603*
AD x Downstream FDI							-0.003	0.001	-0.393**
WD x Downstream FDI							0.004	0.002	0.603**
Adjusted R Square	0.063			0.106			0.214		
R Square	0.096			0.148			0.298		
Δ in R Square	0.096			0.053			0.149		
F for Δ in R Square	2.889*			5.026**			3.226**		
F for ANOVA	2.889*			3.530**			3.577**		
*p<0.05									
**p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Direct Cost Based CA against the control variables only, and the following models include Downstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

Table 26. Regression Results for Downstream FDI and Indirect Cost Based CA^{a,b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.135	0.121	0.123	0.115	0.123	0.105	0.125	0.130	0.114
Sector	0.151	0.204	0.084	0.257	0.235	0.143	0.389	0.263	0.217
Firm Age	-0.001	0.004	-0.023	-0.001	0.004	-0.028	-0.001	0.004	-0.022
Independent Variables									
Downstream FDI				-0.004	0.004	-0.119	-0.013	0.014	-0.451
Interaction Effects									
UTE x Downstream FDI							0.000	0.002	-0.042
ICN x Downstream FDI							0.002	0.002	0.276
Autonomy x Downstream FDI							-0.001	0.002	-0.072
AD x Downstream FDI							0.000	0.001	-0.065
WD x Downstream FDI							0.001	0.002	0.222
Adjusted R Square	-0.016			-0.018			-0.051		
R Square	0.020			0.030			0.060		
Δ in R Square	0.020			0.010			0.030		
F for Δ in R Square	0.567			0.830			0.485		
F for ANOVA	0.567			0.632			0.541		
*p<0.05									
**p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Indirect Cost Based CA against the control variables only, and the following models include Downstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

Relationship between Upstream FDI and Differentiation Based Competitive

Advantage

Analyses are conducted in two parts to investigate the relationship between Upstream FDI and Differentiation Based CA dimensions.

As seen in Table 27, three sequential regressions are run to explore the relationship between Upstream FDI and Image and Operations Differentiation Based Competitive Advantage. The first model regresses control variables against the dependent variable; and the results indicate that firm size cannot be fully controlled ($R^2 = 0.126$; $\Delta F_{(3,82)} = 3.953$, $p < 0.05$). Upstream FDI is included in the equation in the second model, but it does not cause any significant increase in the variance explained ($\Delta R^2 = 0.002$; $\Delta F_{(1,81)} = 0.204$).

Finally, in the third model, interaction terms are entered, but again no significant increase is seen in the variance explained. However, WD ($\beta_i = 0.636$, $p < 0.01$) significantly interacts with Upstream FDI and impacts dependent variable in a positive way. Therefore, further analysis is carried out to trace the individual effect of this term in the equation. This time, only the significant interaction term (WD x Upstream FDI) is entered in the third step to find out if there is a significant change in the overall model due to the impact of WD or not. Re-analysis of data revealed that, when only this interaction term is entered to the third model, the explained variance is significantly increased to 16 % ($\Delta R^2 = 0.031$; $\Delta F_{(1,80)} = 2.946$). Therefore, the role of WD as a moderator is supported statistically. However, in the third model, firms size still remains uncontrolled, indicating that the results are mostly valid for larger firms in the sample.

Regarding the relationship between Upstream FDI and Product and Service Differentiation Based Competitive Advantage, the results obtained can be seen in Table 28. The first model is found to be significant due to firm size ($R^2 = 0.085$; $\Delta F_{(3,82)} = 2.539$, $p < 0.05$). When Upstream FDI is entered the equation in the second model, the increase in the variance explained is found to be nonsignificant ($\Delta R^2 = 0.007$; $\Delta F_{(1,81)} = 0.598$). In the third model, with the inclusion of interaction terms, the variance explained significantly increases to 30.2 % ($\Delta R^2 = 0.211$; $\Delta F_{(5,76)} = 4.588$, $p < 0.01$). AD ($\beta_i = -0.750$, $p < 0.01$) and WD ($\beta_i = 0.818$; $p < 0.01$) interacts significantly with Upstream FDI and thus, moderates the relationship between Upstream FDI and Product and Service Differentiation Based Competitive Advantage.

Table 27. Regression Results for Upstream FDI and Image and Operations Differentiation Based CA^{a,b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.358	0.113	0.332**	0.367	0.115	0.340**	0.239	0.129	0.222*
Sector	0.044	0.191	0.025	-0.006	0.221	-0.003	0.106	0.229	0.060
Firm Age	0.004	0.003	0.114	0.004	0.003	0.117	0.003	0.003	0.082
Independent Variables									
Upstream FDI				-0.002	0.004	-0.056	-0.003	0.015	-0.086
Interaction Effects									
UTE x Upstream FDI							-0.001	0.003	-0.106
ICN x Upstream FDI							-0.001	0.002	-0.141
Autonomy x Upstream FDI							0.000	0.003	-0.013
AD x Upstream FDI							-0.002	0.002	-0.285
WD x Upstream FDI							0.004	0.002	0.636**
Adjusted R Square	0.094			0.086			0.094		
R Square	0.126			0.129			0.190		
Δ in R Square	0.126			0.002			0.061		
F for Δ in R Square	3.953*			0.204			1.150		
F for ANOVA	3.953*			2.987**			1.979**		
*p<0.05 **p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Image and Operations Differentiation Based CA against the control variables only, and the following models include Upstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

Table 28. Regression Results for Upstream FDI and Product and Service Differentiation Based CA^{a, b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.257	0.100	0.273**	0.270	0.102	0.288*	0.096	0.104	0.102
Sector	-0.062	0.170	-0.040	-0.137	0.196	-0.088	0.030	0.185	0.019
Firm Age	0.001	0.003	0.048	0.001	0.003	0.053	0.000	0.003	-0.011
Independent Variables									
Upstream FDI				-0.002	0.003	-0.098	-0.007	0.012	-0.274
Interaction Effects									
UTE x Upstream FDI							-0.002	0.002	-0.241
ICN x Upstream FDI							0.002	0.002	0.415
Autonomy x Downstream FDI							0.005	0.002	0.011
AD x Upstream FDI							-0.005	0.001	-0.750**
WD x Upstream FDI							0.005	0.002	0.818**
Adjusted R Square	0.052			0.047			0.220		
R Square	0.085			0.092			0.302		
Δ in R Square	0.085			0.007			0.211		
F for Δ in R Square	2.539*			0.598			4.588**		
F for ANOVA	2.539*			2.045*			3.659**		
*p<0.05									
**p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Product and Service Differentiation Based CA against the control variables only, and the following models include Upstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

Relationship between Downstream FDI and Differentiation Based Competitive

Advantage

Once again, two analyses are run to explore the relationship between Downstream FDI and two dimensions of Differentiation Based CA.

As a result of the regression analyses carried out to examine the relationship between Downstream FDI and Image and Operations Differentiation Based Competitive Advantage, results depicted in Table 29 are obtained. Among the control variables, again the firm size cannot be controlled, as revealed in the first model ($R^2 = 0.126$; $\Delta F_{(3,82)} = 3.953$, $p < 0.01$). Downstream FDI is included in the equation in the second model, but it does not cause any significant increase in the variance explained ($\Delta R^2 = 0.003$; $\Delta F_{(1,81)} = 0.234$). Finally, with the inclusion of interaction terms in the third model, although no significant increase is seen in the total variance explained, it is revealed that WD ($\beta_i = 0.637$, $p < 0.01$) interacts significantly with Downstream FDI. Therefore, further analysis was carried out to capture any possible moderation effect of this variable. Results supported the moderation effect by showing that, with the inclusion of the interaction of WD and Downstream FDI, the variance explained significantly increased to 17.9 % ($\Delta R^2 = 0.051$; $\Delta F_{(1,80)} = 4.395$, $p < 0.05$). Also, as a final note, firm size is found to be significant in all three models; revealing that the results are stronger for larger firms.

As can be seen from Table 30, the analyses of the relationship between Downstream FDI and Product and Service Differentiation Based Competitive Advantage put forth that the first model controlling for the effects of firm size, sector and firm age is nonsignificant indicating that the effects of these variables were controlled ($R^2 = 0.085$; $\Delta F_{(3,82)} = 2.539$).

In the second model, when Downstream FDI is entered the equation, no significant increase in the variance explained is observed. And finally, when the interaction terms are entered the equation in the third model, the variance explained significantly increases to 27.6 % ($\Delta R^2 = 0.184$; $\Delta F_{(5,76)} = 3.875$, $p < 0.01$), pointing out certain moderation effects. More specifically, it is found that, Downstream FDI negatively interacts with Unification of Task Environment (UTE) ($\beta_i = -0.536$, $p < 0.01$) and AD ($\beta_i = -0.344$, $p < 0.05$), while it positively interacts with Integration of Corporate Network (ICN) ($\beta_i = 0.511$, $p < 0.05$) and WD ($\beta_i = 0.781$, $p < 0.01$).

Table 29. Regression Results for Downstream FDI and Image and Operations Differentiation Based CA^{a,b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.358	0.113	0.332**	0.368	0.115	0.341**	0.328	0.119	0.304**
Sector	0.044	0.191	0.025	-0.009	0.220	-0.005	0.188	0.240	0.106
Firm Age	0.004	0.003	0.114	0.004	0.003	0.116	0.004	0.003	0.144
Independent Variables									
Downstream FDI				0.002	0.004	0.060	-0.006	0.013	-0.207
Interaction Effects									
UTE x Downstream FDI							-0.001	0.002	-0.206
ICN x Downstream FDI							0.000	0.002	0.040
Autonomy x Downstream FDI							-0.002	0.002	-0.209
AD x Downstream FDI							-0.001	0.001	-0.079
WD x Downstream FDI							0.004	0.002	0.637**
Adjusted R Square	0.094			0.086			0.106		
R Square	0.126			0.129			0.201		
Δ in R Square	0.126			0.003			0.072		
F for Δ in R Square	3.953**			0.234			1.372		
F for ANOVA	3.953**			2.996**			2.125*		
*p<0.05 **p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Image and Operations Differentiation Based CA against the control variables only, and the following models include Downstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

Table 30. Regression Results for Downstream FDI and Product and Service Differentiation Based CA^{a,b}

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.257	0.100	0.273**	0.271	0.102	0.289**	0.226	0.098	0.241**
Sector	-0.062	0.170	-0.040	-0.138	0.196	-0.089	0.097	0.198	0.063
Firm Age	0.001	0.003	0.048	0.001	0.003	0.052	0.003	0.003	0.094
Independent Variable(s)									
Downstream FDI				0.003	0.003	0.100	-0.012	0.011	-0.456
Interaction Effects									
UTE x Downstream FDI							-0.003	0.001	-0.536**
ICN x Downstream FDI							0.003	0.001	0.511*
Autonomy x Downstream FDI							0.000	0.001	0.059
AD x Downstream FDI							-0.002	0.001	-0.344*
WD x Downstream FDI							0.004	0.001	0.781**
Adjusted R Square	0.052			0.047			0.191		
R Square	0.085			0.092			0.276		
Δ in R Square	0.085			0.007			0.184		
F for Δ in R Square	2.539			0.627			3.875**		
F for ANOVA	2.539			2.053*			3.227**		
*p<0.05 **p< 0.01									

^a Provided in the table are the results of three sequential regression runs. Model 1 regresses Product and Service Differentiation Based CA against the control variables only, and the following models include Downstream FDI, and interaction effects sequentially in a hierarchical sense.

^b UTE: Unification of Task Environment, ICN: Integration of Corporate Network, AD: Across Density, WD: Within Density.

Relationship between Upstream FDI and Financial Firm Performance

Three regression runs were conducted to explore the relationship between Upstream FDI, Type of Competitive Advantage and Financial Firm Performance. As illustrated in Table 31, in the first model, only the control variables are regressed against the dependent variable to see whether they are controlled for further analysis or not. The model is found to be nonsignificant ($R^2 = 0.037$; $\Delta F_{(3,82)} = 1.058$). When Upstream FDI is entered the model, it is seen that there is no significant increase in the variance explained ($\Delta R^2 = 0.009$; $\Delta F_{(1,81)} = 0.743$). Finally, in the third model, when Competitive Advantage Dimensions are entered the equation, only Image and Operations Differentiation Based CA is found to be significant ($\beta_i = 0.275$, $p < 0.05$); although, the variance explained for the overall model does not significantly increase ($\Delta R^2 = 0.072$; $\Delta F_{(4,77)} = 1.576$). Thus, to find out whether Image and Operations Differentiation Based CA solely mediates the relationship between Upstream FDI and Financial Firm Performance further analysis is carried out. When this variable is entered the equation alone, it causes a significant increase in the variance explained ($\Delta R^2 = 0.050$; $\Delta F_{(1,80)} = 4.429$) in financial firm performance, indicating its role as a mediator. Nevertheless, it should be noted here that, there is no change in the significance level of Upstream FDI coefficient in the equation in either case. Thus, the stated the role of Image and Operations Differentiation Based CA as a mediator should be considered as a weak one.

Table 31. Regression Results for Upstream FDI and Financial Firm Performance^a

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.109	0.142	0.084	0.087	0.145	0.067	-0.050	0.156	-0.038
Sector	-0.358	0.241	-0.168	-0.240	0.277	-0.112	-0.174	0.279	-0.081
Firm Age	-0.003	0.004	-0.071	-0.003	0.004	-0.077	0.004	0.004	-0.115
Independent Variable(s)									
<i>Dispersion of FDI Among Primary Value Chain Activities</i>									
Upstream FDI				0.004	0.005	0.112	0.005	0.005	0.148
<i>Type of Competitive Advantage</i>									
Image and Operations Differentiation							0.331	0.159	0.275*
Product and Service Differentiation							0.110	0.189	0.079
Direct Cost Based CA							0.035	0.149	0.032
Indirect Cost Based CA							-0.213	0.158	-0.179
Adjusted R Square	0.002			-0.001			0.027		
R Square	0.037			0.046			0.118		
Δ in R Square	0.037			0.009			0.072		
F for Δ in R Square	1.058			0.743			1.576		
F for ANOVA	1.058			0.977			1.290		
*p<0.05									
**p< 0.01									

^a Provided in the Table are the results of three sequential regression runs. Model 1 regresses Financial Firm Performance against the control variables only, and the following models include Upstream FDI, and Type of Competitive Advantage Dimensions sequentially in a hierarchical sense.

Relationship between Downstream FDI and Financial Firm Performance

Results of the regression analysis related to the relationship between Downstream FDI, Type of Competitive Advantage and Financial Firm Performance are presented in Table 32. The first model regresses the control variables against the dependent variable, and the findings reveal that the model is fully controlled ($R^2 = 0.037$; $\Delta F_{(3,82)} = 1.058$). When Downstream FDI is entered the model in the second step, it is seen that there is no significant increase in the variance explained ($\Delta R^2 = 0.009$; $\Delta F_{(1,81)} = 0.778$). Finally, in the third model, when Competitive Advantage Dimensions are entered the equation, only Image and Operations Differentiation Based CA is found to be significant ($\beta_i = 0.276$, $p < 0.05$); although, the variance explained for the overall model does not significantly increase ($\Delta R^2 = 0.073$; $\Delta F_{(4,77)} = 1.586$). To examine whether Image and Operations Differentiation Based CA mediates the relationship between Downstream FDI and Financial Firm Performance, further analysis is carried out and this variable is entered the equation alone to find out whether the change in the variance explained created by Image and Operations Differentiation Based CA is significant or not. In this case, a significant increase in the variance explained in financial firm performance is obtained ($\Delta R^2 = 0.050$; $\Delta F_{(1,80)} = 4.452$, $p < 0.05$) and it is concluded that, Image and Operations Differentiation Based CA acts as a mediator between Downstream FDI and Financial Firm Performance. However, again, as there is no change in the significance level of Downstream FDI coefficient in the equation in either case, indicating that Image and Operations Differentiation Based CA is a weak mediator.

Table 32. Regression Results for Downstream FDI and Financial Firm Performance^a

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.109	0.142	0.084	0.086	0.145	0.066	-0.052	0.156	-0.040
Sector	-0.358	0.241	-0.168	-0.237	0.277	-0.011	-0.170	0.279	-0.080
Firm Age	-0.003	0.004	-0.071	-0.003	0.004	-0.077	-0.004	0.004	-0.114
Independent Variable(s)									
<i>Dispersion of FDI Among Primary Value Chain Activities</i>									
Downstream FDI				-0.004	0.005	-0.115	-0.005	0.005	-0.152
<i>Type of Competitive Advantage</i>									
Image and Operations Differentiation							0.331	0.159	0.276*
Product and Service Differentiation							0.111	0.189	0.080
Direct Cost Based CA							0.034	0.149	0.031
Indirect Cost Based CA							-0.213	0.158	-0.179
Adjusted R Square	0.002			-0.001			0.027		
R Square	0.037			0.046			0.119		
Δ in R Square	0.037			0.009			0.073		
F for Δ in R Square	1.058			0.778			1.586		
F for ANOVA	1.058			0.986			1.300		
*p<0.05									
**p< 0.01									

^a Provided in the Table are the results of three sequential regression runs. Model 1 regresses Financial Firm Performance against the control variables only, and the following models include Downstream FDI, and Type of Competitive Advantage Dimensions sequentially in an hierarchical sense.

Relationship between Upstream FDI and Strategic Firm Performance

Regression analysis conducted to investigate the relationship between Upstream FDI, Type of Competitive Advantage and Strategic Firm Performance are presented in Table 33. The first model regresses the control variables against the dependent variable, and the findings indicate that the model is fully controlled ($R^2 = 0.069$; $\Delta F_{(3,82)} = 2.020$). When Upstream FDI is entered the equation in the second step, no significant increase is obtained in the variance explained ($\Delta R^2 = 0.002$; $\Delta F_{(1,81)} = 0.216$). Finally, in the third model, when Competitive Advantage Dimensions are entered the equation, Product and Service Differentiation Based CA is found to be significant ($\beta_i = 0.262$, $p < .05$). Moreover, the variance explained for the overall model also significantly increases with the inclusion of the variables in the third model ($\Delta R^2 = 0.090$; $\Delta F_{(4,77)} = 2.071$, $p < 0.05$). This finding affirms the role of Product and Service Differentiation Based CA as a mediator in the relationship between Upstream FDI and Strategic Firm Performance. Here, again, it should be emphasized that there is no change in the significance level of Upstream FDI coefficient in the equation in either case; thus, the role of Product and Service Differentiation Based CA as a mediator is not so strong.

Table 33. Regression Results for Upstream FDI and Strategic Firm Performance^a

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.143	0.099	0.157	0.135	0.100	0.148	0.079	0.107	0.086
Sector	-0.216	0.167	-0.144	-0.172	0.193	-0.114	-0.167	0.192	-0.111
Firm Age	0.002	0.003	0.091	0.002	0.003	0.088	0.003	0.003	0.098
Independent Variable(s)									
<i>Dispersion of FDI Among Primary Value Chain Activities</i>									
Upstream FDI				0.001	0.003	0.060	0.001	0.003	0.050
<i>Type of Competitive Advantage</i>									
Image and Operations Differentiation							-0.098	0.109	-0.116
Product and Service Differentiation							0.255	0.130	0.262*
Direct Cost Based CA							0.046	0.102	0.060
Indirect Cost Based CA							0.085	0.109	0.101
Adjusted R Square	0.035			0.025			0.074		
R Square	0.069			0.071			0.162		
Δ in R Square	0.069			0.002			0.090		
F for Δ in R Square	2.020			0.216			2.071*		
F for ANOVA	2.020			1.555			1.854*		
*p<0.05									
**p< 0.01									

^a Provided in the Table are the results of three sequential regression runs. Model 1 regresses Strategic Firm Performance against the control variables only, and the following models include Upstream FDI, and Type of Competitive Advantage Dimensions sequentially in a hierarchical sense.

Relationship between Downstream FDI and Strategic Firm Performance

In the first model of the regression analysis conducted to investigate the relationship between Downstream FDI, Type of Competitive Advantage and Strategic Firm Performance, control variables are regressed against the dependent variable, and the findings indicate that the model is fully controlled ($R^2 = 0.069$; $\Delta F_{(3,82)} = 2.020$). As seen in Table 34, when Downstream FDI is entered the equation in the second step, no significant increase is obtained in the variance explained ($\Delta R^2 = 0.003$; $\Delta F_{(1,81)} = 0.280$). Finally, in the third model, when Competitive Advantage Dimensions are included, only Product and Service Differentiation Based CA is found to be significantly entering the equation ($\beta_1 = 0.264$, $p < 0.05$). Moreover, the variance explained for the overall model also significantly increases with the inclusion of the variables in the third model ($\Delta R^2 = 0.090$; $\Delta F_{(4,77)} = 2.071$, $p < 0.05$). Thus, it can be concluded that Product and Service Differentiation Based CA acts as a mediator in the relationship between Downstream FDI and Strategic Firm Performance. Nonetheless, as there is no change in the significance level of Downstream FDI coefficient in the equation in either case, the role of Product and Service Differentiation Based CA as a mediator is not so strong.

Table 34. Regression Results for Downstream FDI and Strategic Firm Performance^a

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.143	0.099	0.157	0.133	0.101	0.146	0.077	0.107	0.084
Sector	-0.216	0.167	-0.144	-0.166	0.193	-0.110	-0.160	0.191	-0.107
Firm Age	0.002	0.003	0.091	0.002	0.003	0.088	0.003	0.003	0.097
Independent Variable(s)									
<i>Dispersion of FDI Among Primary Value Chain Activities</i>									
Downstream FDI				-0.002	0.003	-0.068	-0.001	0.003	-0.060
<i>Type of Competitive Advantage</i>									
Image and Operations Differentiation							-0.097	0.109	-0.115
Product and Service Differentiation							0.257	0.130	0.264*
Direct Cost Based CA							0.044	0.102	0.057
Indirect Cost Based CA							0.084	0.108	0.101
Adjusted R Square	0.035			0.026			0.075		
R Square	0.069			0.072			0.162		
Δ in R Square	0.069			0.003			0.090		
F for Δ in R Square	2.020			0.280			2.071*		
F for ANOVA	2.020			1.572			1.863*		
*p<0.05									
**p< 0.01									

^a Provided in the Table are the results of three sequential regression runs. Model 1 regresses Strategic Firm Performance against the control variables only, and the following models include Downstream FDI, and Type of Competitive Advantage Dimensions sequentially in a hierarchical sense.

Additional Analyses

Although there are no hypotheses treating the export performance as the dependent variable, a final series of regression analyses were run to explore the relationship between Upstream FDI, Downstream FDI, Type of Competitive Advantage and Export Performance. Export performance was omitted during previous reliability tests and factor analyses, mainly due to the fact that this question was mostly responded by only those firms with manufacturing activities in Turkey. However, by taking this fact into account, additional analyses were decided to be carried on to separately examine the relationship of this variable with other research variables. Especially two reasons prevail here. The first one is the special attention given to export performance of foreign direct investing firms in the literature. For instance, the works of Leonidou and Katsikeas (1996) and Zhang and Song (2000) shed light on the issue in theoretical and empirical manner. Also, in Turkey, Erden (1995, 1996) has investigated export performance of foreign direct investing firms by paying special attention to newly introduced variables like the existence of product development department and flow of research and development inputs from abroad. Therefore, this performance indicator is decided to be more closely investigated to be able to separately examine any possible effects of research variables on it. The second reason is the stated responses to this question during the data collection process. When the responses were being recorded, it was noticed that, this question was responded mostly by firms who had investments in upstream activities. Those firms who only invested in downstream activities mostly did not answer this question. Therefore, to include this performance indicator together with the previously stated dimensions could create certain bias.

Taking all these points into account, regression analyses were run and the results are depicted in Table 35 and Table 36.

As seen in Table 35, the first model regressing only the control variables against the dependent variable is found to be nonsignificant indicating that the model is fully controlled ($R^2 = 0.029$; $\Delta F_{(3,52)} = 0.524$). In the second step, Upstream FDI ($\beta_i = 0.337$, $p < 0.01$) enters the equation in a significant way and a significant increase is obtained in the variance explained ($\Delta R^2 = 0.095$; $\Delta F_{(1,51)} = 5.530$, $p < 0.05$). Finally, in the third model, when Competitive Advantage Dimensions are entered the equation, Direct Cost Based CA ($\beta_i = 0.344$, $p < 0.05$) and Indirect Cost Based CA ($\beta_i = 0.271$, $p < 0.05$) significantly enters the equation. Moreover, the variance explained for the overall model also significantly increases with the inclusion of these variables in the third model ($\Delta R^2 = 0.165$; $\Delta F_{(4,47)} = 2.732$, $p < 0.05$). Also, the sole effect of Upstream FDI is found to be nonsignificant in the third model, indicating that Direct Cost Based CA and Indirect Cost Based CA strongly mediates the relationship between Upstream FDI and Export Performance.

As revealed with the results presented in Table 36, the first model is found to be nonsignificant indicating that it is fully controlled ($R^2 = 0.029$; $\Delta F_{(3,52)} = 0.524$). In the second step, Downstream FDI ($\beta_i = -0.336$, $p < 0.01$) enters the equation in a significant but negative way and a significant increase is obtained in the variance explained ($\Delta R^2 = 0.095$; $\Delta F_{(1,51)} = 5.522$, $p < 0.01$). Finally, in the third model, when Competitive Advantage Dimensions are entered the equation, Direct Cost Based CA ($\beta_i = 0.343$, $p < 0.05$) and Indirect Cost Based CA ($\beta_i = 0.271$, $p < 0.05$) significantly enter the equation. Also, the variance explained for the overall model significantly increases with the inclusion of the variables in the third model ($\Delta R^2 = 0.166$; $\Delta F_{(4,47)} = 2.738$, $p < 0.05$). Finally, as effect of Downstream FDI is found to be

Table 35. Regression Results for Upstream FDI and Export Performance^a

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.250	0.295	0.125	0.227	0.283	0.113	0.002	0.307	0.001
Sector	0.024	0.561	0.006	0.530	0.579	0.140	-0.270	0.606	-0.071
Firm Age	0.005	0.008	0.092	0.006	0.008	0.101	0.012	0.008	0.220
Independent Variable(s)									
<i>Dispersion of FDI Among Primary Value Chain Activities</i>									
Upstream FDI				0.022	0.009	0.337*	0.014	0.009	0.215
<i>Type of Competitive Advantage</i>									
Image and Operations Differentiation							-0.446	0.266	-0.258
Product and Service Differentiation							-0.040	0.390	-0.021
Direct Cost Based CA							0.629	0.372	0.344*
Indirect Cost Based CA							0.462	0.266	0.271*
Adjusted R Square	-0.027			0.056			0.169		
R Square	0.029			0.124			0.290		
Δ in R Square	0.029			0.095			0.165		
F for Δ in R Square	0.524			5.530*			2.732*		
F for ANOVA	0.524			1.810			2.394**		
*p<0.05									
**p< 0.01									

^a Provided in the Table are the results of three sequential regression runs. Model 1 regresses Export Performance against the control variables only, and the following models include Upstream FDI, and Type of Competitive Advantage Dimensions sequentially in an hierarchical sense.

Table 36. Regression Results for Downstream FDI and Export Performance^a

	Model 1			Model 2			Model 3		
	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient	Regression Coefficient	Standard Error	Std. Coefficient
Control Variables									
Firm Size	0.250	0.295	0.125	0.221	0.283	0.111	-0.003	0.307	-0.001
Sector	0.024	0.531	0.006	0.529	0.579	0.139	-0.271	0.605	-0.071
Firm Age	0.005	0.008	0.092	0.006	0.008	0.105	0.012	0.008	0.223
Independent Variable(s)									
<i>Dispersion of FDI Among Primary Value Chain Activities</i>									
Downstream FDI				-0.022	0.009	-0.336*	-0.014	0.009	-0.216
<i>Type of Competitive Advantage</i>									
Image and Operations Differentiation							-0.014	0.009	-0.216
Product and Service Differentiation							-0.039	0.390	-0.021
Direct Cost Based CA							0.629	0.372	0.343*
Indirect Cost Based CA							0.463	0.266	0.271*
Adjusted R Square	-0.027			0.055			0.169		
R Square	0.029			0.124			0.290		
Δ in R Square	0.029			0.095			0.166		
F for Δ in R Square	0.524			5.522**			2.738*		
F for ANOVA	0.524			1.808			2.396*		
*p<0.05									
**p< 0.01									

^a Provided in the Table are the results of three sequential regression runs. Model 1 regresses Export Performance against the control variables only, and the following models include Downstream FDI, and Type of Competitive Advantage Dimensions sequentially in a hierarchical sense.

nonsignificant in the third model, it can be concluded that, Direct Cost Based CA and Indirect Cost Based CA strongly mediates the relationship between Downstream FDI and Export Performance.

Following additional multiple regression analyses, t-tests and MANOVA were carried on to unveil any further possible relationships between variables that might stem from certain firm characteristics. These relationships are thought to provide a supporting framework for interpretation of results, and thus should not be omitted for the sake of a comprehensive discussion.

First analysis attempts to explore whether there is a difference between regional headquarters and local subsidiaries in terms of their export performance. As a result of t-tests, it is found that there is a significant difference between regional headquarters and local subsidiaries in terms of their export performance ($t_{51} = 2.246$, $p < 0.05$). The mean values indicate that regional headquarters has a significantly better export performance (mean value = 5.00) than those firms operating as a local subsidiary (mean value = 4.18).

Following this, analyses were conducted to compare the ratio of Upstream FDI and Downstream FDI between manufacturing and service firms. As expected, a significant difference exists between manufacturing and service firms in terms of the investments they make in each type of value chain activity group. To state more specifically, it was found that, manufacturing firms invested a significantly higher amount (mean value = 51.53 %) in Upstream Activities when compared to service firms (mean value = 22.00 %) ($t_{93} = 5.211$, $p < 0.01$). On the other hand, service firms invested a significantly higher amount (mean value = 77.88 %) in Downstream Activities when compared to manufacturing firms (mean value = 48.56 %) ($t_{93} = -5.179$, $p < 0.01$).

Moreover, analyses were carried out to see whether amount of investments made in both upstream and downstream categories differ from each other in terms of size, and whether there are any significant interaction effects between size and sector. In view of the nature of the dependent and independent variables in this relation, the most appropriate technique to employ in the analysis turned out to be MANOVA. Before moving on with the interpretation of findings, it should be noted that, assumptions of MANOVA have only been partially met. Although Box's M (1.281) has a non-significant value and thus indicates the homogeneity of variance – covariance matrices at the 0.05 level (Hair et al., 2010), the univariate tests (Levene statistic) are found to be significant for both dependent variables – upstream FDI and downstream FDI - and thus assumption of homoscedasticity has been partially met. With this constraint in mind, basing on the results of both multivariate and univariate (between-subject effects) tests, it can be mentioned that no significant interaction effects between size and sector and main size effects existed, while significant effects prevailed in terms of sector. In other words, it was found that, amounts of upstream and downstream investments significantly differ only in terms of sector in the same direction with the previously stated t-test findings.

A final MANOVA was run to see whether the effects of operational setting create any significant difference in terms of Across Density and Within Density scores of the participating firms. Some information was provided regarding the operational setting of the firms in the study; however, these contained only certain frequencies. A possible effect of operational setting on WD and AD might create bias in further comments of research findings; thus, controlling for such an effect via statistical methods is considered to be especially important for providing a robust framework. Normally, more than five independent variables are not recommended

for MANOVA as it may hinder the ability to see interaction effects (Hair et al., 2010); nonetheless, here, as it is not the primary aim of this test to see the interaction effects between operational areas, six regions – Europe, North America, South America, Asia-Pacific, Middle East and Africa – were all included in the analysis as the independent variables.

As a result of the analyses conducted, Box's M (13.777) has a nonsignificant value and thus indicates the homogeneity of variance – covariance matrices at the 0.05 level (Hair et al., 2010). The univariate tests (Levene statistic) are also nonsignificant for both dependent variables and thus assumption of homoscedasticity has been fully met. Basing on further results, it is revealed that no significant differences exist among the effects of operational settings in terms of AD and WD ratings of the participating firms. This finding is important in that it provides a statistical support for further interpretation of multiple regression results regarding the effects of AD and WD on the relationships depicted in the research model.

Summary of all the results on hypotheses testing are given in Table 37.

Table 37. Summary of Hypotheses Testing

Hypothesis 1a	Firms with higher levels of FDI in upstream activities will gain competitiveness through exploiting cost leadership advantages, which in turn is expected to cause an increase in the overall performance of the firm.	NS
Hypothesis 1b	Firms with higher levels of FDI in downstream activities will gain competitiveness through exploiting differentiation advantages, which in turn is expected to cause an increase in the overall performance of the firm.	S
Hypothesis 2a	The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of global coordination/integration” in a positive way such that higher degrees of global coordination/integration will increase the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.	PS
Hypothesis 2b	The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of global coordination/integration” in a negative way such that higher degrees of global coordination/integration will decrease the strength of the relationship between “downstream – focused – FDI” and “differentiation based CA”.	PS
Hypothesis 3a	The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of AD” in a positive way such that higher degrees of AD will increase the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.	NS
Hypothesis 3b	The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of AD” in a negative way such that higher degrees of AD will decrease the strength of the relationship between “upstream – focused – FDI” and “differentiation based CA”.	PS
Hypothesis 4a	The relationship between “upstream – focused – FDI” and “cost leadership based CA” will be moderated by “degree of WD” in a negative way such that higher degrees of WD will decrease the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.	NS
Hypothesis 4b	The relationship between “downstream – focused – FDI” and “differentiation based CA” will be moderated by “degree of WD” in a positive way such that higher degrees of WD will increase the strength of the relationship between “downstream – focused – FDI” and “differentiation based CA”.	S
Hypothesis 5a	“Degree of subsidiary autonomy” will moderate the relationship between “upstream – focused – FDI” and “cost leadership based CA” in a negative way such that higher degrees of subsidiary autonomy will decrease the strength of the relationship between “upstream – focused – FDI” and “cost leadership based CA”.	NS
Hypothesis 5b	“Degree of subsidiary autonomy” will moderate the relationship between “downstream – focused – FDI” and “differentiation based CA” in a positive way such that higher degrees of subsidiary autonomy will increase the strength of relationship between “downstream – focused – FDI” and “differentiation based CA”.	NS

Hypothesis 6	“Degree of subsidiary autonomy” is expected to be negatively related to “degree of global coordination/integration”.	S
Hypothesis 7	“Degree of WD” is expected to be negatively related to “degree of global coordination/integration”.	NS
Hypothesis 8	“Degree of AD” is expected to be positively related to “degree of global coordination/integration”.	NS

CHAPTER 5

DISCUSSION AND CONCLUSION

The previously stated findings will be summarized and further discussed in this section. Moreover, certain theoretical and practical implications and related further research recommendations will be presented along with limitations of the present study.

Summary and Discussion of Findings

This study has developed a theoretical framework to understand the antecedents and outcomes regarding the relationships between foreign direct investment made in upstream and downstream value chain activities, type of competitive advantage pursued, and firm performance, with a set of proposed moderating variables.

Throughout the first series of analyses aiming to explore the relationship of independent variables with firm performance dimensions, no support was found for the mediating role of Cost Leadership Based Competitive Advantage (CA) dimensions in the relationship between upstream focused FDI and firm performance. Therefore, H1a is not supported.

In a second series, analyses were carried out to explore the relationship between foreign direct investment (FDI) made in downstream value chain activities, type of competitive advantage pursued and firm performance dimensions, and results

provide a full support for H1b by indicating the significant mediation role of Differentiation Based CA both in terms of Image and Operations Differentiation and Product and Service Differentiation. However, it should be noted here that these two dimensions act as mediators in the relationship between Upstream FDI and Firm Performance, as well; and thus, an unexpected mediation role of Differentiation Based CA was put forth. As a matter of fact, this finding complies with Kogut's (1984, 1985) previously stated view pointing out that marketing may be highly differentiated by country and market segment, but the firm may still exploit upstream competitive advantages by linking shared resources across product lines and countries. More specifically, according to Kogut (1984, 1985) through international marketing (and related functions), a firm can differentiate products/services (by using marketing tools and by adapting itself to country specific characteristics if necessary) in a way that make it possible to exploit shared resources across product lines and countries. Findings regarding H1a and H1b falls in the same line with this notion and provides support that source of differentiation may come from upstream or downstream activities in the value chain. Here the critical aspect is the role of marketing activities in either case, as differentiation requires the ability to offer and communicate buyers something attractive and different from competitors. However, investing in marketing and related activities should not be considered to be mutually exclusive with investing in production and related activities. Rather, as supported by the findings, they mostly complement each other in a way that improves firm performance. As also suggested by Birkinshaw et al. (2005), the broader the value added scope of a firm, the better the performance of that firm, as it enhances the capabilities of the firm to combine and exploit different sources of competitive

advantages. What is further suggested by the findings of this study is the prominent role of “differentiation” based competitive advantages in this relationship.

However, above stated interpretations should be treated cautiously as the mediation effects are not found to be so strong during the analyses. A possible reason for this is the nature of the scale used to measure type of competitive advantage. Questions were asked to respondents to reveal the importance their firm attributed to each item belonging to either type of competitive advantage. Thus, while hypothesizing the relationships between type of investment and firm performance, an underlying assumption regarding the existence of a direct effect of competitive advantage on firm performance was made. But, as mentioned by Hamel and Prahalad (1994), a firm may have a strategic intent, however, to stretch and leverage this intent requires some additional capabilities as anticipating competitor intentions and evolving customer needs and directing the right resources towards the desired competitive edge, all of which bases on a strong strategic architecture. Thus, to assume that pursued competitive advantage is directly transformed into improved performance can be misleading as it lacks certain variables that affect the stretching and leveraging capabilities of the firm.

As mentioned in the previous section, analyses were also conducted to see if there are any significant relationships between study variables when export performance of firm is treated as the dependent variable. Results unveiled that both Direct Cost Based CA and Indirect Cost Based CA mediates the relationship between Upstream FDI and Downstream FDI with firm’s export performance. In other words, it was found that, to improve their export performance, foreign direct investing firms should create Cost Based CA. Here, this finding should be interpreted in relation with H1a. As indicated previously, H1a stating that “Firms with higher levels of FDI

in upstream activities will gain competitiveness through exploiting cost leadership advantages, which in turn is expected to cause an increase in the overall performance of the firm” was not supported. However, when firm performance is evaluated only in terms of export performance, support is found for the mediating role of Cost Leadership Based CA. A possible explanation to this finding may be related to the direct effects of FDI on MNEs’ host country export performance. As indicated by Zhang and Song (2000), export activities of foreign affiliates are mostly improved due to their developed technology based processing systems of raw materials, experience and use of worldwide network in terms of design, packaging and distribution, and finally due to the chance of vertically integrating globally dispersed local firms within their network in a way to process components and finish assembly. All these points listed are, in a large sense, related to creation of Cost Based CAs either through developed process engineering mechanisms or through taking advantage of scale economies. When thought in relation to the findings regarding H1a, the motive behind making FDI might pose a justification, in this regard. In a study conducted by Fung et al. (2008), it was found that, foreign direct investing firms with the advantages of cost leadership have higher export intensity, while foreign firms with differentiation advantages are less likely to export. This finding was mainly explained by the case of some MNEs being “market seekers”, who mainly aim to be local players for local sales resulting in them to stay intraregional; while others being “resource-seekers”, who take advantage of the resources of the country they invested in and see it as exporting platforms for their global networks. In a parallel vein, findings imply that majority of foreign firms that have direct investments in upstream activities in Turkey are resource seekers and mainly cost

oriented. However further research should be conducted to unveil the relation between FDI and export performance for market seekers, as well.

Apart from firm performance, type of competitive advantage pursued by the firm was also treated as the dependent variable throughout the analyses to explore related research hypotheses.

Analyses pertaining to the role of Degree of Global Integration in the relationship between FDI made and type of competitive advantage pursued uncovered certain expected effects, as well as unexpected ones.

Unification of Task Environment (UTE) is found to be positively moderating the relationship between Upstream FDI and Direct Cost Based CA, only. As there is no support for the moderating role of Integration of Corporate Network (ICN) dimension, H2a is partially supported. When the related items used to measure each variable are taken into account, the positive impact of UTE on the capacity of Upstream FDI in creating Direct Cost Based CA becomes understandable. When a firm invests in activities such as inbound logistics and operations, it means that this investment is channeled to processes related to obtaining raw materials, parts components, etc. from suppliers, along with production, assembly, and other manufacturing operations. Accordingly, Direct Cost Based CA items tell us that the firm finds it important to provide operating efficiency, raw material cost control and product/service cost reduction for creating competitive advantage. It is obvious that, when the firm works with the same suppliers, competes with the same firms, serves and produces same or similar customers all over the world, it would be easier to manage costs through scale economies provided by established standardized processes and related systems throughout the globe.

In terms of FDI made in downstream activities, Unification of Task Environment (UTE) is found to negatively moderate its relationship with Product and Service Differentiation Based CA, which is an expected outcome. However, no support has been provided for its effect in the relationship with Image and Operations Differentiation Based CA. Besides, unexpectedly; Integration of Corporate Network (ICN) is found to be positively moderating the relationship between Downstream FDI and Product and Service Differentiation Based CA. All in all, findings only partially support H2b. Actually, when the nature of ICN as a variable is considered, it is seen that it includes managing service/product development and distribution internationally, and transfer of technology and all kinds of intangible assets (e.g. skills) within the international network. Such activities and assets are of critical importance while enhancing the features of products/services as well as developing new ones; and this aspect might contribute to differentiating product and/or services of a company. Moreover, this finding supports the previously mentioned notion of Kogut (1984, 1985) and Chakravarthy and Perlmutter (1985) pointing out that differentiation is a rather different concept than adaptation, and therefore it does not necessarily require a loosely coupled network structure. The findings of the study, in this regard, moreover pointed out that a high degree of integration in terms of service and product development, transfer of technology and intangible assets (e.g. skills) may even enhance the capacity of investments made in downstream advantages to create differentiation based CA.

An important aspect of this research is its attempt to explore certain dynamics related to Across Density (AD) and Within Density (WD) concepts of Ghoshal and Bartlett (1990) and their relation to study variables.

In this vein, contrary to expectations, it was found that AD negatively moderates the relationship between Upstream FDI and Direct Cost Based CA. Interestingly, results reveal the role of AD as a negative moderator in the relationship between Downstream FDI and Direct Cost Based CA, as well. Also, the results provided no other support for the positive moderating role of AD in the relationship between Upstream FDI and Indirect Cost Based CA. Therefore, no support has been found for H3a. At this point, it should be taken into account that, in this study, AD was measured with a single-item scale adopted from the conceptual work of Ghoshal and Bartlett (1990). Specifically, the respondents were asked to indicate the degree to which the actions and decisions of certain stakeholder groups (suppliers, customers, competitors, government, NGOs etc.) of their company in Turkey impacted and are being impacted from the actions and decisions of their counterparts in other host countries. Such an embedded network was expected to have a significant positive affect in a way to strengthen the relationship between FDI made in upstream activities which are mostly “decoupled” by their very nature, and Cost Leadership Based CA which is mostly based on exploiting scale advantages of a standardized and integrated network. However, the negative role of AD as a moderator pointed out that this concept implies something different from the embeddedness of the network. It has been rather anticipated by the respondents as emphasizing the external factors that are beyond the control of the firm which mostly constraint the capacity of the firm to create competitive advantage as a result of the investments it makes.

In terms of its role in the relationship between Downstream FDI and Differentiation Based CA, AD was found to be negatively moderating the relationship, which is complementary with research expectations. However, as a negative-moderator, AD found statistical support for only the relationship of

Downstream FDI with Product and Service Differentiation Based CA; and thus provided partial support for H3b. This finding indicating a partial support for H3b should be thought in relation to the previous explanation regarding H3a. The role of AD as a negative moderator in the relationship stated in H3b might stem from the same understanding about the AD variable in this study, and in this sense emphasize the constraining effects of the international level forces on the firm's ability to turn its investments into the desired competitive advantages. Stakeholder Theory of Freeman (1984) posits that stakeholder approach is about groups and individuals who can affect the organization, and about managerial behaviour that emerges as a response to those groups and individuals. When such forces intensely affect the firms and investments, firms will have to design their strategies and acts by taking all these elements into consideration and rather than a maximizing solution they will have to agree on an optimizing solution that will satisfy the expectations of all the stakeholders in their network, while hindering their exploitation of the capacity to turn their investments into the desired levels of competitiveness.

The other network determinant, WD, was expected to negatively moderate the relationship between Upstream FDI and Cost Leadership Based CA; and to positively moderate the relationship between Downstream FDI and Differentiation Based CA. However, the results indicate that, WD positively moderates all of the above mentioned relationships; and thus provides no support for H4a while providing a full support for H4b. Moreover, although there are no related hypotheses, WD has been found to positively moderate the relationship between Downstream FDI and Direct Cost Based CA and between Upstream FDI and both Image and Operations Differentiation Based CA and Product and Service Differentiation Based CA. This finding is especially important as it points out the vital role played by factors existing

in the local set of MNE subsidiaries operating in Turkey. These findings also comply with Porter's Diamond Framework (Porter, 1990). In his seminal work, Porter (1990) describes four major forces – *namely*; firm strategy, structure and rivalry; demand conditions; related and supporting industries; factor conditions – that affect the competitiveness of an industry and the firms operating in it at the national level. Later, Rugman and Verbeke (1993) extended Porter's framework by suggesting that, the attributes mentioned by Porter (1990) should be evaluated not only in terms of national level, but also in terms of five different levels; local, regional, national, foreign, and global. They specifically conclude that; it is a synergistic combination and a mutual reinforcement among national and international factors leading to success while still certain tensions may arise as a result of the simultaneous responses given to factors at different geographical levels.

Basing on research findings, it can be concluded that; national level forces in Turkey have a more positive impact in this regard, while the international level relations between firm stakeholders have significant negative effects on the competitiveness of foreign affiliates. However, here it should also be taken into consideration that, in this study, along with the exchange ties among local stakeholder groups, WD included items regarding the range and number of activities carried out in Turkey and the level of investments made in local customers and suppliers which are related to the attributes of Porter's diamond in large sense. Accordingly, it can be seen from the findings that, when the range and number of activities carried out by the foreign affiliate in the host country is high and when investments are made in local suppliers and customers, this along with it brings a network of exchange ties among the local stakeholder groups in favor of the

subsidiary's capacity for converting the investments made into the desired competitive advantages.

Most unexpected results have been provided in terms of the expected role of Degree of Subsidiary Autonomy. It was hypothesized that, Degree of Subsidiary Autonomy would be a negative moderator in the relationship between Upstream FDI and Cost Leadership based CA; while it was expected to be a positive moderator in the relationship between Downstream FDI and Differentiation Based CA. However, according to the results, neither H5a nor H5b was statistically supported.

This finding may be due to the misconceptualization of this variable in the research model. To state more specifically, instead of being a direct moderator in the relationship between FDI made and type of competitive advantage pursued, degree of subsidiary autonomy should probably be treated as a sub-dimension of other research variables, most possibly of Degree of Global Coordination/Integration as indicated by correlation results.

Finally, the values in the correlation table have been taken into account to see whether or not any support for the remaining research hypotheses prevails.

As there is a significant negative correlation between Degree of Subsidiary Autonomy and Degree of Coordination/Integration, H6 which states that “degree of subsidiary autonomy is expected to be negatively related to degree of global coordination/integration” is fully supported. Moving from the fact that every overseas subsidiary faces a “one-of-a-kind mix of pressures from customers, headquarters, host governments, workers, and civil society” (Cohen, 2007, p.14), the strength of its established network with the business community and governmental agencies and the required responsiveness to these is expected to be varied among subsidiaries (Luo, 2001). As the complexity of the local environment in which the

subsidiary operates increases, they will be expected to have a high degree of autonomy as they will acquire more information regarding the forces in this unique environment, when compared to headquarter (Nohria & Ghoshal, 1994).

Regarding H7, no significant negative correlation was found between WD and Degree of Global Coordination/Integration, and therefore no support was provided. In a way, this finding complements the findings of Andersson et al. (2002) stating that a positive and significant relationship exists between subsidiary's technical embeddedness in its local network, which is highly dependent on subsidiary's business embeddedness in its local network; and the subsidiary's importance for other MNE units' competence development. Following the same line, Tallman (2002) asserts that making use of the decoupled competencies and assets as leverage for the MNE is only possible through maintaining a certain level of integration among the markets, and thus through upholding "exploitative learning". Further support for this notion comes from Ghemawat (2008), who emphasizes the importance of anticipating the complementary nature of a variety of intra-firm and inter-firm coordination mechanisms while designing international strategies. This finding emphasizes that it would be misleading to think of WD as a negative correlate of Degree of Global Coordination / Integration, as it will be controversial to the thesis that the evolution of the MNE is an aggregation of the unique competencies developed by subsidiaries in their own operational sets (Bartlett & Ghoshal, 2002; Garcia-Pont et.al., 2009).

Finally, there was no support for H8 which expected a positive correlation between AD and Degree of Global Coordination/Integration. As mentioned before, AD referred to the impact and interrelatedness of external environmental forces in the whole network. Thus, it is an unexpected finding to find no support for H8, as the

interrelatedness of the stakeholder groups in a network-wide manner is expected to create a need towards a more integrated structure of actions, especially in terms of task environment, to deal with these forces. However, when thought in relation to previous explanations about the possible alternative conceptualization of AD as a total impact of external international level factors that are beyond the control of the subsidiary, it will be pretentious to make normative judgments about the degree of integration and coordination in the total MNE network, with the available data regarding AD.

Among the post hoc analyses findings, the results indicating that subsidiaries which act as regional headquarters have a significantly better export performance when compared to the export performance of local subsidiaries especially deserves attention, as it supports the critical role played by regional headquarters in the total MNE network. There are central hubs which are described as critical nodes in the organizational network (Bartlett & Ghoshal, 2003, Ghoshal & Bartlett, 1990; Prahalad & Doz, 1987; Mintzberg & Van Der Heyden, 1999), and regional headquarters are such hubs for the international company, which serve as a center for many functions, explicitly one of which is to serve as an exporting platform to other regions. In World Investment Reports of UNCTAD, this situation is mainly explained by the positive impact of the unique situation of regional headquarters in terms of procurement, shared services and R&D on their export performance (WIR, 2002).

As a final note, the findings stating that there are no significant differences among the effects of operational settings (regions in which the firms are operating all over the world) on AD and WD ratings of the participating MNEs are helpful in validating a robust objective framework. Such a finding provides support for the

existence of a non-biased context in terms of further comments made regarding network effects.

Limitations and Suggestions for Future Research

This work has some limitations that allow the researcher to suggest lines for future research. Most of these limitations come from the necessity of providing a holistic view of the total MNE network, which is considered to be prerequisite in a study attempting to investigate FDI patterns, network dynamics and other related strategic variables.

First of all, there exist certain potential items that are not included in the study as they are not considered to be directly related to the primary research objectives. Among these, items regarding export performance are especially important as they may provide a more robust and comprehensive interpretation of the relationships stated in the study, as well as unveiling certain other findings. Questions regarding the ratio of export revenue over total revenues will be an important indicator as it will provide a view about the importance of exports for the firm. Similarly, dispersion of export volumes among the total MNE network in terms of operational settings will provide an important tool for the researcher to make valuable comparisons that will contribute to reveal the impact of certain regional factors.

In a similar manner, numbers regarding the dispersion of value chain investments and sales / services volumes in those regions should be obtained and evaluated in a comparative manner to make conclusions about the priorities of the regions in the MNE network. This kind of data will be used to provide a deeper understanding of network structure by preparing the way to investigate foreign direct

investment patterns in terms of “dispersal” and “specialization” of activities as suggested by Ghoshal and Bartlett (1990).

Finally, although other studies in literature have confirmed the importance of the degree of competition among the subsidiaries of an MNE to attract investments (Birkinshaw et al., 2005), such a variable was not included in the research model as it wouldn't be possible to obtain healthy information in this regard. However, future research should incorporate this variable, as it is obviously important in deriving conclusions about the level of investments made in a certain subsidiary.

When considered altogether, it can be concluded that, major limitations of the study are due to the fact that, only the subsidiaries were included in the study due to certain time and cost limitations. However, to make robust and more comprehensive conclusions about the dynamics of the whole MNE network, certain questions regarding study variables should also be asked to managers from corporate headquarters as well, in order to cross-validate the results.

In terms of methodological limitations, multicollinearity and problems of normality are the most prominent ones. As stated in the previous sections, multicollinearity was attempted to be handled by including each independent variable into the analyses separately. As a result, while it was reduced to a certain degree, it could not be totally removed.

Similarly, certain transformations were carried out to fix the encountered normality problems; however, they were not totally recovered and thus should be noted as a methodological limitation of the study.

Conclusions and Implications

Conducting an integrative research that covers issues from management and international business literature has certain challenges, especially in terms of being limited by the initially stated research objectives. In this regard, this study limited itself with the aim of revealing the role of two main types of competitive advantage - Cost Leadership and Differentiation – in the relationships between the amount of foreign direct investment made in primary value chain activities and firm performance. Along with this main relation, effects of certain moderating variables related to network dynamics have also been explored throughout the study.

Despite its limitations, this paper also makes valuable contributions to literature with its important theoretical and practical implications. First of all, although not hypothesized, the study revealed certain findings in terms of export performance. These findings are especially important as there is a very limited body of research that links FDI and export performance of the affiliate in the host country (Zhang & Song, 2000; Zhang & Markusen, 1999). By providing some general theoretical prospects, the study also reveals certain practical implications in this sense. For example, the importance of creating Cost Leadership Based Competitive Advantage in improving export performance is an important indicator for strategists. Accordingly, attention should be paid to the important role of cost based competitive advantage as a mean for MNEs to improve their export performance. As indicated by UNCTAD, instead of longer term, value-adding objectives, MNEs may choose to invest in host country mainly to benefit from dynamic comparative advantages and to solve efficiency related problems. In such a case, cost considerations become much more prominent for the firm than to create value for the host economy by developing

labour skills, or by introducing more complex technologies (WIR, 2002). This study also draws attention to the fact that to improve their export performances, MNEs with investments in upstream activities mainly pursue cost leadership based CA, which is a situation that might hinder the potential of Turkey in terms of benefiting from FDI in the long term.

Moreover, by including the concepts of Across Density (AD) and Within Density (WD), and by putting forth significant findings pointing out their effects on direct investments, competitive advantage, and firm performance; empirical support is provided for the importance of the notion viewing the organization structure of MNE as a network consisting of the relations both between and within the operational sets of subsidiaries and the headquarter. Inclusion of AD and WD in the research model and attempting to measure them empirically brings new insights into the current body of research in this field, as these variables have not been empirically investigated in relation to other network dynamics and competitive advantage up to date. This study thus contributes to the literature by redressing this void.

Finally, the present study confirms the premise that investments made in upstream and downstream activities in the value chain require certain different structural and strategic implications. This insight is of particular importance as a possible misfit between these dynamics may endanger both the survival of the subsidiary itself and the performance of the overall MNE.

All in all, this study should not be considered as a reductive attempt to explain all possible relationships between the variables in the research model. Rather, the findings of this study will hopefully provide researchers and practitioners an insight to revisit the phenomenon and bring new perspectives to the fields of international business and management.

APPENDICES

Appendix A. Qualitative Study Interview Questions for Experts

Interview Questions in Turkish:

1. Çok uluslu şirketlerin küresel örgüt yapısı içinde yer alan diğer birimlere ve bu birimlerin paydaşlarına olan bağımlılığı hangi ölçütler bağlamında değerlendirilebilir?
2. Çok uluslu şirketlerin faaliyet gösterdikleri yerel çevre içindeki paydaş gruplarına olan bağımlılık derecesini hangi faktörler bağlamında değerlendirebiliriz?
3. Çok uluslu şirketlerin yerel birimlerinin, ana merkeze (headquarter) bağımlılık derecesini hangi ölçütler bağlamında değerlendirirsiniz?
4. Türkiye'ye gelen çok uluslu şirketlerin yaptıkları DYY sonucu rekabet avantajı yaratıp yaratmadıklarını hangi performans ölçütlerini dikkate alarak değerlendirebiliriz?
5. Çok uluslu bir şirketin genel stratejisini “global strateji” olarak ya da “çok uluslu strateji” olarak tanımlarken hangi faktörleri dikkate alırsınız?
6. Bölgesel üs olarak faaliyet gösteren şirketler, stratejiler ve kaynak dağılımı bağlamında sıradan bir deniz aşırı şubeye göre ne gibi farklar göstermektedir?

Interview Questions in English:

1. Which criteria are important in the evaluation of the degree of dependency between the units and their stakeholders that exist in the multinational corporate network?
2. Which factors can be used to evaluate the degree of dependency between multinational enterprises and their stakeholders in the local environment in which they operate?
3. Which factors can be used to evaluate the degree of dependency between the corporate headquarter and the local affiliate?
4. By which performance measures can we evaluate whether multinational enterprises that make foreign direct investment in Turkey succeed in creating competitive advantage or not?
5. Which factors are taken into consideration while defining the general strategy of the multinational enterprise as “global” or “multidomestic”?
6. In what ways do regional headquarters differ from those firms that operate as local subsidiaries, especially in terms of strategies and resource distribution?

Appendix B. Qualitative Study Interview Questions for Managers

Interview Questions in Turkish:

1. Şirketinizin küresel örgüt yapısı içinde yer alan diğer birimlere, diğer ülkelerdeki şubelere ve onların paydaş gruplarına olan bağımlılığı ve bu birimlerle olan ilişkileri hangi düzeydedir? Bu bağımlılık ve ilişkiler hangi ölçütler bağlamında şekillenmektedir?
2. Şirketinizin faaliyet gösterdiği yerel çevre içindeki aktörlere ve paydaş gruplarına olan bağımlılığı ne düzeydedir? Bu bağımlılık hangi ölçütler bağlamında şekillenmektedir?
3. Şirketinizin, ana merkeze (headquarter) bağımlılık derecesini hangi ölçütler bağlamında değerlendirirsiniz?
4. Türkiye’de gerçekleştirdiğiniz doğrudan yabancı yatırımların rekabet avantajı yaratıp yaratmadığını hangi performans ölçütleri bağlamında değerlendiriyorsunuz?
5. Genel şirket stratejinizi global strateji olarak mı tanımlarsınız, çok uluslu strateji olarak mı? Hangi faktörlere dayanarak bu tanımlamayı yapıyorsunuz?
6. Şirketinizin bölgesel üs olma özelliği var mı? Varsa, şirketiniz bu özelliğinden dolayı, stratejiler ve kaynak dağılımı bağlamında sıradan bir deniz aşırı şubeye göre ne gibi farklar göstermektedir?

Interview Questions in English:

1. What is the level of dependency between the units and their stakeholders in your firm's international network? Which criteria are important in defining and determining such dependency?
2. What is the level of dependency between the firm you work in and its stakeholders in its local environment in Turkey? Which criteria are important in defining and determining such dependency?
3. Which factors can be used while evaluating the degree of dependency of the subsidiary you work in to the corporate headquarter?
4. By which performance measures can you evaluate whether the firm you work in succeeds in creating competitive advantage as a result of the foreign direct investment made in Turkey or not?
5. Do you define the general strategy of your firm as a global or multidomestic one? Which factors do you take into consideration while making this definition?
6. Is your company a regional headquarter or a local subsidiary? If it is a regional headquarter, how does it differ in terms of strategies and resource distribution when compared to a local subsidiary?

	<p>*Çok uluslu şirketlerin küresel örgüt yapısı içinde yer alan diğer birimlere ve bu birimlerin paydaşlarına olan bağımlılığı hangi ölçütler bağlamında değerlendirilebilir?^a</p> <p>** Şirketinizin küresel örgüt yapısı içinde yer alan diğer birimlere, diğer ülkelerdeki şubelere ve onların paydaş gruplarına olan bağımlılığı ve bu birimlerle olan ilişkileri hangi düzeydedir? Bu bağımlılık ve ilişkiler hangi ölçütler bağlamında şekillenmektedir?</p>	<p>*Çok uluslu şirketlerin faaliyet gösterdikleri yerel çevre içindeki paydaş gruplarına olan bağımlılık derecesini hangi faktörler bağlamında değerlendirebiliriz?</p> <p>**Şirketinizin faaliyet gösterdiği yerel çevre içindeki aktörlere ve paydaş gruplarına olan bağımlılığı ne düzeydedir? Bu bağımlılık hangi ölçütler bağlamında şekillenmektedir?</p>	<p>*Çok uluslu şirketlerin yerel birimlerinin, ana merkeze (headquarter) bağımlılık derecesini hangi ölçütler bağlamında değerlendirirsiniz?</p> <p>**Şirketinizin, ana merkeze (headquarter) bağımlılık derecesini hangi ölçütler bağlamında değerlendirirsiniz?</p>	<p>*Türkiye'ye gelen çok uluslu şirketlerin yaptıkları DYY sonucu rekabet avantajı yaratıp yaratmadıklarını hangi performans ölçütlerini dikkate alarak değerlendirebiliriz?</p> <p>**Türkiye'de gerçekleştirdiğiniz doğrudan yabancı yatırımların rekabet avantajı yaratıp yaratmadığını hangi performans ölçütleri bağlamında değerlendiriyorsunuz?</p>	<p>*Çok uluslu bir şirketin genel stratejisini “global strateji” olarak ya da “çok uluslu strateji” olarak tanımlarken hangi faktörleri dikkate alırsınız?</p> <p>** Genel şirket stratejinizi global strateji olarak mı tanımlarsınız, çok uluslu strateji olarak mı? Hangi faktörlere dayanarak bu tanımlamayı yapıyorsunuz?</p>	<p>*Bölgesel üs olarak faaliyet gösteren şirketler, stratejiler ve kaynak dağılımı bağlamında sıradan bir deniz aşırı şubeye göre ne gibi farklar göstermektedir?</p> <p>**Şirketinizin bölgesel üs olma özelliği var mı? Varsa, şirketiniz bu özelliğinden dolayı, stratejiler ve kaynak dağılımı bağlamında sıradan bir deniz aşırı şubeye göre ne gibi farklar göstermektedir?</p>
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^a * Expert interview questions

** Manager interview questions

1 (U) ^a	<p>“Siyasi otorite önemli bir etkidir.”</p> <p>“Birlikte çalıştıkları STK, denetim şirketleri, tedarikçiler, vs. tüm şubeler için farklı mı, aynı mı?”</p>	<p>“Kamu ile olan ilişkiler ne kadar o bölgeye özgü?”</p> <p>“O bölgenin kültürü ne kadar farklı?”</p>	<p>“Yatırım kararlarında ne kadar bağımlı oldukları önemlidir.”</p> <p>“Günlük icraatlar bazında mı, genel stratejiler bağlamında mı bağımlı olduklarına bakılmalıdır.”</p> <p>“Yöneticinin şirketin genelinde ne kadar kredibilitesi olduğu önemli. Ne kadar tanınan, güvenilen bir yönetici ise o kadar özgür olacaktır.”</p>	<p>“Sektördeki ana oyuncudan/rakibinden aldığı pay bağlamında değerlendirilebilir.”</p> <p>“İhracat performansı da önemlidir.”</p>	<p>“Faaliyet gösterilen ülkedeki yerel rakiplerin gücü o firmayı strateji değiştirmeye zorluyor mu?”</p> <p>“Sektörün o ülkedeki gücü fazla ise, o ülkeye göre şekillenmiş ise adapte etmek gerekir.”</p>	<p>“Diğer ülke paydaşlarını da düşünüyor.”</p> <p>“HQ’ın küçük bir yansıması gibi.”</p> <p>“Ar-Ge yatırımları, sıradan bir deniz aşırı şubeye göre daha fazladır.”</p> <p>“Beyaz yakalı işgücü istihdamı artar.”</p>
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^a (U): Uzman (Expert)
(Y): Yönetici (Manager)

2 (U)	<p>“Faaliyet gösterdiği ülkelerdeki pazar yapılarının benzerlik gösterip göstermediğine dikkat edilmelidir.”</p> <p>“Tüm aktiviteleri burada mı gerçekleştiriyor, yoksa dağınık mı?”</p> <p>“Farklı aktiviteler farklı ülkelerde ise entegre bir yapı olmak zorundadır.”</p>	<p>“Ortak varsa, ortaklığın yapısına bağlı olabilir.”</p> <p>“Ülkenin genel yapısal özelliklerine, örneğin çeşitli faktörler açısından risk derecesine bağlıdır.”</p> <p>“Hem üretim hem pazarlama, hem de diğer faaliyetler tek bir ülkede toplanmışsa, o ülkedeki paydaşlar çok daha fazla önem kazanır.”</p>	<p>“Kritik pozisyondaki yöneticilerin kimliği (milliyeti) önemli bir göstergedir.”</p>	<p>“Hedefine ne kadar ulaştığı önemlidir.”</p> <p>“Finans göstergeleri dışındaki ölçütlere de bakmak gerekir.”</p>	<p>“Global strateji uyguluyorsa bütün şubelerin benimsediği bir stratejidir.”</p> <p>“Çok uluslu strateji kültür ailelerine göre farklı yapılandırılıyor.”</p>	<p>“Bölgesel dinamikler (ekonomik/siyasi) önem kazanır.”</p> <p>“Hem ana merkezden, hem de diğer şubelerden bilgi akışı artar.”</p>
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3 (U)	“Fonksiyonel stratejilerin ne kadar standart olduğuna bakılmalı.”	<p>“Rekabet derecesi önemlidir. Sektör aynı olsa da diğer çevre koşulları o ülkeye özgü olabilir.”</p> <p>“Yerel ortak varsa ne kadar güçlü olduğu önemlidir. Gücü oranında karar almada ve ilişkilerde söz hakkına sahip olacaktır.”</p>	<p>“Sermaye olarak bağımlılıklarına bakılmalıdır.”</p> <p>“Yerel ortak varsa buradaki ilişkileri ve repütasyonu önemlidir.”</p> <p>“O piyasada yerel bilgi ne kadar önemli? Eğer çok önemli ise buradaki şube ana merkeze göre bilgi açısından daha güçlü bir konumda olacaktır. Daha fazla özgürlük verilecektir.”</p> <p>“Sektörün o ülkedeki gücü ne düzeydedir? Çok güçlü ise merkez, şubenin bilgisine ihtiyaç duyacaktır.”</p> <p>“Hedefler, önce yerel şube tarafından mı, merkez tarafından mı belirleniyor?”</p>	<p>“Karlılık önemli.”</p> <p>“O piyasada edindiği deneyimi diğer ülkelerde, bölgelerde kullanabiliyor mu?”</p> <p>“Yerel deneyimin global konum üzerindeki etkisini ölçmeye yönelik ölçütlere mutlaka bakılmalı.”</p> <p>“Yönetim tecrübesi kazanmış olmak ve bunu diğer ülkelere transfer edebilmek de önemli.”</p>	<p>“Adaptasyonlar taktiksel düzeyde mi, stratejik düzeyde mi sorusuna odaklanılmalı.”</p>	<p>“Operasyonel hedeflerden çok, stratejik hedeflere kaynak aktarımı yapılır.”</p> <p>“HQ’ a benzer bir yapı oluşur.”</p> <p>“Kontrol ve koordinasyon fonksiyonları ağırlık kazanır.”</p>
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4 (Y)	“Hem strateji belirleme, hem de bütçe anlamında yüksek düzeyde bağımlıdır.”	“Devlete bağımlılığı sektörel nedenlerden dolayı en üst düzeydedir.” “Hammadde üreticilerine ve rakip firmalara da yüksek düzeyde bağımlıdır.”	“Bütçesel ve stratejik kararlar bakımından 100% bağılı.”	“Maliyet anlamında doğrudan yatırım yapılması daha fazla karlılık getirmekte olup finansal ölçütler bağlamında değerlendirilebilir.” “Yerli üreticiden tedarik edilen hammaddeler ve yerli iş gücü ise devlet nezdinde artı değer katmakta ve bu tarz şirketler ile devlet arasındaki ilişkiyi kuvvetlendirmektedir.”	“Global markalar için global strateji söz konusu iken, farklı pazarlardaki lokal markalar için çok uluslu strateji tanımlamaları uygundur.”	“Hayır.”
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5 (Y)	<p>“Şirket vizyonu ve çalışanların ortak koştuıkları hedef tepe yönetim tarafından belirlenip faaliyetler tüm ülkelerde bu doğrultuda gerçekleştiriliyor.”</p> <p>“Rakipler global platformda rekabet edilen firmalar olduğundan benchmark vb. faaliyetler tüm ülkelerin ortak olarak yararlanabileceği bilgiler içermekte. Paylaşım ve bağımlılık yüksek”</p>	<p>“Özellikle satış ve pazarlamanın ve destek departmanların faaliyetlerine bakıldığında içinde bulunulan pazar koşulları ve paydaşlar ön plana çıkmaktadır.”</p> <p>“Örneğin bir sosyal sorumluluk projesi kapsamında yurtdışında kutup ayılarını kurtarın mesajı kullanılırken, bu mesaj Türkiye’de daha yeşil bir doğa ve çocuklara daha yeşil bir gelecek bırakma olabilir.”</p> <p>“Bağımlılık, firmanın satış hedefleri, büyüme potansiyeli, ana ülke kategorisinde bulunup bulunmaması gibi ölçütlere göre şekillenmekte.”</p>	<p>“Ana merkez ana gemi gibi yönlendirmekte, filodaki diğer gemiler (diğer ülkelerde faaliyette bulunan iştirakler) bu çerçevede ilerlemekte.”</p>	<p>“Türkiye pazarına girişteki hedeflerimizi ne derece gerçekleştirebildiğimizi değerlendirmeye yönelik ölçütler kullanırız.”</p>	<p>“Global. Şirketimizin faaliyette bulunduğu sektörlerde rakiplerimiz dünyanın her yerinde aynı global şirketler. Bu nedenle merkezi yönetim açısından da genel geçerliliği olan stratejiler belirlenmekte ve izlenmekte.”</p>	<p>“EMEA olarak nitelendirilen (East, Middle East and Africa) bölgede faaliyette bulunuyor ve bölgesel üs olarak değerlendiriliyor.”</p> <p>“Faaliyette bulunduğu bölge, potansiyel büyüme bakımından değerlendirildiğinde en güçlü pazarlardan biri.”</p>
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6 (Y)	“Finansal stratejiler ve yönetim süreçleri bazında bağımlıyız.”	“Tedarik zinciri içindeki ilişkiler bu noktada önem taşır” “Sektörel teşvikler ve kanunlar dolayısıyla yerel ilişkiler sıklıkla yeniden düzenlenmektedir.”	“Performans kontrolleri bakımından ne kadar bağı olduğu önemlidir” “Bütçe kararlarında genellikle özgürlük azdır”	“Finansal ölçekler ve personel kalitesindeki artış”	“Yerel rakiplerin ve ürünlerin rekabet gücü önemli bir etkindir”	“Global stratejiye sağladığı katkı artar” “Ar-Ge alanında yarattığı katma değer daha fazladır”
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7 (Y)		<p>“Hükümetin birtakım yatırımlarda Türkiye’ye özgü yaptırımlar istemesi o ülkedeki paydaşlara olan bağımlılığı arttırıyor.”</p> <p>“Yerel ilişkilerimiz kuvvetli, ve bu nedenle tedarikçi ve müşteri geliştirmeye kaynak ayırıyoruz.”</p>	<p>“Değerlendirmede, yatırım kararları ve üretim kararları temel alınabilir.”</p> <p>“Personel politikasında ne kadar bağımlı olduğumuz da bunun önemli bir göstergesidir.”</p>	<p>“Satışların beklentileri ne kadar karşıladığı önemli.”</p> <p>“Türkiye’deki kaynaklardan global konumunu güçlendirecek şekilde, yeterince etkin bir şekilde yararlanabiliyor mu?”</p>	<p>“Hem global, hem çok uluslu bir strateji izliyoruz.”</p> <p>“Hem global hem de yerel rakiplerimizin olması bu duruma yol açıyor.”</p>	<p>“Evet. Diğer şubeler için kaynak ve bilgi dağıtım merkezi konumuna geliyor.”</p> <p>“Gerek üretim aktivitelerine gerekse diğer aktivitelere yapılan yatırımlar artıyor.”</p>
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8 (Y)	“Ortak standartlara dayanan bir kontrol ve denetim sistemi olması bakımından bağımlılık yüksektir.”	“Müşteri ihtiyaçları bakımından yerel aktörlere önem veririz.”	“Pazarlama ve İK gibi stratejilerde ana kararları kimin aldığına bakılabilir.” “Ürün portföyünü belirlerken ne kadar özgür olduğuna bakılabilir.”	“Pazar payı artış oranı” “Karlılık oranları” “Büyüme yüzdesi”	“Global. Tüm dünyada benzer ürünler üretiyoruz ve benzer pazarlama yöntemleri kullanıyoruz.”	“Hayır.”
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APPENDIX D. Final Version of the Questionnaire (in Turkish)

Değerli Yönetici,

Çok uluslu işletmeler (ÇUI) tarafından gerçekleştirilen doğrudan yabancı yatırımlar, küreselleşmenin etkisiyle, özellikle 1980 sonrası dönemde önem kazanmış ve uluslararası işletmecilik alanında dikkatle takip edilmesi gereken bir olgu haline gelmiştir. Uluslararası pazarlardaki düşük işgücü ücretlerinden yararlanmak, üretimde kullanılan hammaddelere ve hedef müşteri kitlesine yakın olmak, o bölgedeki entelektüel ve/veya kültürel birikimden yararlanmak gibi nedenlerle, çok uluslu işletmeler doğrudan yabancı yatırım yapmayı tercih etmekte; ve bu bağlamda, ya kendi tesislerini yabancı bir ülkede kendileri kurmakta (*greenfield investment*), ya da başka bir işletmenin varlıklarını veya hisselerini devralmaktadırlar (*acquisition*).

Yabancı bir ülkeye en yoğun biçimde nüfuz edilmesi anlamına gelen doğrudan yabancı yatırımlar, çok uluslu işletmelerin uyguladıkları uluslararası stratejiler kapsamında elde ettikleri rekabet avantajlarını ve yarattıkları değeri anlayabilmek için önemli bir çerçeveye oluşturmaktadır.

Bu bilgiler kapsamında değerlendirilmesi gereken ekteki anket, Boğaziçi Üniversitesi İşletme Bölümü Yönetim ve Organizasyon Doktora Programı'nda hazırlanan, “*Çok Uluslu İşletmelerin Aktivitelerinin Doğrudan Yabancı Yatırım Hareketleri Yoluyla Analizi: Değer Zinciri Temelli Bir Yaklaşım*” isimli tez çalışması kapsamında oluşturulmuştur. Anket, Çok Uluslu İşletmeler'in Türkiye'de yaptıkları doğrudan yabancı yatırımların ve ilgili değişkenlerin, söz konusu işletmelerin Türkiye'de faaliyet gösteren yöneticileri ile görüşülmesi yoluyla araştırılmasını esas almaktadır. Elde edilen bilgiler, yalnızca bilimsel amaçlar için kullanılacak ve kesinlikle gizli tutulacaktır. Talebiniz üzerine, tez çalışmasının sonuçlarını içeren bir özet, tarafınıza iletilecektir.

Katkılarınız için teşekkür eder, saygılar sunarız.

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Tez Danışmanı:
Prof. Dr. Güven ALPAY

Soru 1.

Şirketinizin unvanı:

Soru 2.

Şirketinizin Türkiye pazarına giriş yılı:

Soru 3.

Şirketiniz hangi sanayi dalında faaliyet göstermektedir?

Gıda Ürünleri, İçecek ve Tütün İmalatı	
Tekstil Ürünleri İmalatı	
Kimyasal Madde ve Ürünlerin İmalatı	
Makine ve Teçhizat İmalatı	
Elektrikli Optik Aletler İmalatı	
Motorlu Kara Taşıtı, Römork ve Yarı-Römork İmalatı	
Elektrik, Gaz ve Su	
İnşaat	
Toptan ve Perakende Ticaret	
Oteller ve Lokantalar	
Ulaştırma, Haberleşme ve Depolama Hizmetleri	
Mali Aracı Kuruluşların Faaliyetleri	
Gayrimenkul Kiralama ve İş Faaliyetleri	
Sağlık İşleri ve Sosyal Hizmetler	
Diğer Toplumsal, Sosyal ve Kişisel Hizmet Faaliyetleri	
Tarım, Avcılık ve Ormancılık	
Balıkçılık	
Madencilik ve Taşocakçılığı	
Diğer (Belirtiniz)	

Soru 4.

Şirketinizdeki çalışan sayısı:

Soru 5.

Şirketinizin (şubenizin, temsilcilik ofisinizin) bağlı bulunduğu ana şirket hangi ülkede yerleşiktir?

Soru 6.

Coğrafi faaliyet alanı bakımından şirketinizi nasıl tanımlarsınız?

Bölgesel üs olarak	
Yerel merkez olarak	

Soru 7.

Şirketiniz “Bölgesel Üs” olarak tanımlanıyorsa, hangi ülkelerin kontrol bölgenizde yer aldığını belirtebilir misiniz?

Soru 8.

Aşağıdaki tabloda bir işletmedeki başlıca değer zinciri aktiviteleri yer almaktadır. 100 puanı, şirketinizin Türkiye’de bu aktivitelere yaptığı doğrudan yabancı yatırımın, şirketinizin Türkiye’de yaptığı toplam doğrudan yabancı yatırım içindeki ağırlığını yansıtacak şekilde dağıtabilir misiniz?

<i>Değer Zinciri Aktivitesi</i>	<i>Kapsam</i>	<i>Puan</i>
İçe Dönük Lojistik	Girdilerin alınması, depolanması, ve dağıtım sonucunda ürüne/hizmete dönüştürülmesi ile ilgili olan hammadde alımı, depolama, envanter kontrolü, transportasyon takvimlemesi ve tedarikçilere iadeler gibi aktiviteler.	
Üretim	Girdilerin nihai ürün/hizmet formuna dönüştürülmesi ile ilgili aktiviteler (üretim, montaj, ambalajlama, teçhizat bakımı, ilgili tesis kurulum ve bakımları, kalite kontrolleri, çevre koruma faaliyetleri)	
Dışa Dönük Lojistik	Ürünün/hizmetin alıcılara fiziksel olarak dağıtım ile ilgili aktiviteler (nihai ürün depolama, sipariş alım işlemleri, sipariş gönderim işlemleri)	
Pazarlama ve Satış	Alıcıların ürünü/hizmeti almalarını teşvik etmeye ve alacakları bir ortam yaratmaya yönelik aktiviteler (satış ekibinin oluşturulması, reklam ve tanıtım, pazar araştırması ve pazarlama planlaması, fiyatlama, dağıtım kanalları ile ilgili tüm aktiviteler)	
Servis	Ürün/hizmetin değerini arttırmaya yönelik aktiviteler (satış sonrası hizmetler/müşteri ilişkileri, montaj, bakım/tamir, yedek parça hizmetleri, ürün ayarlamaları, vb.)	
	TOPLAM	100

Soru 9.

Lütfen şirket stratejilerinizin uygulanması konusunda aşağıdaki ifadelere ne derece katıldığınızı belirtiniz.

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Hammadde tedarikinden nihai ürünün/hizmetin dağıtımına kadar tüm üretim/hizmet döngüsü ile ilgili eylemler uluslararası düzeyde kontrol edilmektedir.						
Yetenekler ve teknoloji gibi taşınmaz varlıkların örgüt içi transferi ile ilgili eylemler uluslararası düzeyde kontrol edilmektedir.						
Bağlı bulunduğumuz Çok Uluslu İşletme (ÇUI), tüm önemli pazarlarda aynı küresel rakipler ile rekabet etmektedir.						
Temel şirket stratejilerinin farklı kültür gruplarına adapte edilme gerekliliği vardır.						
Bağlı bulunduğumuz ÇUI'nin faaliyet gösterdiği tüm ülkelerde pazar koşulları birbirine benzemektedir.						
Bağlı bulunduğumuz ÇUI tüm dünyada aynı tedarikçilerle çalışmaktadır.						

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Bağlı bulunduğumuz ÇUI tüm dünyada aynı/benzer yapıya/taleplere sahip müşterilerle çalışmaktadır.						
Bağlı bulunduğumuz ÇUI, belli hizmetlerin dış kaynaklardan tedariki için tüm dünyada aynı firmaları kullanmaktadır.						
Şirketimizin Türkiye'deki yerel rakiplerinin gücü çok fazladır.						

Soru 10.

Lütfen şirketinizle ilgili aşağıdaki ifadelere ne derece katıldığınızı belirtiniz.

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Şirketimizde gerçekleştirilen teknolojik yenilikler, bağlı bulunduğumuz ÇUI'nin diğer şubelerine de kısa süre içinde aktarılmakta ve böylece, gerçekleştirilen yeniliğin, tüm ÇUI ağında kullanılması sağlanmaktadır.						

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Şirketimizin çeşitli paydaş gruplarının (tedarikçiler, müşteriler, hükümet, STK'lar, vb.) Türkiye'deki aktiviteleri ve aldıkları kararlar, diğer ülkelerdeki aynı paydaş gruplarının aktivitelerini ve aldıkları kararları etkilemektedir.						
Şirketimizin yerel paydaş gruplarının (yerel tedarikçiler, müşteriler, bankalar, vb.) birbirleri ile ilişkileri çok güçlüdür.						
Türkiye'de gerçekleştirdiğimiz aktivitelerin çeşitliliği ve sayısı oldukça fazladır.						
Şirketimiz, yerel tedarikçilerinin ve müşterilerinin gelişimi için büyük yatırımlar yapmaktadır.						
Şirketimiz, Türkiye'nin yerel pazarı ile ilgili kritik sektörel bilgilere sahiptir ve bu bilgiler şirketimizin bağlı bulunduğu ÇUI'nin küresel performansını önemli ölçüde etkilemektedir.						

Soru 11.

Lütfen şirketinizin aşağıda belirtilen konular ile ilgili karar alma sürecinde uluslararası merkeze bağımlılık düzeyini dikkate alarak, aşağıdaki ifadelere ne derece katıldığınızı belirtiniz.

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Şirketimiz, ürün/hizmet gamının belirlenmesi ile ilgili kararlarda uluslararası merkeze bağımlıdır.						
Şirketimiz, satış promosyonları, reklam ve halkla ilişkiler gibi tutundurma faaliyetleri konusunda alınan kararlarda uluslararası merkeze bağımlıdır.						
Şirketimiz, Ar-Ge çalışmaları ile ilgili kararlarda uluslararası merkeze bağımlıdır.						
Şirketimiz, üretim/hizmet kapasitesinin belirlenmesi ile ilgili kararlarda uluslararası merkeze bağımlıdır.						
Şirketimiz, üretim/hizmet teknolojisindeki değişiklikler ile ilgili kararlarda uluslararası merkeze bağımlıdır.						
Şirketimiz, bütçe oluşturulması ile ilgili kararlarda uluslararası merkeze bağımlıdır.						

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Şirketimiz, şirket içi bilgi akışının yönetilmesi ile ilgili kararlarda uluslararası merkeze bağımlıdır.						
Şirketimiz, günlük rutin aktivitelerin yürütülmesi ile ilgili kararlarda uluslararası merkeze bağımlıdır.						
Şirketimiz, insan kaynakları politikasının belirlenmesi ve uygulanması ile ilgili kararlarda uluslararası merkeze bağımlıdır.						

Soru 12.

Lütfen aşağıdaki eylemlerin şirketinizin rekabet gücünü ne düzeyde etkilediğini belirtiniz.

	<i>Hiç Etkilememektedir</i>	<i>Çok Az Etkilemektedir</i>	<i>Biraz Etkilemektedir</i>	<i>Oldukça Etkilemektedir</i>	<i>Çok Etkilemektedir</i>	<i>Tamamen Etkilemektedir</i>
Ürünler/Hizmetlere çeşitli farklılaştırıcı özellikler eklemek						
Üstün ürün/hizmet kalitesi yaratmak						
Yüksek düzeyde üretim/hizmet verimliliği/maliyet kontrolü sağlamak						
Üstün müşteri/tüketici hizmeti sağlamak						
Yeni ürün/hizmet geliştirmek						
Hammadde maliyetinin ve tedarikinin kontrolünü sağlamak						

	<i>Hiç Etkilememektedir</i>	<i>Çok Az Etkilemektedir</i>	<i>Biraz Etkilemektedir</i>	<i>Oldukça Etkilemektedir</i>	<i>Çok Etkilemektedir</i>	<i>Tamamen Etkilemektedir</i>
Dağıtım kanallarında yüksek derecede hâkimiyet kurmak						
Yüksek fiyat segmentini hedeflemek						
Üretim/hizmet sürecinde iyileştirme ve yenilikçilik yapmak						
Marka denkliği yaratabilmek						
Ürün/hizmet maliyetinin azaltılması						
Rakiplerden düşük fiyat stratejisi izlemek						
Yüksek nitelikte teknik elemana sahip olmak						
Güçlü bir marka imajının yaratılması						
Yüksek reklam harcamaları gerçekleştirmek						

Soru 13.

Lütfen, şirketinizin son 3 yıldaki performansını endüstri ortalaması ile karşılaştırdığımızda, aşağıdaki ifadelere ne derece katıldığınızı belirtiniz.

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Pazara girişte belirlenen hedeflere büyük ölçüde ulaşılmıştır.						
Türkiye’de, <i>know-how</i> ve yönetim alanında kazanılan deneyimler, bağlı bulunduğumuz ÇUI’nin ağı içinde yer alan diğer ülkelerdeki şubelere ve ev sahibi ülkeye geri-transfer edilmektedir.						

	<i>Kesinlikle Katılmıyorum</i>	<i>Katılmıyorum</i>	<i>Kısmen Katılmıyorum</i>	<i>Kısmen Katılıyorum</i>	<i>Katılıyorum</i>	<i>Kesinlikle Katılıyorum</i>
Türkiye ekonomisi için yüksek düzeyde değer yaratılmıştır.						
Şirketimiz, Türkiye’de faaliyet gösterdiği için sağladığı kaynakları, bağlı bulunduğu ÇUI’nin küresel rekabetçi pozisyonunu güçlendirecek şekilde değerlendirmektedir.						
Şirketimizin ihracat performansı, Türkiye’ye yatırım yaptığımızdan beri yükselen bir trend izlemektedir.						
Şirketimizin pazardaki konumu, Türkiye’ye yatırım yaptığımızdan beri, pazar payı bakımından güçlenmiştir.						
Şirketimizin karlılık oranları Türkiye’ye yatırım yaptığımızdan beri iyileşmiştir.						
Şirketimizin satış/hizmet hacminde Türkiye’ye yatırım yaptığımızdan beri büyüme sağlanmıştır.						

Soru 14.

Yurt dışında fiilen çalıştınız mı?

Evet	
Hayır	

Soru 15.

Şirketteki göreviniz?

Soru 16.

Kaç yıldır bu şirkette çalışıyorsunuz?

Soru 17.
Cinsiyetiniz?

Kadın	
Erkek	

Soru 18.
Eđitim Seviyeniz?

İlkokul	
Ortaokul	
Lise	
Üniversite	
Yüksek Lisans	
Doktora	

Zaman ayırdığınız için teşekkür ederiz.

APPENDIX E. Final Version of the Questionnaire (in English)

Dear Manager,

Foreign direct investments made by multinational enterprises (MNEs) have gained importance as a result of the effects of globalization, especially during post – 1980 period, and become a phenomenon that should be closely investigated in the field of international business. MNEs prefer to make foreign direct investments mainly to take advantage of relatively low labor costs in international markets, to be close to sources of raw materials and targeted customers, to benefit from different intellectual and/or cultural resources; and in this context, choose either to make “greenfield investments” or to acquire assets and shares of other business enterprises in different regions of the world.

Foreign direct investments, which represent the ultimate form of penetration into a foreign country, constitute an important framework to understand and interpret the nature of competitive advantages and the value gained and created by the MNEs as a result of their international strategies.

With these facts in mind, the questionnaire enclosed is constructed as a part of the PhD thesis named “*Analyzing Activities of Multinational Enterprises Through Foreign Direct Investment Patterns: A Value Chain Based Perspective*”, that is being studied in Boğaziçi University Management Department. The questionnaire aims to investigate foreign direct investment patterns of MNEs in Turkey and certain related variables through contacting with managers of these firms. Obtained data will only be used for academic purposes and will absolutely be concealed. A summary including the results of the study will be sent to you on request.

We sincerely thank you for your cooperation.

Pınar BÜYÜKBALCI
Boğaziçi University
Management and Organization PhD Student
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Güven ALPAY, PhD.
Thesis Advisor

Question 1.

Name of your company:

Question 2.

Year of establishment of your company in Turkey:

Question 3.

In which industry does your company operate?

Manufacture of Food Products, Beverages and Tobacco	
Manufacture of textiles	
Manufacture of Chemicals and Chemical Products	
Manufacture of Machinery and Equipment	
Manufacture of Electrical – Optical Products	
Manufacture of Motor Vehicles, Trailers and Semi-Trailers	
Electricity, Gas and Water Supply	
Construction	
Wholesale and Retail Trade	
Hotels and Restaurants	
Transport, Storage and Communications	
Financial Intermediation	
Real Estate, Renting and Business Activities	
Health, and Social Work	
Other Community, Social and Personal Service Activities	
Agriculture, Hunting and Forestry	
Fishing	
Mining and Quarrying	
Other (Please specify)	

Question 4.

Number of employees in your company:

Question 5.

In which country is your company's headquarters located?

Question 6.

How can you describe your company in terms of geographic operation area?

As a regional headquarter	
As a local subsidiary	

Question 7.

If your company is defined as a regional headquarter, please specify which countries are included in the regional control field of your company.

Question 8.

Primary Value Chain Activities can be seen in the below stated table. Can you disperse the ratio of 100% among these activities in a way that reflects your company's FDI position in Turkey?

<i>Value Chain Activity</i>	<i>Content</i>	<i>Ratio</i>
Inbound Logistics	Activities, costs and assets associated with obtaining fuel, energy, raw materials, parts components, merchandise and consumable items from vendors; receiving, storing, and disseminating inputs from suppliers, inspection; and inventory management.	
Operations	Activities, costs and assets associated with converting inputs into final product form (production, assembly, packaging, equipment maintenance, facilities, operations, quality assurance, environmental protection).	
Outbound Logistics	Activities, costs and assets dealing with physically distributing the product to buyers (finished goods warehousing, order processing, order picking and packing, shipping, delivery vehicle operations).	
Marketing and Sales	Activities, costs and assets related to sales force efforts, advertising and promotion, market research and planning, and dealer/distributor support.	
Service	Activities, costs and assets associated with purchasing and providing raw materials, supplies, services and outsourcing necessary to support the firm and its activities.	

Question 9.

Please indicate to what extent you agree with the following statements regarding their influence in shaping the strategies of your company.

	<i>Strictly Disagree</i>	<i>Disagree</i>	<i>Partially Disagree</i>	<i>Partially Agree</i>	<i>Agree</i>	<i>Strictly Agree</i>
All activities regarding the supply of raw materials to the distribution of finished product/services are internationally controlled.						
All activities regarding the transfer of intangible assets (e.g. skills, technology) within the organization are internationally controlled.						
Our MNE competes with the same global competitors in all key markets in which it operates.						
Primary corporate strategies should be adapted to different cultural clusters.						
Market conditions are similar in all host countries of our MNE.						
Our MNE works with same suppliers all over the world.						
Our MNE works with same/similar customers with same/similar demands all over the world.						
Our MNE uses the same firms all over the world to outsource certain activities.						
Our company has very strong local competitors in Turkey.						

Question 10.

Please specify to what extent you agree with the following statements concerning your company.

	<i>Strictly Disagree</i>	<i>Disagree</i>	<i>Partially Disagree</i>	<i>Partially Agree</i>	<i>Agree</i>	<i>Strictly Agree</i>
Technology development carried in this subsidiary is always transferred to other group subsidiaries in a short time period to make them benefit from these developments.						
The actions and decisions of certain stakeholder groups (suppliers, customers, competitors, government, NGOs, etc.) of our company in Turkey impact the actions and decisions of their counterparts in other host countries.						
Exchange ties among the local stakeholder groups of our company (local suppliers, customers, banks, etc.) are very intense.						
Range and number of activities carried out by our company in Turkey is very high.						
Our company highly invests for the development of its local suppliers and customers in Turkey.						
Our company acquires critical sectoral information regarding the host country's (Turkey) local market and that information deeply affects the global performance of the whole MNE.						

Question 11.

Please indicate to what extent you agree with the following statements regarding the degree of autonomy your company has in terms of the decisions made in the following categories.

	<i>Strictly Disagree</i>	<i>Disagree</i>	<i>Partially Disagree</i>	<i>Partially Agree</i>	<i>Agree</i>	<i>Strictly Agree</i>
Our company is dependent on international headquarter while making decisions related to determining the product/service range.						
Our company is dependent on international headquarter while making decisions related to determining promotion activities including sales promotion, advertising and public relations.						
Our company is dependent on international headquarter while making decisions related to R&D activities.						
Our company is dependent on international headquarter while making decisions related to setting production/service capacity						
Our company is dependent on international headquarter while making decisions related to changes in manufacturing/service technology.						
Our company is dependent on the international headquarter while making decisions related to budget formation.						
Our company is dependent on international headquarter while making decisions related to managing information flow within the company.						
Our company is dependent on international headquarter while making decisions related to performing daily routine activities.						
Our company is dependent on international headquarter while making decisions related to determining and implementing human resources policy.						

Question 12.

Please indicate how strongly each of the following activities affects your company's competitiveness.

	<i>Does not affect in any way</i>	<i>Slightly affects</i>	<i>Affects a little</i>	<i>Affects considerably</i>	<i>Affects a lot</i>	<i>Totally affects</i>
Providing product(s)/services with many differentiating features						
Creating premium product/service quality						
Providing high operating efficiency/cost control						
Providing extensive customer/consumer service						
New product/service development						
Managing raw materials cost and availability						
Having high influence over distribution channels						
Targeting high-priced segment(s)						
Making improvements and innovation in manufacturing/service processes						
Building/maintaining brand equity						
Product/service cost reduction						
Pricing below competitors						
Having highly skilled functional personnel.						
Building/maintaining brand reputation						
Spending a high amount of money on advertising activities.						

Question 13.

Please indicate to what extent you agree with the following statements when you compare the performance of your company with the industry average in the last three years.

	<i>Strictly Disagree</i>	<i>Disagree</i>	<i>Partially Disagree</i>	<i>Partially Agree</i>	<i>Agree</i>	<i>Strictly Agree</i>
The objectives set while entering the market has been largely accomplished.						
The experience gained in Turkey in terms of know-how and managerial experience is reverse transferred to both home and other countries within the network of our MNE.						
The value added by our company to host country's (Turkey's) macro and micro economic factors is high.						
Our company exploits the resources it acquires by operating in Turkey in a way to strengthen the global competitive position of the whole MNE.						
Export performance of our company shows an increasing trend since we invested in Turkey.						
Our company has improved its market position in terms of market share since we invested in Turkey.						
Profitability ratios of our company have improved since we invested in Turkey.						
Growth has been provided in sales/service volume of our company since we invested in Turkey.						

Question 14.
Have you ever worked abroad?

Yes	
No	

Question 15.
Your position in the firm?

Question 16.
Since how many years have you been working in this company?

Question 17.
Your gender?

Female	
Male	

Question 18.
Your education level?

Primary School	
Middle School	
High School	
College	
Master's Degree	
PhD	

Thank you for your time.

APPENDIX F. Reliability Values of the Study Variables

		Cronbach's Alpha	Alpha if item deleted	Hotelling's T-squared sign.
Degree of Global Integration		0.700		0.000
1.	All activities regarding the supply of raw materials to the distribution of finished product/services are internationally controlled.		0.635	
2.	All activities regarding the transfer of intangible assets (e.g. skills, technology) within the organization are internationally controlled.		0.688	
3.	Our MNE competes with the same global competitors in all key markets in which it operates.		0.687	
4.	Primary corporate strategies should be adapted to different cultural clusters. ^a		0.700	
5.	Market conditions are similar in all host countries of our MNE.		0.698	
6.	Our MNE works with same suppliers all over the world.		0.644	
7.	Our MNE works with same customers all over the world.		0.653	
8.	Our MNE uses the same firms all over the world to outsource certain activities.		0.642	
9.	Our company has very strong local competitors in Turkey. ^b		<u>0.729</u> ^c	
10.	Technology development carried in this subsidiary is always transferred to other group subsidiaries in a short time period to make them benefit from these developments.		0.680	
Across Density				
1.	The actions and decisions of certain stakeholder groups (suppliers, customers, competitors, government, NGOs, etc.) of our company in Turkey impact the actions of their counterparts in other host countries.		N/A ^d	
Within Density		<u>0.659</u>		0.008
1.	Exchange ties among the local stakeholder groups of our company (local suppliers, customers, banks, etc.) are very intense.		0.676 ^e	

^a Deleted at the end of the first run to reach the corresponding alpha level of 0.700.

^b Deleted at the end of the second run to reach the corresponding alpha level of 0.729.

^c Final Cronbach's alpha value for Degree of Global Integration.

^d Cronbach's Alpha has not been calculated as it is a single-item measure.

^e As the increase in alpha level is not substantial and as there are only three items in the measure, this item is not deleted.

2.	Range and number of activities carried out by our company in Turkey country is very high.		0.361	
3.	Our company highly invests in the development of its local suppliers and customers in Turkey.		0.475	
Degree of Autonomy		0.835		0.000
1.	Our company acquires critical sectoral information regarding the host country's (Turkey) local market and that information deeply affects the global performance of the whole MNE. ^a		<u>0.877</u> ^b	
2.	Our company is dependent on international headquarter while making decisions related to determining the product range.		0.807	
3.	Our company is dependent on international headquarter while making decisions related to determining promotion activities including sales promotion, advertising and public relations.		0.809	
4.	Our company is dependent on international headquarter while making decisions related to R&D activities.		0.816	
5.	Our company is dependent on international headquarter while making decisions related to setting production capacity.		0.801	
6.	Our company is dependent on international headquarter while making decisions related to changes in manufacturing technology.		0.805	
7.	Our company is dependent on international headquarter while making decisions related to budget formation.		0.822	
8.	Our company is dependent on international headquarter while making decisions related to managing information flow within the company.		0.814	
9.	Our company is dependent on international headquarter while making decisions related to performing daily routine activities.		0.819	
10.	Our company is dependent on international headquarter while making decisions related to determining and implementing human resources policy.		0.816	
Differentiation Based CA		<u>0.794</u>		0.000
1.	Providing product(s)/services with many differentiating features		0.776	
2.	Creating premium product/service quality		0.778	
3.	Providing extensive customer/consumer service		0.774	

^a Deleted at the end of the first run to reach the corresponding alpha level of 0.877.

^b Final Cronbach's alpha value for Degree of Autonomy.

4.	New product/service development		0.775	
5.	Having high influence over distribution channels		0.767	
6.	Targeting high-priced segment(s)		0.784	
7.	Building/maintaining brand equity		0.774	
8.	Building/maintaining brand reputation		0.774	
9.	Spending a high amount of money on advertising activities.		0.762	
Cost Based CA		0.741		0.000
1.	Providing high operating efficiency/cost control		0.690	
2.	Managing raw materials cost and availability		0.693	
3.	Making improvements and innovation in manufacturing/service processes		0.672	
4.	Product/service cost reduction		0.627	
5.	Pricing below competitors		0.732	
6.	Having highly skilled functional personnel		0.730	
Firm Performance		0.743		0.000
1.	The objectives set while entering the market has been largely accomplished.		0.716	
2.	The experience gained in Turkey in terms of know-how and managerial experience is reverse transferred to both home and other countries within the network of our MNE.		0.727	
3.	The value added by our company to host country's (Turkey's) macro and micro economic factors is high.		0.708	
4.	Our company exploits the resources it acquires by operating in Turkey in a way to strengthen the global competitive position of the whole MNE.		0.690	
5.	Export performance of our company shows an increasing trend since we invested in Turkey. ^a		<u>0.773</u> ^b	
6.	Our company has improved its market position in terms of market share since we invested in Turkey.		0.709	
7.	Profitability ratios of our company have improved since we invested in Turkey.		0.724	
8.	Growth has been provided in sales/service volume of our company since we invested in Turkey.		0.680	

^a Deleted at the end of the first run to reach the corresponding alpha level of 0.773.

^b Final Cronbach's alpha value for Firm Performance.

APPENDIX G. Summary Statistics of Items in Each Variable

Variables ^a	N	Min.	Max.	Mean	SD
<i>Amount of FDI in Primary Value Chain Activities</i>					
FDI in inbound logistics	95	0	90	11.33	13.08
FDI in operations	95	0	100	22.77	28.84
FDI outbound logistics	95	0	95	12.44	14.38
FDI in marketing and sales	95	0	100	33.91	27.21
FDI in service activities	95	0	80	14.56	17.64
<i>Degree of Global Coordination/Integration</i>					
All activities regarding the supply of raw materials to the distribution of finished product/services are internationally controlled.	95	1	6	4.21	1.56
All activities regarding the transfer of intangible assets (e.g. skills, technology) within the organization are internationally controlled.	95	1	6	4.37	1.29
Our MNE competes with the same global competitors in all key markets in which it operates.	95	1	6	4.41	1.27
Primary corporate strategies should be adapted to different cultural clusters. (Reverse Coded – RC)	95	1	6	2.36	1.18
Market conditions are similar in all host countries of our MNE.	95	1	6	2.71	1.41
Our MNE works with same suppliers all over the world.	95	1	6	3.13	1.27
Our MNE works with same/similar customers with same/similar demands all over the world.	95	1	6	3.66	1.41
Our MNE uses the same firms all over the world to outsource certain activities.	95	1	6	3.61	1.42
Our company has very strong local competitors in Turkey. (RC)	95	1	6	3.32	1.50
Technology development carried in this subsidiary is always transferred to other group subsidiaries in a short time period to make them benefit from these developments.	95	1	6	4.16	1.32

^a The variables are measured on a 6-point scale where the maximum is 6 and the minimum is 1. For the subscales, which contained “reverse coded items”, necessary recoding is made.

<i>Across Density</i>					
The actions and decisions of certain stakeholder groups (suppliers, customers, competitors, government, NGOs, etc.) of our company in Turkey impact the actions and decisions of their counterparts in other host countries.	95	1	6	3.37	1.19
<i>Within Density</i>					
Exchange ties among the local stakeholder groups of our company (local suppliers, customers, banks, etc.) are very intense.	95	1	6	4.09	1.24
Range and number of activities carried out by our company in Turkey is very high.	95	1	6	4.39	1.28
Our company highly invests for the development of its local suppliers and customers in Turkey.	95	1	6	4.05	1.31
<i>Degree of Subsidiary Autonomy</i>					
Our company acquires critical sectoral information regarding the host country's (Turkey) local market and that information deeply affects the global performance of the whole MNE.	95	1	6	3.02	1.37
Our company is dependent on international headquarter while making decisions related to determining the product/service range. (RC)	95	1	6	2.29	1.27
Our company is dependent on international headquarter while making decisions related to determining promotion activities including sales promotion, advertising and public relations. (RC)	95	1	6	2.96	1.32
Our company is dependent on international headquarter while making decisions related to R&D activities. (RC)	95	1	6	2.36	1.25
Our company is dependent on international headquarter while making decisions related to setting production/service capacity. (RC)	95	1	6	2.49	1.36
Our company is dependent on international headquarter while making decisions related to changes in manufacturing/service technology. (RC)	95	1	5	2.31	1.22
Our company is dependent on the international headquarter while making decisions related to budget formation. (RC)	95	1	5	1.92	1.00
Our company is dependent on international headquarter while making decisions related to managing information flow within the company. (RC)	95	1	6	3.37	1.35
Our company is dependent on international headquarter while making decisions related to performing daily routine activities. (RC)	95	1	6	4.47	1.34
Our company is dependent on international headquarter while making decisions related to determining and implementing human resources policy. (RC)	95	1	6	2.96	1.45
<i>Type of Competitive Advantage</i>					
Providing product(s)/service(s) with many differentiating features	95	1	6	4.72	1.01

Creating premium product/service quality	95	2	6	5.05	0.88
Providing high operating efficiency/cost control	95	2	6	4.82	0.93
Providing extensive customer/consumer service	95	1	6	4.95	0.89
New product/service development	95	1	6	4.63	1.24
Managing raw materials cost and availability	95	1	6	3.97	1.47
Having high influence over distribution channels	95	1	6	4.31	1.40
Targeting high-priced segment(s)	95	1	6	3.54	1.33
Making improvements and innovation in manufacturing/service processes	95	1	6	4.44	1.09
Building/maintaining brand equity	95	1	6	4.22	1.27
Product/service cost reduction	95	1	6	4.40	1.28
Pricing below competitors	95	1	6	3.88	1.44
Having highly skilled functional personnel	95	1	6	4.43	1.19
Building/maintaining brand reputation	95	1	6	5.15	1.05
Spending a high amount of money on advertising activities	95	1	6	3.64	1.52
<i>Firm Performance</i>					
The objectives set while entering the market has been largely accomplished.	95	2	6	4.87	0.87
The experience gained in Turkey in terms of know-how and managerial experience is reverse transferred to both home and other countries within the network of our MNE.	95	1	6	4.08	1.31
The value added by our company to host country's (Turkey's) macro and micro economic factors is high.	95	2	6	4.83	0.99
Our company exploits the resources it acquires by operating in Turkey in a way to strengthen the global competitive position of the whole MNE.	95	2	6	4.47	1.16
Export performance of our company shows an increasing trend since we invested in Turkey.	60	1	6	4.45	1.53
Our company has improved its market position in terms of market share since we invested in Turkey.	95	1	6	4.64	1.42
Profitability ratios of our company have improved since we invested in Turkey.	95	1	6	4.22	1.20
Growth has been provided in sales/service volume of our company since we invested in Turkey.	95	2	6	4.66	1.12

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