

Internationalization and domestic political support: a differentiation of R&D-related foreign and domestic firms in Turkey

Different firm types in the EM of Turkey

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Abstract

Purpose – This paper contributes insights into how different firm types in the emerging market (EM) of Turkey respond to upgrading pressures in terms of internationalization and the usage of domestic political support. It seeks to highlight how the usage of and the responses to different strategies, connections and policy instruments vary with firm types.

Design/methodology/approach – Binary logistic regression analysis is used to differentiate and identify characteristics of firms regarding market-seeking strategies and their usage of institutional and financial support. The analysis is based on survey data from firms located in the metro-region of Istanbul: advanced market multinational enterprises (AMNEs), Turkish MNEs (TMNEs) and domestic Turkish firms (DTFs).

Findings – Different types of firms within the population of innovative firms in the EM setting of Turkey show significant variety regarding the usage of and the responses to key factors affecting internationalization. AMNEs particularly benefit from investment and export incentives as well as from establishing political connections in Turkey. DTFs significantly use tax incentives and primarily seek advanced markets. TMNEs particularly benefit from investment and export incentives and prefer to target advanced markets.

Research limitations/implications – Using Turkey as a single-country setting is a limitation to the generalizability of the results. Future studies could use more cases of AMNEs to compare different countries of origin. In addition, the intended focus on R&D-related firms produces specific outcomes for such companies.

Practical implications – National and regional policies need to pursue different strategies for the surveyed groups of firms to attract and maintain foreign direct investments (FDIs) of AMNEs as well as to support outward FDIs of domestic firms and EM MNEs. In particular, policies for market entries and knowledge sourcing in advanced markets are becoming a crucial factor for EM firms in overcoming a shortage of resources at home.

Originality/value – This paper's findings challenge existing theories such as the concept of psychic distance or liabilities of foreignness, which do not always provide an adequate explanation for internationalization activities of

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EM firms. In addition, it is highly relevant to apply an eclectic or multidimensional concept when conducting research in EMs in order to capture the interrelated constructs of upgrading, internationalization and political support.

Keywords Emerging markets, Multinational enterprises, Domestic firms, Innovation, Internationalization, Institutions, Political support, Turkey

Paper type Research paper

Emerging markets (EMs) are considered to be attractive locations for foreign direct investment (FDI) of advanced market multinational enterprises (AMNEs), despite their partially unstable conditions such as poor legal systems, uncertain political conditions or insufficient infrastructures (Groh and Wich, 2012). Moreover, many of them have become the home market for upcoming EM multinational enterprises (EMNEs) (Demirbag and Yaprak, 2015). The role of particularly promising locations in these countries has attracted scholarly interest, for example, in connection with cluster theory (Malmberg and Maskell, 2002) or because certain locations provide advantages regarding access to logistics, networks or neighboring markets (Grant and Nijman, 2002).

However, growth based solely on low-wage labor, and hence on integration with low value-added activities of global value chains (GVC) (Gereffi, 1999), cannot be sustained for long and leads to a period of economic stagnation also referred to as the “middle-income trap” (Cai, 2012; Krugman, 1994; Paus, 2012). Consequently, countries facing this situation are searching for ways to increase the added value of their domestic firms and to raise productivity in general. Therefore, many firms in EMs – EMNEs as well as domestic firms – are forced to upgrade their technological profiles and place more emphasis on providing innovative solutions. This development is clearly linked to competitive pressure from AMNEs in these countries and is often accelerated through political support (Szczygielski *et al.*, 2017). Compared to advanced economies, EMs lag behind in access to important resources, creating difficulties in knowledge absorption for firms located in such environments (Ozturk, 2018). Therefore, it is extremely important to understand how firms in EMs are responding to upgrading pressures and positioning themselves in the context of innovation and internationalization.

A growing number of conceptual and empirical studies are addressing issues arising in the context of upgrading and internationalization, and many studies shed light on different factors affecting these processes. Examples include home country factors and political support (Michailova and Panibratov, 2019), interpersonal ties (Sawant *et al.*, 2021), ownership effects (Phung and Mishra, 2016), regulatory frameworks (Contractor *et al.*, 2021) and policy (Ahmed and Brennan, 2019), networks (Burlina, 2020), and strategic intentions (Angulo-Ruiz *et al.*, 2019). These studies usually refer to specific BRIC country contexts, with China being the most frequently studied case. Endowed with empirical richness and breadth, most of these studies seek to identify and test mechanisms that generally promote or impede successful business processes such as the internationalization of EM firms. This paper seeks to contribute to this discussion by addressing the variety of different firms in EM locations and the resulting complexity regarding the interplay of innovativeness, internationalization, and the factors affecting these two aspects. Using the example of firms located in Istanbul (Turkey), it seeks to answer the research question: “How do different groups of innovative firms place themselves in the context of internationalization, local embeddedness and political support?”. This paper thus examines the connection between firms’ internationalization motives and usages of domestic political support, and hence contributes to the broader examination of interconnected constructs of innovation, geography, institutions and internationalization in EMs (Newbury *et al.*, 2016).

In order to answer the research question, the EM of Turkey was selected for a number of reasons. Firstly, Turkey has successfully transformed from a formerly closed economy with

limited trade and investment volumes into one of the leading economies in Southeastern Europe and the Middle East (Tatoglu and Demirbag, 2008). Secondly, its unique location between Europe and Asia and corresponding proximity to advanced Western and emerging Eastern markets have attracted an increasing amount of inward FDI of MNEs from around the world (Ayden *et al.*, 2018; Erdilek, 2008). Thirdly, Turkey is strategically developing toward an innovation-related environment, transforming its economic structure by implementing mechanisms in education, social state policies and R&D expenditures (Bakirci, 2018) as well as through direct support for innovation-related activities of Turkish firms (Yildirim, 2017).

In addition, following the trend of EMs increasingly attracting firms carrying out R&D activities in these countries, Turkey has also become successful in addressing MNEs engaging in R&D (Karabag *et al.*, 2011). During the period 2014–2016, 64.5% of all industrial companies in Turkey reported some form of innovation activity (TUIK, 2017), and the share of R&D expenditure more than doubled from 0.47% in 2003 to 0.96% in 2017 (OECD, 2019a). In the recent past, Turkey's economic development has shown high GDP growth rates, with 11.5% in Q3 of 2017 (TUIK, 2018). However, the severe financial shock in mid-2018 triggered a recession (OECD, 2019b), leading to a decrease in GDP growth rates of –2.6% in Q1 of 2019 (TUIK, 2019), necessitating not only fiscal stimulus but also direct support for internationally acting firms challenged by foreign-currency debts (OECD, 2019b).

Therefore, the overall economic situation together with an increasing engagement in R&D and upgrading efforts make Turkey an interesting context to study. Exemplifying Turkey will add a more widened perspective on experience from the specific Turkish context to further enrich the field of EM research with new contextual insights (Nielsen *et al.*, 2018).

In a comparative study of major AMNEs, upcoming EMNEs and domestic firms in Turkey, this paper aims to analyze differences and similarities in firms' internationalization motives and their use of institutional and financial support. It starts with a review of the underlying literature regarding firms' internationalization motives and political support in order to develop hypotheses. Following this, the paper's research approach in terms of survey sampling, data collection, measurement of variables and data analysis is outlined. Binary logistic regression models are used for a comparison between three company categories and their particular characteristics, while keeping the EM context of Turkey as a constant. Finally, the main findings and limitations of this study are discussed and a conclusion about theory and policy implications is drawn.

Theoretical background and hypotheses development

This paper aims to understand key factors that influence the development of innovative firms in EM settings and upgrading processes along with the varying ways in which these factors are important for different types of firms. Based on the related literature, the factors considered are internationalization motives, access to local resources and information, as well as financial support from the government. This approach will help to reach a more profound understanding of the complexity of upgrading processes in various countries.

The two common characteristics of the company population examined in this paper are their location in a particular local setting (Istanbul) and an orientation toward innovation based on R&D. Recent research highlights that knowledge about EM firms' needs for higher engagement in R&D activities is still limited (Ozturk, 2018). For example, empirical studies show no single approach toward technological upgrading among BRIC economies, but rather varying and unique upgrading paths of different EMs (Dominguez Lacasa *et al.*, 2019). China is a prime example in this regard, delivering the most recent case of a technology-oriented transformation promoted by political strategies and transformation (Alon *et al.*, 2009; Garnaut and Song, 2013; Wei and Liefner, 2012; Zhou *et al.*, 2016). However, as a primarily state-led economy with strong governmental influence, China's experiences are difficult to transfer to other EM contexts. Consequently, there is a need for evidence of market-driven economies such as Turkey.

The heterogeneity within the company population and the heterogeneous effects of and responses to internationalization, access to local resources and policy motivate the following literature review.

Variety within the population of innovative firms in Istanbul

Due to the dynamic developments in EM settings, their firm populations can be expected to vary enormously, for example, with respect to firms' internal resources, international experience and networking capabilities. Empirical studies have discussed the fact that discriminatory factors frequently applied in advanced-country studies such as firm size and firm age do not sufficiently explain this heterogeneity, and that a further differentiation of firms according to ownership types is useful (Michailova and Panibratov, 2019; Phung and Mishra, 2016).

The research focus here is thus not limited to one company type, instead encompassing three different ones: Istanbul subsidiaries of advanced market multinational enterprises (AMNEs), multinational enterprises that originate from Turkey (Turkish MNEs, TMNEs) and domestic Turkish firms that do not undertake any FDIs (Domestic Turkish firms, DTFs). Against the background of seminal theories such as the OLI framework (Dunning, 1998, 2000) and the internationalization process model (Johanson and Vahlne, 1977), the resource-based view (RBV) (Barney, 1991) as well as the institution-based view (Inst.BV) (Peng *et al.*, 2008) and their many more recent extensions, a set of factors distinguishing between these firm types becomes apparent. For example, AMNEs have access to their parent company's capital and knowledge base, but on the other hand are restricted to fulfilling a particular role within their multinational firm. TMNEs are EM multinationals, attempting to strengthen their initially weak resource base and building competitiveness on cost advantages. DTFs do not benefit from access to foreign resources but also face less competitive pressure in their domestic market niches. The empirical results discussed below further complement this pattern of heterogeneity regarding firms' internationalization motives and usage of local business connections and political support. The literature review asks how each of these factors affects and/or is used by different types of firms.

Market-seeking motives

After 1980, increasing inward FDIs in Turkey resulted in competitive pressure on domestic firms, partly leading to a stimulus of outward FDIs of Turkish companies seeking foreign markets (Ayden *et al.*, 2018; Erdilek, 2008). Besides such external push factors, motives for internationalization on the firm level generally vary among company types and are classified in different ways. This study focuses its analysis on firms' market-seeking strategies discussed by Dunning (1998, 2000). However, possessing strategic assets is also an important requirement for internationalizing and meeting foreign market needs in the first place (Aulakh, 2007; Ramamurti, 2012). EMNEs, for instance, increasingly harness foreign knowledge and innovation sources to build up resources and capabilities at the firm level strategically. These strategic asset-seeking investments challenge existing theories of EMNEs' internationalization activities of more resource- or market-seeking motives (Gammeltoft and Hobdari, 2017). The springboard perspective by Luo and Tung (2007) describes an internationalization strategy of EMNEs in which they rapidly acquire strategic assets in advanced markets. Such firms are able to overcome home-market constraints and become successful due to aggressive and risk-taking expansion (Luo and Tung, 2007).

Empirical research has shown, however, that Turkish companies' outward FDI activities are primarily related to the motive of market-seeking rather than efficiency-seeking strategies (Aybar, 2016; Ayden *et al.*, 2018). This paper assumes that TMNEs are focusing on advanced Western markets as part of their market-seeking strategies to catch up with Western firms and gain parity with pertinent industry leaders (Awate *et al.*, 2015). This becomes even more relevant with respect to companies' knowledge base upgrading and consequent global R&D sourcing activities (Ozturk,

2018). However, when competing with global competitors in advanced markets, EM firms need to upgrade their internal resources and capabilities prior to internationalization (Aulakh, 2007; Mathews, 2006; Ramamurti, 2012). Small domestic firms in particular are challenged by such upgrading pressures, which they need to address before internationalizing. In addition, recent studies highlight cross-border acquisitions of Turkish firms targeting less knowledge-intensive services and low-technology manufacturing, only to gain access to foreign markets rather than having the actual capabilities to compete in high-technology environments (Yildirim, 2017). Therefore, it is hypothesized that DTFs are less likely to serve advanced markets, instead of focusing on neighboring countries with lower competitive constraints.

Nevertheless, in addition to business-related factors, the location choice itself also plays an important role in firms' market-seeking strategies, of which the eclectic paradigm and the Uppsala model are two prominent mainstream theories (Ayden *et al.*, 2018). The direction of companies' FDI activities is strongly determined by certain location advantages (Deng, 2009) as well as cultural proximity as a significant determinant for first-time internationalization to reduce the risk of operation in unknown markets (Buckley *et al.*, 2007; Cuervo-Cazurra, 2008). Due to a close psychic distance and cultural proximity (Johanson and Vahlne, 1977), it is thus assumed that DTFs target neighboring markets as part of their initial market-seeking strategies. TMNEs already entered these neighboring countries as part of their internationalization process some time ago, meaning that their current market-seeking strategy is assumed to take place in advanced markets for reasons presented previously. Additionally, Turkey's attractiveness and influence extend far into Middle Eastern and Central Asian states, establishing Istanbul as a major hub for serving and accessing relevant markets (Ayden *et al.*, 2018). Therefore, AMNEs not only target the Turkish market but also use their subsidiaries in Istanbul to enter neighboring EMs.

H1. (market-seeking motive). Both AMNEs and DTFs are more likely to be characterized by the market-seeking motive of serving "neighboring markets" than TMNEs.

Institutions, connections and internationalization

Domestic institutions are a key factor of success to provide location-based access to financial or human capital, which can be turned into ownership advantages at the firm level and might be necessary for firms' internationalization efforts. These location-based advantages are only available to firms nested in geographical contexts of supportive domestic institutions (Burlina, 2020; Contractor *et al.*, 2021; Dunning and Lundan, 2008; Landau *et al.*, 2016; Martin, 2014; Nachum and Rolle, 1999). Locally embedded firms establish contact with collaboration partners and the workforce, which enables them to capture knowledge sources that are external to the firm and facilitate knowledge sharing, interactive learning and the opening of innovation processes (Chesbrough, 2003, 2010; Cohen and Levinthal, 1989, 1990; Teece *et al.*, 1997).

Established theories argue that firms operating in foreign markets need to overcome liabilities of foreignness (LOF) to gain access to location-based resources. Among other factors, these LOF result from institutional distances between firms and the EM institutional environment, which is often considered to be a barrier for doing business in foreign markets by MNEs (Kostova and Zaheer, 1999; Rottig, 2016; Zaheer, 1995). Therefore, MNEs' subsidiaries purposely seek to establish connections and relationships with local business partners and governments to adjust to the institutional demands and maintain legitimacy (Ellis, 2000; Rottig, 2016). AMNEs dealing with LOF in the foreign-market context of Turkey are thus in need of institutional support to obtain location-based knowledge.

However, it is not only internationalization process theory that delivers arguments which explain the need for access to local networks and resources, but also the RBV (Barney, 1991). The RBV argues that resource-constrained firms, DTFs in the case of this study, usually need more institutional and financial support, and depend on the domestic institutional environment's ability

to provide access to external resources that help generate competitive advantage (Dunning and Lundan, 2008; Landau *et al.*, 2016; Martin, 2014). In a recent study on the innovation success of R&D-oriented firms in Turkey, Kleiner-Schäfer and Liefner (2021) highlight internal R&D resources as the main success factor for DTFs to achieve innovations, whereas external R&D resources have no influence on the firms' innovation success. DTFs thus still need to develop their internal capabilities prior to using external knowledge sources (Kleiner-Schäfer and Liefner, 2021). The ways in which firms are able to use local assets such as innovation-related resources and a highly qualified workforce depend to a large degree on access to regional collaboration partners, as it facilitates knowledge sharing, interactive learning and the opening of innovation processes (Chesbrough, 2003). It is a crucial success parameter for all specialized and networked companies as incorporated in empirical studies of innovative behavior at the firm level (Liefner *et al.*, 2013; Wu and Liu, 2009). It is thus assumed that particularly AMNEs and DTFs lack contacts to local collaboration partners and need to establish these.

H2a. (institutional support). "Contact to collaboration partners and workforce" is more important for both AMNEs and DTFs than for TMNEs.

With regard to firm-specific skills and capabilities (Barney, 1991), domestic EM firms and EMNEs in particular have distinct characteristics and thus potential disadvantages in comparison with AMNEs. These stem from either a weak domestic institutional environment or a lack of internal resources such as a lack of technological and managerial knowledge (Ayden *et al.*, 2018), both leading to an increasing need for political support. In contrast, domestic EM firms and EMNEs may be able to build up locational advantages such as greater location-based knowledge, closer relationships with local governments and supporting industries as well as the realization of home-market-focused strategies that only they can utilize (Williamson and Wan, 2018).

However, firms' performances and strategies also reflect the institutional environment within which they operate. In this respect, institutions are defined as the normative, regulative and cognitive structures that frame organizational structures, practices and activities (Scott, 2008). Although Turkey has profited from increasing FDIs in recent years, its partly weak institutional environment continues to be an obstacle preventing the economy from realizing its full investment potential (Apaydin, 2009). In this regard, the institutional context is more than just background characteristics of a host-country, because it directly determines the competitive strategies of primarily foreign companies (Ingram and Silverman, 2002). In fact, institutional quality, such as effective rule of law or political stability, is a key institutional determinant of inward FDIs (Paul and Jadhav, 2019). Accordingly, establishing close connections to governments and therefore receiving political support and obtaining reliable information about the host-market are particularly important for foreign investors operating in such unstable and uncertain environments (Peng and Heath, 1996). This strategy may be difficult, but it is absolutely necessary for AMNEs, as they may suffer from LOF or "liabilities of outsidership" (Johanson and Vahlne, 2009; Zaheer, 1995). Therefore, networking strategies and securing personal ties with government officials and other managers become a crucial part of a firm's performance (Peng and Luo, 2000).

Access to policymakers, the public administration and government organization is a factor distinct from business connections (Sawant *et al.*, 2021). It is of major importance, as has been shown conceptually and empirically. For example, governments in EMs have a strong effect on the international expansion of their domestic firms and MNEs (Hong *et al.*, 2015; Yang *et al.*, 2009; Yaprak *et al.*, 2018). This part of the institutional environment provides various opportunities for firms to engage in internationalization activities and should thus always be included when investigating firms' strategies and behaviors in EMs and mid-range economies (Gao *et al.*, 2010; Gaur *et al.*, 2018; Hoskisson *et al.*, 2013; Peng *et al.*, 2008; Wright *et al.*, 2005). Based on limited resources, capabilities and experiences, governmental support is hence often the driving power of EM firms' internationalization, and

can thus influence the levels as well as the location and type of FDIs (Meyer and Peng, 2005; Peng *et al.*, 2008; Wang *et al.*, 2012). It is thus highly relevant to incorporate an institutional framework when analyzing outward FDIs from EMs (Gammeltoft *et al.*, 2012).

Furthermore, foreign MNEs need to conform to different rules and requirements of the domestic institutional environment in which they operate, meaning that firm success not only depends on economic output measures but especially on assimilation of local norms, rules and values (Rosenzweig and Singh, 1991; Rottig, 2016). MNEs thus need to understand and interpret the regulations and cultural rules of the foreign environment in the right way to operate in these markets successfully. Local formal and informal rules are particularly relevant in the context of EMs, due to their diverse and varying institutional environments (Kostova and Zaheer, 1999; Rottig, 2016; Scott, 2014). Therefore, EMs are characterized by various features that are not present in developed markets such as institutional voids, institutional pressure by domestic governments, greater importance of informal than of formal institutions as well as an overall more dynamic landscape of institutional change and transition (Rottig, 2016). Regarding this, conducting business in EMs results in higher risks and uncertainties for foreign firms, which is why MNEs operating in these markets need to focus on obtaining information about initially unfamiliar rules and regulations that are otherwise taken for granted in developed markets (Khanna and Palepu, 1997).

Overall, governments in EMs tend to be more involved, have a greater influence and are thus key players in the domestic economic systems (DuBois and Primo, 2016; Hoskisson *et al.*, 2000). This form of state capitalism originated particularly in BRIC nations, constituting a substantial LOF especially for Western MNEs (Cuervo-Cazurra *et al.*, 2014; Rottig, 2016). It is thus highly relevant for AMNEs to establish political connections in order to be able to deal with such unique institutional environments and overcome resulting drawbacks when operating in EMs. In addition, contact to collaboration partners or joint ventures with domestic companies allows foreign firms to overcome market inefficiencies and gain access to different kinds of resources (Meyer *et al.*, 2009).

H2b. (institutional support). “Establishing political connections” is more important for AMNEs than for both TMNEs and DTFs.

Financial support

With regard to innovation activities, a lack of internal resources plus unpredictable outcomes of investments in R&D often reduce long-term commitments of firms in knowledge accumulation and thus lead to inadequate spending on R&D (Wang, 2018). As markets alone fail to provide sufficient incentives for knowledge production at the firm level, this underinvestment in private R&D spending calls for incentives from the public sector to foster innovation and upgrading activities (Martin and Scott, 2000; Wang, 2018). Financial support in particular plays an important role for companies, with direct R&D subsidies (Wang, 2018), tax incentives as well as export and investment incentives providing the most prominent means (Liu *et al.*, 2017). For this reason, tax incentives will be most effective and important for firms that have limited options for a long-term and planned allocation of profits. In the case of this study, TMNEs and especially DTFs will be the main beneficiaries of this kind of financial support. AMNEs are more likely to have sufficient means for internal R&D and correspondingly enhanced innovation strategies.

H3a. (financial support). “Tax incentives” are more important for both TMNEs and DTFs than for AMNEs.

Even though firms in EMs are well embedded within their home country, their often weak institutional environment also poses some challenges to them. Existing market deficiencies or “institutional voids” lead to home country push-factors to avoid disadvantages in their country of origin (Ayden *et al.*, 2018; Buckley *et al.*, 2007; Jormanainen and Koveshnikov,

2012). However, government support in the form of different subsidies such as tax reductions, incentives or networking opportunities are not only positive triggers for domestic firms to internationalize and overcome ownership disadvantages (Ahmed and Brennan, 2019; Angulo-Ruiz *et al.*, 2019; Buckley *et al.*, 2007; Luo *et al.*, 2010; Wang *et al.*, 2012) but are also relevant host-country institutional drivers acting as pull-factors for inward FDI (Ayden *et al.*, 2018). Even though governmental incentives for internationalization generally result in outward FDI, such subsidies are not automatically beneficial for all firm types, but are particularly advantageous for EMNEs (Wang *et al.*, 2012).

Combining the RBV and the capability-building perspective helps to understand the positive moderating effect of firm-specific capabilities on international performances of EM firms (Lu *et al.*, 2010). Consequently, both firm-specific and institutional resources are relevant factors for EM firms in taking the important internationalization step from exports to FDI activities. In particular, firms that are able to leverage institutional advantages are more likely to make this shift and successfully internationalize (Gaur *et al.*, 2014). It is thus highly relevant to take ownership structures or firm-specific resources as well as institutional support into account when observing internationalization activities of firms, as these constructs greatly depend on each other and vary among firms (Wang *et al.*, 2012). Therefore, it is quite clear that domestic political support can have a wide influence on different firms operating within the EM environment as well as on encouraging firms' outward internationalization activities. Institutional and financial support can thus bolster and encourage internationalization efforts of domestic firms, support the national economy, as well as attract and maintain inward FDI of foreign firms at the same time.

H3b. (financial support). "Investment and export incentives" are more important for both AMNEs and TMNEs than for DTFs.

A graphical abstract of the hypothesized firm characterizations as presented in hypotheses one to three is shown in Figure 1. In summary, the following assumptions are made for each firm type: Based on domestic push factors such as upgrading pressures and outward FDI policies, TMNEs are supposedly using financial support in terms of tax incentives as well as investment and export incentives and primarily seek advanced markets. Based on RBV, Inst.BV and psychic distance arguments, smaller DTFs mainly use institutional support in the form of contact to collaboration partners and the workforce as well as tax incentives and tend to target culturally closely related neighboring markets. Based on inward FDI policies and besides operating within the Turkish market, AMNEs presumably use their subsidiaries in Istanbul to gain access to neighboring EMs and additionally seek institutional support in terms of contact to collaboration partners and the workforce as well as establishing political connections to overcome LOF within Turkey. In the following section, these hypotheses are

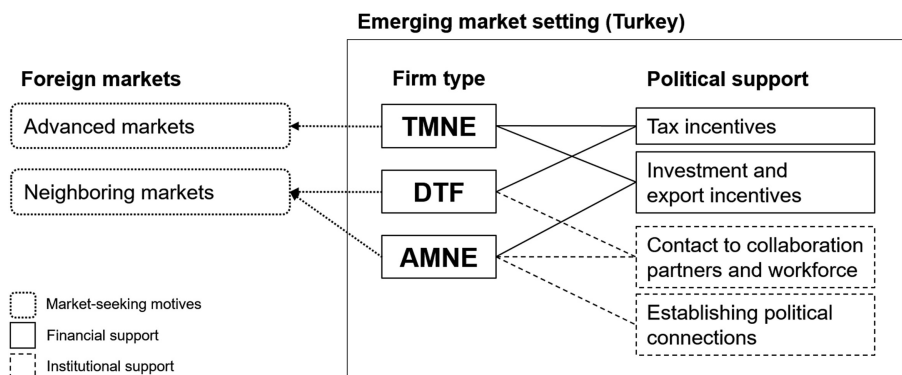


Figure 1. Graphical abstract of the hypothesized firm characterizations

tested to answer the research question: “How do different groups of innovative firms place themselves in the context of internationalization, local embeddedness and political support?”.

Different firm types in the EM of Turkey

Research methods

Survey sample and data collection

For decades, Istanbul has been the major economic and manufacturing center of Turkey (Akçüngör, 2006) as well as the main regional hub for industry and trade, comprising 30.5% of the Turkish GDP and harboring the majority of FDIs (Gezici *et al.*, 2017; TUIK, 2016). The city hosts the headquarters of the largest Turkish companies as well as the regional headquarters of several AMNEs, dominated mainly by MNEs from Europe and the US (Demirbag *et al.*, 2007). In addition, TMNEs based in the greater metro-region of Istanbul are increasingly involved in internationalization processes through exports and outward FDIs while entering joint ventures and R&D partnerships with AMNEs (Ayden *et al.*, 2018; Demirbag *et al.*, 2009). Istanbul thus provides an excellent setting to investigate how market-seeking strategies and the usage of political support may vary among R&D-intensive AMNEs, TMNEs and DTFs. In addition, upgrading pressures mostly affect the innovation-oriented segment of firms, which is why firms engaging in R&D-related activities were used for this study.

In order to capture the innovation-oriented segment of firms, the sampling frame for the survey's company selection was based on the database of the *Scientific and Technological Research Council of Turkey* (TÜBİTAK), which is the leading agency for the management, funding and conducting research in Turkey. As of 2015, the TÜBİTAK database included 8,560 companies throughout Turkey which successfully completed at least one R&D project based on funding from TÜBİTAK. Of these companies, 3,987 are located in the greater metro-region of Istanbul.

From the TÜBİTAK database, a new dataset was compiled based on the geographic location of companies and the number of successfully completed R&D projects. Only those firms headquartered in the greater metro-region of Istanbul and with at least three successfully finalized projects were included. However, the selected companies are not automatically innovative only because they completed an R&D project funded by TÜBİTAK. In fact, this procedure only served to capture the most relevant group of R&D-related firms for this study. Following this selection, the new dataset consisted of 838 companies. As the focus of this study is on differences and similarities between firms in an innovation-related environment, with a distinction between their ownership structure and origin, a preselection of companies according to certain industry classifications was avoided. After targeting general managers or senior R&D executives with a single questionnaire, 265 responses were received, of which 40 were omitted due to having missing values or no solid R&D background. Having an effective response rate of 26.85% (225/838) is satisfactory given the topic and the type of potential respondents.

First, a test for nonresponse bias for the mail survey was conducted by comparing responses from early and late respondents (Armstrong and Overton, 1977), finding no statistically significant differences ($p > 0.10$). Subsequently, a comparison of a randomly selected group of 50 nonparticipant firms and 225 respondents revealed no significant differences for any firm-level indicators. Therefore, it is concluded that nonresponse bias would not pose a significant problem within the study.

Measurement of variables

The following is a brief description of the dependent, independent and control variables used in this study.

The firm type (AMNE, TMNE and DTF) was treated as the dependent variable. Since this paper's aim is to identify characteristics of firms regarding their market-seeking strategies and usages of domestic political support, the “dependent variable” does not indicate an outcome, but rather provides a classification of certain companies. The three different firm

types are thus differentiated according to their ownership structures and internationalization stage. Consequently, AMNEs are by definition either 100% foreign and hence of non-Turkish ownership, or have entered a joint venture with a Turkish firm. Firms which are 100% Turkish-owned are categorized as either TMNEs or DTFs, with the latter type being distinguished by its current absence of internationalization activities. Hence, DTFs are defined as showing no FDI activities at present, whereas TMNEs are operating in foreign markets with potentially multiple subsidiaries abroad.

Overall, the hypotheses presented incorporate six independent variables and related hypotheses indicating how they characterize the different firms. Two sales markets represent firms' market-seeking strategies and two institutional as well as two financial support factors represent the external environment that the metro-region of Istanbul provides to its companies. In order to complement the analysis, two of the usual control variables incorporated in many firm-level studies are applied as well: company age and company size. The subsequent methodological framework of the hypothesized relationships between independent variables, control variables and different company types is shown in [Figure 2](#).

The independent variables were measured as follows:

Market-seeking motive was measured using a five-point scale concerning the level of agreement (1 = strongly disagree to 5 = strongly agree) for statements in which respondents were asked about the company's choice of using the metro-region of Istanbul as an export base to serve certain markets. The items "serving neighboring markets" and "serving advanced markets" were derived from the following statements: "Our company wants to serve neighboring markets (including Middle East, Eastern Europe or Central Asia)" and "Our company wants to serve advanced markets (including US, Western Europe or Japan)".

The usage of *political support* was measured using two constructs: *institutional* and *financial support*. For both constructs, relying on a five-point scale (ranging from 1 = not at all important to 5 = very important), the respondents were asked about the importance level of political or bureaucratic support instruments and their influence on the company's economic success in the metro-region of Istanbul over the last three years. The following items measured the importance of *institutional support* for the firm's economic success: "providing contact to regional collaboration partners and workforce" and "establishing political connections". Here, access or contact to collaboration partners and the workforce is used to capture external knowledge sources for the firms. *Financial support* was measured using three variables: "tax incentives," "investment incentives" and "export incentives".

As control variables, *company age* and *company size* are used. In many firm-level studies, both variables are used to control for firm's internal resources. For *company age* – indicating

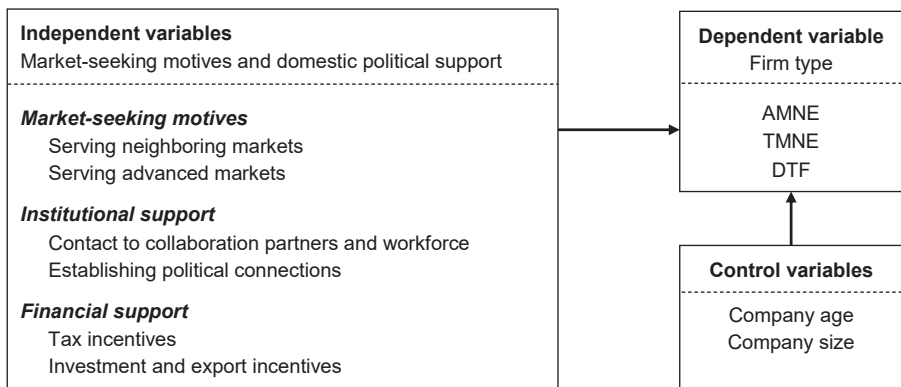


Figure 2.
Methodological
framework

experience and cumulative capability development – respondents were asked about the length of the company’s operation in the metro-region of Istanbul based on a five-point ordinal scale. The *company size* – as an indicator of asset endowment and capacity – was measured using the total number of full-time employees in 2015 relying on six ordinal categories.

In order to establish content validity of the measurements, the procedure suggested by Hair *et al.* (2007) was adopted. Firstly, exploratory in-depth interviews with five senior executives in Turkey were conducted, providing their first-hand experience of the issues studied. Secondly, an initial version of the survey was revised through discussions with expert scholars and R&D specialists. Finally, four senior executives completed a pretest survey that provided final fine-tuning opportunities and confirmed that the survey achieved a satisfactory level of maturity and clarity.

Having sufficient observations or events per variable (EPV) is a crucial factor in statistical analysis. Low EPV values of less than ten can lead to major problems and may influence the validity of logistic models (Peduzzi *et al.*, 1996). However, more recent methodological studies suggest a number of five to nine observations per variable for statistically adequate and significant results. Nevertheless, the usage of larger case numbers is always preferable (Vittinghoff and McCulloch, 2007). With regard to achieving these numbers, the control variables are limited to only two, based on the usage of six independent variables and relatively low numbers of observations for AMNEs and TMNEs, resulting in EPV values of 6.38 for AMNEs ($n = 51$), 7.63 for TMNEs ($n = 61$) and 14.13 for DTFs ($n = 113$). Table 1 provides the measurement and descriptive statistics of variables used in this study.

Industry classes of all surveyed firms are as follows: 161 manufacturing firms (71.6%), 26 information and communication firms (11.6%), 17 firms in manufacturing-related or manufacturing-supportive industries (7.6%) and a heterogeneous mix of six other industry classes (9.3%). A more detailed division of industry classes was not possible or meaningful for two reasons. Firstly, the majority of large or multinational firms within the survey sample has a heterogeneous range of products from many different industry classes. For many firms, it was thus not possible to assign a single or major industry class. Secondly, for cases in which a subdivision of industry classes was possible, results point out once again a very heterogeneous structure of subdivided industry classes, which are impractical to use in further analysis. Based on these reasons and having such a dominant distribution of manufacturing firms anyway, industry classes were not used as dummy variables in subsequent logistic regression analysis. However, descriptive figures of the industry classes for all firm types are reported in Table 1.

Data analysis

Binary logistic regression is used to estimate the probability that the independent variables concerning market-seeking strategies and political support may characterize different company types. Hence, the interpretation of the statistical results cannot be carried out as in a regular causal-effect model. Here, it is rather used for a cross-comparison of firm types to gain an understanding of their different characteristics and behaviors. This method was chosen over other techniques due to the categorical and inherent nature of the dependent variable. Similar research on TMNEs and DTFs likewise used binary logistic regression with a characterization of company types as the dependent variable (Demirbag *et al.*, 2009, 2013, 2016; Mellahi *et al.*, 2013; Tatoglu *et al.*, 2003). For this, the binary logistic regression models can be expressed as follows:

$$P(Y_i = 1) = \frac{1}{1 + e^{-(\alpha + X_i\beta)}}$$

Here, Y_i is the dependent variable, which is defined as a dummy variable with a value of either

Control variables	Overall		AMNE		TMNE		DTF		
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	
<i>Company age (duration of operation)</i>									
<5 years	21	9.4	3	6.0	4	6.6	14	12.4	
5–10 years	35	15.6	8	16.0	8	13.1	19	16.8	
11–20 years	47	21.0	11	22.0	7	11.5	29	25.7	
21–40 years	66	29.5	10	20.0	19	31.1	37	32.7	
>40 years	55	24.6	18	36.0	23	37.7	14	12.4	
<i>Company size (number of employees)</i>									
<250	112	50.0	13	25.5	22	36.1	77	68.8	
250–499	43	19.2	12	23.5	7	11.5	24	21.4	
500–999	23	10.3	3	5.9	10	16.4	10	8.9	
1,000–1,999	11	4.9	4	7.8	7	11.5	0	0.0	
2,000–5,000	19	8.5	11	21.6	7	11.5	1	0.9	
>5,000	16	7.1	8	15.7	8	13.1	0	0.0	
<i>Industry class</i>									
Manufacturing	161	71.6	33	64.7	54	88.5	74	65.5	
Information and communication	26	11.6	10	19.6	1	1.6	15	13.3	
Manufacturing-supportive	17	7.6	3	5.9	4	6.6	10	8.8	
Other	21	9.3	5	9.8	2	3.3	14	12.4	
<i>Independent variables</i>									
		\bar{x}	SD	\bar{x}	SD	\bar{x}	SD	\bar{x}	SD
Serving neighboring markets		4.22	1.03	3.80	1.33	4.31	0.99	4.35	0.84
Serving advanced markets		3.89	1.28	3.33	1.57	4.05	1.16	4.06	1.13
Contact to collaboration partners and workforce		3.59	1.04	3.33	1.20	3.63	0.89	3.69	1.03
Establishing political connections		2.76	1.36	2.96	1.31	2.63	1.29	2.73	1.42
Tax incentives		3.40	1.30	2.98	1.38	3.57	1.24	3.50	1.28
Investment and export incentives		3.45	1.18	3.12	1.22	3.67	1.14	3.47	1.19
<i>N</i>			225		51		61		113
Note(s): \bar{x} = arithmetic mean; SD = standard deviation									

Table 1.
Descriptive figures of
the variables

0 or 1, where a value of 1 denotes the probability of an event occurring rather than another denoted by 0. The intercept is shown as α , and X_i is the vector of the independent variables with β as the vector of the regression parameters (Amemiya, 1981). In general, the sign of the regression coefficients β estimates the impact of the independent variables on the dependent variable, where a positive coefficient increases the probability of an event occurring, while a negative sign of the parameter implies the opposite effect on the outcome variable. Here, the regression coefficients estimate the degree to which an independent variable characterizes firm types.

Findings

The correlation matrix (Spearman's *R*-square) of the variables for the sample of 225 companies is summarized in Table 2. When looking at the pairwise correlations, a strong positive and significant correlation between both financial support variables as well as between the two market-seeking variables can be found. These correlations are comprehensible, as both pairs of variables measure a similar topic. Another strong and positive correlation between "contact to collaboration partners and workforce" and both financial support variables can be observed. Furthermore, company size positively correlates with company age to a high degree.

Due to these partially strong correlations between the explanatory variables, an analysis of variance inflation factor (VIF) and tolerance values are used to test for a multicollinearity problem. Several authors suggest that VIF values should not be larger than 10 (Kutner *et al.*, 2005; Wetherill *et al.*, 1986) and tolerance values should not be lower than 0.20 (Menard, 2002). Nevertheless, these rule of thumb values vary between studies and should therefore be questioned and not solely used for the elimination of certain variables (O'Brien, 2007). However, since no tolerance value is lower than 0.28 and none of the VIF values are higher than 3.6, multicollinearity in the independent variables does not seem to be a problem here.

To test the hypotheses, three binary logistic regression models were created: (1) comparison between AMNEs and TMNEs, (2) comparison between AMNEs and DTFs and (3) comparison between TMNEs and DTFs. The outcomes of these models are reported in Table 3. For binary logistic regression model 1, TMNEs are assigned with a value of zero as the base model. For models 2 and 3, DTFs are used as the base model with a subsequent value of zero. Positive and negative observed coefficients need to be interpreted accordingly.

Starting with reliability measurements, all three models have fairly high and significant chi-square values. Therefore, the prediction models fit significantly better with the surveyed data than a null model. The Cox and Snell as well as the Nagelkerke pseudo *R*-square models also indicate a good overall fit with a high explanatory power for model 2 and an adequate explanatory power for models 1 and 3. With regard to effect size values, models 1 and 3 show a medium effect size, whereas model 2 shows a strong effect size. In addition, the precision of all models' classification rates is significantly higher than expected by chance. Finally, the nonsignificant ($p < 0.10$) chi-square values of the Hosmer and Lemeshow Test indicate no significant differences between observed and predicted values. Hence, a good overall fit of the selected variables can be assumed (Hosmer *et al.*, 2013).

Looking at the coefficients of the independent variables in each model, five hypotheses about firms' market-seeking motives as well as the usage of institutional and financial support are tested.

No support can be found for hypothesis 1, as negative but nonsignificant coefficients in both models 1 and 2 are present. It seems that AMNEs and DTFs are less likely to be characterized as using Istanbul to serve "neighboring markets" than TMNEs. Moreover, some support can be found for TMNEs seeking advanced markets, as the coefficient for "serving advanced markets" is negative and significant ($\beta = -0.343, p < 0.10$) in model 1, but negative and nonsignificant in model 3. As a result, TMNEs are more likely to be characterized as using their home base to serve "advanced markets" than AMNEs, whereas no difference in comparison between TMNEs and DTFs can be observed.

Only partial support is found for hypothesis 2a, with a negative and highly significant coefficient ($\beta = -0.787, p < 0.01$) of "contact to collaboration partners and workforce" in

Variables	1	2	3	4	5	6	7	8
1 Serving neighboring markets	1.00							
2 Serving advanced markets	0.64**	1.00						
3 Contact to collaboration partners and workforce	0.09	0.10	1.00					
4 Establishing political connections	0.07	0.10	0.28**	1.00				
5 Tax incentives	0.11	0.17*	0.47**	0.27**	1.00			
6 Investment and export incentives	0.27**	0.29**	0.56**	0.32**	0.78**	1.00		
7 Company age (duration of operation)	0.02	0.04	0.08	-0.00	-0.04	-0.02	1.00	
8 Company size (number of employees)	-0.04	0.02	0.08	0.13	0.06	0.04	0.42**	1.00

Note(s): * $p < 0.05$; ** $p < 0.01$ (two-tailed test); $N = 225$

Table 2.
Correlation matrix (Spearman's *R*-square) of variables for the binary logistic regression

Variables	Model 1 AMNE vs. TMNE (AMNE = 1)		Model 2 AMNE vs. DTF (AMNE = 1)		Model 3 TMNE vs. DTF (TMNE = 1)	
	β -Coefficient	Wald statistic	β -Coefficient	Wald statistic	β -Coefficient	Wald statistic
<i>Independent variables</i>						
Serving neighboring markets	-0.108	0.202	-0.279	1.207	-0.117	0.186
Serving advanced markets	-0.343*	3.097	-0.617**	6.638	-0.052	0.061
Contact to collaboration partners and workforce	-0.078	0.083	-0.787***	6.913	-0.192	0.687
Establishing political connections	0.372**	4.521	0.419*	3.414	-0.159	1.067
Tax incentives	-0.445*	2.746	-0.753**	4.997	-0.548*	3.349
Investment and export incentives	0.118	0.134	0.844**	4.092	0.728**	4.235
<i>Control variables</i>						
Company age (years of operation)	-0.152	0.592	-0.067	0.092	0.087	0.269
Company size (number of employees)	0.233*	3.154	1.430***	26.794	0.962***	22.624
Intercept	1.615	1.733	1.046	0.687	-1.567	1.433
<i>Reliability</i>						
Model chi-square	17.894**		85.307***		52.117***	
Sensitivity	0.574		0.638		0.492	
Specificity	0.729		0.927		0.908	
Correct ratio	0.660		0.840		0.762	
Proportional chance criterion	0.504		0.571		0.545	
Hosmer and Lemeshow chi-square	2.352		1.947		10.807	
Cox and Snell R-square	0.155		0.421		0.267	
Nagelkerke R-square	0.208		0.597		0.367	
Effect size	0.512		1.217		0.761	
Note(s): * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$ N = 225; AMNEs = 51; TMNEs = 61; DTFs = 113						

Table 3. Binary logistic regressions analysis for company types with market-seeking motives as well as institutional and financial support

model 2 and a negative but nonsignificant coefficient in model 3. Accordingly, having “contact to collaboration partners and workforce” is more likely to be important for DTFs than for AMNEs, whereas no significant difference in the likelihood between TMNEs and DTFs can be found. However, [hypothesis 2b](#) about “establishing political connections” is fully supported, as the coefficients in models 1 and 2 are both positive and significant

($\beta = 0.372, p < 0.05$; $\beta = 0.419, p < 0.10$). Therefore, “establishing political connections” is more likely to be important for AMNEs than for DTFs as well as TMNEs.

Regarding [hypothesis 3a](#), the coefficients of “tax incentives” are negative and significant ($\beta = -0.455, p < 0.10$) in model 1 and even more significantly negative ($\beta = -0.753, p < 0.05$) in model 2. These findings show full support for the assumption that “tax incentives” are more likely to be important for both TMNEs and DTFs than for AMNEs. In more detail, tax incentives are also of higher relevance for DTFs than TMNEs. [Hypothesis 3b](#) is also supported, finding coefficients of “investment and export incentives” positive and significant in both models 2 and 3, where a positive coefficient ($\beta = 0.844, p < 0.50$) in favor of AMNEs and a similarly positive coefficient ($\beta = 0.728, p < 0.50$) in favor of TMNE can be observed. Correspondingly, “investment and export incentives” are more likely to be important for both AMNEs and TMNEs than for DTFs.

A summary with the degree of support for all hypotheses is shown in [Table 4](#).

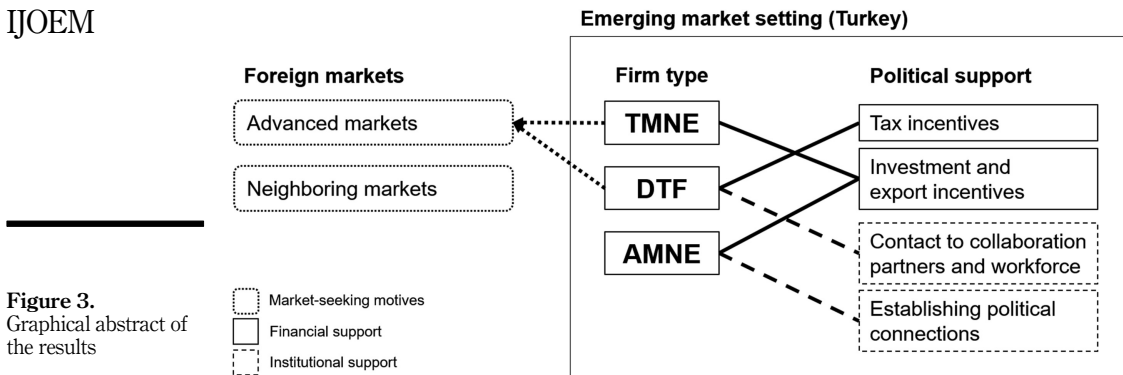
With regard to the control variables, the coefficients of company age show nonsignificant values for all three models. However, a positive and significant coefficient of company size for all models can be observed, which are positive and moderately significant in model 1 ($\beta = 0.233, p < 0.10$) and highly significantly positive in model 2 ($\beta = 1.430, p < 0.01$) and model 3 ($\beta = 0.962, p < 0.05$). According to these results, both AMNEs and TMNEs are characterized as having a higher number of total employees than DTFs, while AMNEs are also more likely to have a larger company size than TMNEs. These significant differences in firm size consequently result in a diverse range of internal capabilities or resources at the firm level. Moreover, the ownership structures of the surveyed firms play a significant role as well, as DTFs are smaller and predominately family-owned, whereas AMNEs and TMNEs are mainly large enterprises or highly diversified business groups. These findings lead to theoretical assumptions in terms of internationalization and varying needs for political support, which is why it is important to keep these size and ownership differences in mind when interpreting the results of this study.

Discussion: differences and strategies

In terms of differences and strategies of the firm types examined, the results of this study will now be discussed in more detail. An updated graphical abstract of the results can be found in [Figure 3](#).

Hypotheses	Degree of support
<i>Market-seeking motives</i>	
Hypothesis 1:	
Both AMNEs and DTFs are more likely to be characterized by the market-seeking motive of serving “neighboring markets” than TMNEs	Not supported
<i>Institutional support</i>	
Hypothesis 2a:	
“Contact to collaboration partners and workforce” is more important for both AMNEs and DTFs than for TMNEs	Partially supported
Hypothesis 2b:	
“Establishing political connections” is more important for AMNEs than for both TMNEs and DTFs	Supported
<i>Financial support</i>	
Hypothesis 3a:	
“Tax incentives” are more important for both TMNEs and DTFs than for AMNEs	Supported
Hypothesis 3b:	
“Investment and export incentives” are more important for both AMNEs and TMNEs than for DTFs	Supported

Table 4.
Degree of support for hypotheses (summary)



Concerning *market-seeking motives*, the hypothesis of using Istanbul to serve neighboring markets was not supported, as no significant difference in characterization between the three company types was found. Neither AMNEs nor DTFs seem to favor these surrounding EMs, which is a different outcome than expected. This could be related to AMNEs preferring to seek the Turkish market as well as EMNEs and DTFs rather than targeting advanced markets in accordance with the model results. Additionally, uncertain conditions in some surrounding countries – particularly in the Middle East – might also be a reason for not targeting corresponding markets primarily. Furthermore, it is interesting to observe that using Istanbul to serve advanced markets is of greater importance not just for TMNEs. Although this assumption was supported when comparing the two MNE types, no difference between DTFs and TMNEs can be found. In fact, DTFs show higher levels of being characterized by market-seeking strategies of serving advanced markets than AMNEs, which is an interesting outcome of this study. From a springboard perspective (Luo and Tung, 2007), both TMNEs and DTFs seem to equally target advanced markets as part of their prospective market-seeking strategies. The authors Padilla-Perez and Gomes Nogueira (2016) find similar results for outward FDI from developing economies' firms, where not only large and mature firms but also small- and medium-sized domestic enterprises actively engage in market-seeking strategies (Padilla-Perez and Gomes Nogueira, 2016). In this regard, not only large EMNEs are in favor of public incentives for outward FDI activities (Ayden *et al.*, 2018) but particularly small- and medium-sized domestic firms benefit from positive effects of financial public support on their export and internationalization intensity (Ciszewska-Mlinarič, 2018). Therefore, accessing knowledge and technologies in advanced markets becomes highly important for all types of Turkish firms to overcome a shortage of resources and capabilities within their home market (Ozturk, 2018). In addition, research on the catching-up strategies of Chinese EMNEs provides similar results in terms of R&D internationalization to gain access to superior resources abroad (Schaefer and Liefner, 2017). The finding that AMNEs do not preferentially serve advanced markets could be a biased result, as responses from AMNEs operating within the Turkish market were collected. Respondents from these subsidiaries may have a different market-seeking motive of favoring the Turkish market than they would have in a different country setting.

In terms of *institutional support*, two-sided results can be found for the hypothesis that providing contact to collaboration partners and the workforce is of greater importance for AMNEs than for both Turkish firm types. Particularly when comparing AMNEs with DTFs, a significantly greater importance for the latter company type is proven. This could be related to firms' internal resources, which are reflected in larger company sizes of

AMNEs than those of DTFs. AMNEs might be in less need of this institutional support form due to their overall larger resource base and thus easier access to the workforce as well as collaboration partners with the help of their corporate network. Therefore, as the possibility to make use of local assets depends to a large degree on access to regional collaboration partners (Chesbrough, 2003), this situation becomes particularly negative for small DTFs. Moreover, full support for the assumption that establishing political connections is of greater importance for AMNEs than for both Turkish firm types can be found. It seems that this form of institutional support is particularly important for AMNEs to overcome their LOF within the foreign market setting of Turkey (Johanson and Vahlne, 2009; Zaheer, 1995) and to secure personal ties with government officials as an important part of their company performance (Peng and Luo, 2000). Gaining access to reliable information about the Turkish market hence seems to be an important factor for foreign companies. Here, DTFs and TMNEs show equally low importance ratings of this institutional support, as they might already be well connected and familiar with the national and/or regional setting.

Furthermore, full support is found for the hypothesis that *financial support* with regard to tax incentives is a more important factor for both TMNEs and DTFs than for AMNEs. Particularly, DTFs are in need of such incentives to overcome resource-based disadvantages compared to larger and already economically successful AMNEs. This is also true when comparing TMNEs with DTFs, where the latter type benefits significantly more from tax incentives. Such financial incentives are particularly important, as they may foster investments in technology and organization at the firm level (Barney, 1991; Pavitt, 1990; Prahalad and Hamel, 1990), and thus directly support companies' upgrading efforts (Szczygielski *et al.*, 2017; Wang, 2018). For hypothesis two of the financial support category, the assumption that investment and export incentives are more likely to be important for both MNEs than for DTFs is also fully supported. Due to strong international activities, TMNEs as well as AMNEs rate the importance of such incentives significantly higher than the currently less internationalized domestic Turkish companies do. However, no significant difference between TMNEs and AMNEs concerning the importance of investment and export incentives is found. In addition to that, descriptive results for the import share of total sales show higher values for AMNEs than TMNEs, whereas export shares of total sales values are higher for TMNEs. Based on an inward FDI stock from and an outward FDI stock to primarily Europe and the US (Demirbag *et al.*, 2007), the importance of import and export incentives for attracting investments from more diverse parts of the world and fostering outward FDIs of TMNEs to more different destinations is evident (Ayden *et al.*, 2018).

Limitations and implications

Due to the exploratory nature of this study, results and implications need to be interpreted with caution. Firstly, using a single-country setting is a limitation to the generalizability of the results. Therefore, conducting a similar research approach in a different EM setting would be interesting in order to compare the outcomes of this study and would help to generalize the results in other EM contexts (Nielsen *et al.*, 2018). Secondly, the intended focus on R&D-intensive firms also produces specific outcomes for a certain group of firms rather than for those without any R&D-related activities. Thirdly, internationalization of companies is a multifaceted concept of different motives, strategies and activities with no unique or correct process (Ietto-Gillies, 2010). Although market-seeking strategies are a vital and relevant aspect of firms' internationalization, other variables could have been used to measure this category. In addition, having more cases of AMNEs would be desirable in order to compare different countries of origin.

Conclusion

In the ongoing approach to add more contextual insights to the understanding of EMs and how firms in these countries are responding to upgrading pressures, this paper contributes with a characterization of three different company types and key factors of their market-seeking strategies and usage of political support within the EM of Turkey. In a novel comparative survey of R&D-intensive companies in the metro-region of Istanbul, several commonalities and differences between the groups of firms are observed. Overall, AMNEs particularly benefit from investment and export incentives as well as from establishing political connections. DTFs, to a highly significant degree, use tax incentives as financial support as well as contact to collaboration partners and the workforce as institutional support, and these firms target advanced markets as part of their prospective market-seeking strategy. TMNEs particularly benefit from investment and export incentives and primarily target advanced markets as well. These results lead to theory and policy implications.

As a general finding of this study, individual theories such as internationalization motives and the RBV arguments are too unilateral on their own, particularly when looking at EM settings. In combination, both theoretic constructs provide a much better understanding of firms' behaviors in various contexts. It is thus highly relevant to consider the interplay of market-seeking strategies and firms' resource bases as well as resulting usages of different institutional and financial support. Particularly with regard to both Turkish company types – despite their diverse resource bases and assumed divergent internationalization motives – a similar path in their market-seeking strategies of targeting advanced Western markets rather than neighboring EMs was found. In this regard, LOF or outsidership do not seem to pose a problem for Turkish firms, as they deliberately seek advanced over neighboring EMs. Therefore, having a close psychic distance might not be the main motive for Turkish firms' internationalization, leading to the assumption that corresponding theories discussed by [Johanson and Vahlne \(1977, 2009\)](#) do not provide an adequate explanation for market choices of EM firms. This paper's findings rather support the springboard perspective discussed by [Luo and Tung \(2007\)](#), where EMNEs successfully and rapidly target advanced markets to overcome their home-market constraints.

In summary, an overall theoretical implication of this study is the fact that a unidimensional approach to the interrelated concepts of upgrading, internationalization and political support is too limited for a comprehensive analysis. Within EM settings, it is thus highly relevant to apply an eclectic or multidimensional concept to capture basic characteristics and business strategies of a heterogeneous corporate landscape operating in such contexts. [Kafouros et al. \(2008\)](#) find similar results for the interrelated concepts of economic performances, innovation success and internationalization activities of firms. The authors show that only firms that have a sufficient degree of internationalization are able to benefit from innovations in terms of the companies' economic performances ([Kafouros et al., 2008](#)). This paper adds to this finding and highlights the importance of considering firms' internationalization activities when conducting research on innovative firms in EMs.

In terms of capacity-building and upgrading processes, firms respond in various ways to institutional support and financial incentives. In addition, regional and national policies need to consider various firms' motives to attract and maintain FDIs on the one hand and support internationalization strategies of EMNEs and domestic firms on the other. Hence, developing R&D policies to enable Turkish firms' R&D sourcing at home and abroad becomes a crucial aspect in this regard, as particularly offshore R&D sourcing is gaining importance over time ([Ozturk, 2018](#)). This particularly applies to smaller R&D-related companies, as these are in greater need of financial support due to their lack of internal resources. Governmental strategies and programs to promote these R&D activities and upgrading efforts, such as increasing public and business expenditure on R&D, are indispensable for future economic

development. Beyond the Turkish context, corresponding results may also hold true for companies in similar EMs, dealing with upgrading pressures and the need for technological transformation.

Different firm types in the EM of Turkey

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