A Neglected Research Area: Internationalization of Turkish Firms via Outward Foreign Direct Investment

İhmal Edilmiş Bir Araştırma Alanı: Türk Firmalarının Yurtdışına Doğrudan Yatırım Yoluyla Uluslararasılaşması

by

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Abstract: *This paper identifies the research need and calls for a comprehensive examination, evaluation and assessment of Turkish firms' internationalization through foreign direct investment (FDI). It overviews the FDI involvement in a global arena and establishes background of the Turkish firms' FDI activities. Subsequently, the paper raises the need for a research on Turkish firms' FDI involvement and proposes a number of research issues on the subject.*

Key words: *Internationalization of Turkish firms, foreign direct investment, research need, research areas*

Öz: *Bu makale Türk firmalarının yurtdışına doğrudan yatırım yoluyla uluslararasılaşması konusunda bilimsel çalışma yokluğundan yola çıkarak bu konunun geniş kapsamlı olarak araştırılmasının, incelenmesinin ve değerlendirilmesinin gerektiğini belirtmektedir. Makale, dünya genelinde yurtdışına doğrudan yatırım faaliyetlerine genel bir bakış yapıp Türk firmalarının yurtdışına doğrudan yatırım yapmalarının çevresel faktörlerine (hükümet politikaları ve küreselleşmenin etkileri) değinerek, bunun sonucunda ortaya çıkan yatırımlarla ilgili bilimsel çalışma yapılması gereken alanları ve bir çok araştırma konusu önermektedir.*

Anahtar kelimeler: *Türk firmalarının uluslararasılaşması, doğrudan yurtdışı yatırımlar, araştırma gereksinimi, araştırma alanları*

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1. INTRODUCTION

Globalization of the world economy has brought tremendous opportunities and threats for firms all around the world. Engaging in international business activities has become number one priority for competent companies from both developed and developing countries in increasingly open and competitive global economic environment. In the last twenty-five years, some Turkish firms gradually expanded their international activities and established the links with the rest of the world economy by undertaking foreign direct investment (FDI).[1] Internationalization of Turkish firms via FDI clearly indicates the degree of development of these firms. Since FDI firms are the output of the socio-economic development, technological talent, capital accumulation specialties, invention and innovation abilities, organizing skill of the source countries (UNCTAD, 1993), emergence of Turkish FDI firms can also be considered as a sign of Turkey's economic progress.

Confronted with the realities of competition, technological changes, liberalization and globalization a large number of Turkish firms expanded their activities in foreign countries through FDI. Policy makers, the business community, and the general public have become increasingly interested in understanding motivations and other factors that influence Turkish firms' undertaking FDI. Commensurate with these interests, this paper pinpoints the research need in the context of Turkey and calls for a through examination, evaluation and assessment of internationalized Turkish firms via foreign investment. In doing this, it briefly reviews the extant literature on international business with specific reference to internationalization and FDI, and derives a number of important research topics to be studied in the future.

Following this introduction, this paper first overviews the FDI involvement in a global arena. Second, it establishes background of the Turkish firms' FDI activities. Third, it raises the need for a research on Turkish firms' FDI involvement. Fourth, it proposes a number of research issues on Turkish firms' internationalization. Finally, it draws a general conclusion at the end.

2. OVERVIEW OF THE FOREIGN DIRECT INVESTMEN ACTIVIES IN A GLOBAL CONTEXT

The field of international business (IB) deals with transactions of tangible and intangible assets such as goods, services, capital, technology, know-how across national borders. Although these IB activities have been conducted for many centuries mostly by means of export and import, in the twentieth century, economic, social and political imperatives

1 We can define FDI as a type of international equity investment that involves long-term commitment and that gives investors the right to manage and control assets and operations of an established or acquired enterprise. Required minimum ownership share for control is somewhat controversial and varies from 10 percent to 25 percent (Daniels and Radebaugh, 1998). Firms can engage in FDI either by acquiring an established firm (acquisition investment) or by setting up a new company (greenfield investment) (UNCTC, 1991; Meyer and Estrin, 2001). If a firm has ownership share of more than 90 percent, it is generally called as wholly owned subsidiary (WOS) which can be in the form of greenfield or acquisition. Having an ownership share of between 10 and 90 per cent will lead us to call an investment as joint venture (JV) which can also be in the form of greenfield or acquisition (Stephen and Pfaffmann, 2002). Less than 10 percent ownership share is considered as portfolio investment (UNCTC, 1992).

made IB more important and intriguing subject of inquiry with a broad scope. Emergence of IB as a distinct field of study since the late 1960s (Grosse and Behrman, 1992; Rugman, 1999), parallels the rise and continued growth of developed countries' big multinational companies (MNCs)[2] and diversification of their activities in the second half of the twentieth century. It also corresponds to the appearances of MNCs from developing world in the 1960s, their relative increase in the 1970s (Lall, 1983; Wells, 1983) and their proliferation in the 1980s (Wortzel and Wortzel, 1988).

In the last quarter of the twentieth century, we have seen dramatic global developments affecting both the academic field of IB and internationally operating firms. In this period, not only economic isolationism became impossible but also requirement for growth, economic development and prosperity necessitated breaking the old paradigms of mainly states, firms (Dunning, 1994) and individuals entrepreneurs. The realities of competition, technological changes, liberalization and globalization (UNCTAD, 1996; UNCTAD, 2002), which all of them interrelated, are the main causes of these paradigm changes. Internationally operating firms, especially multinational companies (MNCs) not only have been influenced by these changes but also they have made substantial contribution and tremendous impacts on these developments.

Especially for the past two decades all firms are facing boosting competition at a global scale and they are compelled to engage in international operations as a strategy to sustain growth, expansion, survival and even as a necessity to exist. At the same time, technological developments, especially in the areas information and communication technologies, not only changed the way firms create their products and services; but also altered the whole process of doing business (Harrison, et al., 2000). In these decades we have witnessed the acceptance of market forces as a main mechanism for allocating resources, increasing the role of private sector as a result of liberalization and deregulation for the purpose of economic growth (UNCTAD, 1997). The liberalization process required disbanding restrictions on the entry, establishment, ownership and control on investments, including the proper functioning of the market, along with favorable standards of treatments for foreign investors (UNCTAD, 1994). To attract FDI, states paid more attention to the agreements that have taken place at the national, regional and international level (UNCTAD, 1995). Therefore, beside policy liberalizations, governments' unilateral, bilateral, multilateral treaties have clearly influenced the growth of inward and outward FDI flows and FDI stocks among countries (UNCTAD, 2000). For example, over the years between 1991 and 2003 there was a steady increase in the number of countries that changed their investment regimes; and from the total 1,885 regulatory changes 1,771 of them were favorable for the FDI (UNCTAD, 2004). As a result of these forces we have seen the globalized firms, markets and industries (UNCTAD, 1993). Globalization has also taken the meaning that when a firm does not extend its domestic

2 There are many labels or terms for identifying firms that extend their activities across national borders. Among them are transnational corporations (TNC) which implies full integration of international activities (Dunning, 1993); international companies (ICs) which, we think, does not capture whole operations of internationally involving firms; and multinational enterprises (MNEs) which refer to cross-nationally operating entities that are owned by both private and public sector. Since internationally involving firms dominantly come from the private sector, we prefer to use the term multinational companies (MNCs). We define MNCs as "enterprises which own, control production or service facilities outside the country in which they are based" (Czinkota et. al., 1996, p. 434). Although some require that a multinational company operate in two or more foreign countries, more than one country can be sufficient (Dunning, 1993).

activity to other territories; it is highly probable that other firms from anywhere in the world to come and attack it at home market (Hafsi, 2002).

Multinational corporations (MNCs) are one of the main deriving forces behind these globalization processes. The number of MNCs and their foreign affiliates in the world jumped from 37,000 and 170,000, respectively, in 1993 to 61,000 and 900,000 in 2003 (UNCTAD, 2002; UNCTAD, 2004). Beside firm numbers, the impact of MNCs on world economy can be measured by several ways such as assets, employment, sales and value added (UNCTAD, 1998), profits or net income, and innovative activity conducted abroad. Related to some of these measures, even when we exclude the non-equity relationships (franchising, licensing, subcontracting and management contract, inter-firm agreements like strategic alliances and partnerships), we have seen dramatic impact of MNCs on world economy in the last ten-year. As one of the recent World Investment Report indicate (UNCTAD, 2002, p. xv):

> In 2001, foreign affiliates accounted for about 54 million employees, compared to 24 million in 1990; their sales of almost $ 19 trillion were more than twice as high as world exports in 2001, compared to 1990 when both were roughly equal; and the stock of outward foreign direct investment (FDI), increased from $1.7 trillion to $6.6 trillion over the same period. Foreign affiliates now account for one-tenth of world GDP and one-third of world exports.

Further, it was estimated that 70 percent of the worldwide royalty and fee payments occur between parent firms and affiliates (UNCTAD, 1997).

Even though majority of these MNCs are small and medium sized, within the MNCs population there are firms whose sizes and impacts on the world economy are comparable to that of some notable countries' (Stopford, 1999). For example, the top non-finacial MNCs "accounted for 14 % of the sales of foreign affiliates worldwide, 12 % of their assets and 13 % of their employment in 2002, compared with 27%, 21% and 21%, respectively, in 1990" (UNCTAD; 2004, p.9). Largest 500 firms undertake roughly 80 per cent of FDI in the world and these firms also carry out over half of international trade (Rugman and Hodgetts, 1995). Accordingly, it is now possible to describe some of these corporations as "stateless", which means their management, organizational structure and value adding activities are not governed by a single country (UNCTAD, 1993). By combining their financial assets and technical resources, they extend their ownership, management, production, and sales activities in several countries.

Developed countries play a major role in the world's FDI distribution. For example, total FDI inflow's 71.5 per cent and 70.6 per cent, for the years of 2001 and 2002, respectively, came to developed countries; and total FDI outflow's 92.8 per cent and 92.6 per cent, for the same years, respectively, went to these countries (UNCTAD, 2003). For the years between 1991 and 2003 developing country originated outflows did not exceed 15 percent of total FDI outflows (UNCTAD, 2003; UNCTAD, 2004). "During 1998-2000, the Triad [U.S., EU, and Japan] accounted for three-quarters of global FDI inflows and 85 percent of outflows, and 59 percent of inward and 78 per cent of outward FDI stocks" (UNTAD, 2001, p. 9). These figures show which countries are integrating into the globalized economy and which countries have major role in this integration (UNTAD, 2001). They also show which nations get benefits from the integration and how the process of interdependence works in terms of allocating resources.

Although the great majority of MNCs originate in developed countries, a growing number of firms from developing countries, and even from economies in transition are getting involved in international operations (UNCTAD, 1999) in response to changes in the global business environment. After the mid 1990s developing country firms started to find a place in the list of world's leading 100 firms and, for the first time, five firms from developing countries entered to the top 100 firms list of UNCTAD in 2000 (UNCTAD, 2002). The same progress can be seen in the exports where seven of the 20 largest exporters in the world are from developing countries (UNCTAD, 2002). Further, developing country MNCs' "transnationality index" is increasing while that of developed country's stay stable (UNCTAD, 2001).

Nevertheless, the level and speed of competition, globalization and integration differ across firms, industries, countries and regions. Since MNCs from developed and developing countries are different from one another in terms of their age, size, technological resources, employment, and competitive advantages (Monkiewicz, 1986; Wortzel and Wortzel, 1988), they affect and are affected from competition, globalization and integration differently. They are also different from one another in terms of nature of foreign investment stemming from local economic conditions and governmental policies (Lall, 1983). Further, developing country multinationals do not share the same roots; some come from resource or labor rich countries others come from market rich countries; and the others come from the nations that have all three resources (Heenan and Keegan, 1979). Furthermore, not only among developing and developed country firms but also among the world's largest 500 firms there are great differences in terms of internationalization level (Sullivan, 1994).

3. BACKGROUND OF THE TURKISH FIRMS' FOREIGN DIRECT INVESTMENT ACTIVITIES

Turkey, as a developing country, is struggling to adapt herself to these unavoidable changes and developments in the global arena with her own strength and speed. Since the early 1980s, as in many other developing countries (Dominguez and Brenes, 1997), Turkey's economic policy has dramatically changed from closed, inward looking, import substitution to open, outward looking, export promotion based economic regime.[3] In

[3] Following five phases of policies are undertaken in the history of Turkey's economic development (Öniş, 1998, p. 461). Liberal era of the 1920s (Phase 1): State applied liberal trade regime that was supportive of foreign investment and it used indirect measures to encourage industrialization rather than its involvement in the economy. 1930 - 1949 Etatism (Phase 2): State emerged as the principal entrepreneur and dominant agent in the industrialization process wherein the first five years plans introduced. Liberalism of the 1950s (Phase 3): Liberalization of trade and investment regime is taken place with an emphasis on agricultural and infrastuructural development. The Import Substitution-Planing era of 1960-1979 (Phase 4): Inward-oriented industrialization based on heavy protectionism; export pessimism and restrictive attitude towards FDI were the characteristics of state policies. Neoliberalism of the post-1980 period (Phase 5): Emphasis on export expansion; gradual liberalization of the trade regime and the capital account, liberal approach to FDI and focus on infrastructural activities were in existence. Some authors argue that between the beginning of pluralistic democracy years of 1946 and mid 1960s liberal economic policies are applied and state investments focused on infrastructure development for creating better situation for private sector (Saygılı, et al., 2002). But, the fundamental shift occurred after the 1980s in terms of altering the county's economic policy from relatively closed, inward looking to open, liberal market economy which transformed Turkish manufactures' habits of producing low quality, high-priced goods for a domestic market to make better products with a competitive price for the world market.

accordance with new development strategy, Turkish governmental policies have aimed at developing free market economy by replacing the fixed exchange rate regime with flexible one, by dismantling excessive state intervention in product markets with the emphasis on price mechanism, by trying to reduce dominance of state owned economic enterprises via privatization (Çepni, 2003). More importantly, Turkey's foreign trade and investment regime has been liberalized by gradually relaxing the intense state control. From 1980 onwards, a growing number of foreign firms made investments in Turkey. The legislation governing foreign firms' investment was revised in 1995. And, the simplification of implementation rules and procedures is currently underway. Since 1989 individual and institutional international investors can make portfolio investments in Istanbul Stock Exchange. Turkish Lira is included among the convertible currencies of International Monetary Fund (IMF) with effect from the beginning of April 1990.

Economic developments of the countries and governmental policies have important influence on the internationalization of the firms (Aggarwal and Agmon, 1990). This is truer for Turkish firms internationalization via FDI outflows, as well as other means. Before 1980, Turkish residents, in order to transfer capital (in kind or cash) for investment in foreign countries, had to get permission from the Council of Ministers. Between 1980 and 1989 this tight control has been gradually relaxed. In 1989 Turkey has liberalized its outward FDI regime in accordance to code of Organization for Economic Co-operation and Development (OECD). Under the "Decree Numbered 32 Regarding the Protection of the Value of the Turkish Currency", more liberal and flexible regulatory system is laid down. The law states that:

> The residents may freely transfer capital, in order to establish companies for the purpose of realizing investments or commercial activities or to participate in an enterprise or to open branches abroad or in the free zones in Turkey, in the form of up to US dollar 5 million or the equivalent in other foreign currencies through banks and special finance institutions, and in kind, according to the provisions set forth in the customs legislation. The transfer of capital, in kind or in cash, amounting to more than US$ 5 million or its equivalent is permitted by the Ministry (Derdiyok, 1999, p. 418-419).

For more than $50 million, permission of the Council of Ministers is required according to the above Decree. Other than the Decree Numbered 32, some regulatory changes were in the direction of facilitating and encouraging the foreign investment.

Commensurate with these regulatory changes, collapse of the Soviet block in the near borders and the emergence of Turkic Republics have created tremendous opportunities for the Turkish firms' internationalization. According to UNCTAD estimates accumulating outward stock of FDI reached $1,425, $3,668, $3,775, 3,950 million dollars for the years 1995, 2000, 2001 and 2002 respectively (UNCTAD, 2003). When we look at Turkey's FDI inward and outward flows as a percentage of gross fixed capital formation (GFCF), between 1991 and 1996, on the average, inflows were 1.9 percent of GFCF while outflows were only 0.2 percent. By the year 2000, inflows stayed about the same (2.2 percent), but outflows jumped to 2 percent of GFCF (UNCTAD, 2003). Likewise in 1995, Turkey's inward stock of FDI was 8.8 per cent of gross domestic product (GDP) and her outward stock was 0.8 per cent of GDP. In 2002 while inward stock was increasing to 10.2 of GDP, outward stock was jumping to 2.2 per cent of GDP (UNCTAD, 2003).

According to the unpublished official statistics of the Republic of Turkey Treasury Undersecretary (2002) the total number of overseas joint ventures (JVs) and wholly owned subsidiaries (WOS) established by Turkish firms and individuals is 1,081; and the total amount of foreign investment by these firms in 75 countries is $5 billion as of the end of 2002. Of this total amount, $197 million worth of outflow was before 1989, mainly after the mid-1980s[4] (Dinçmen, 1998). However, General Directory of Banking and Foreign Exchange (GDBFE) of the Undersecretariat of Treasury records do not show the accurate and complete position of Turkish FDI outflows. While GDBFE record indicates that 269 firms from Turkey made a little over $ 400 million investment in five Turkic Republic (Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan); according to the Foreign Economic Relations Board (FERB) of Turkey reports, 1,482 Turkish firms' investment in these five countries is $4.9 billion which is more than total investment made in the other countries. More specifically, while the GDBFE record indicates that 111 Turkish firms have made around $155 million investment in Azerbaijan, the FERB reports that there are over 800 firms in operation and these firms' investment totals $1.5 billion, comprising of 15 percent of all FDI and making Turkey the biggest investor in the non-petroleum sector in the Azerbaijan (www.deik.org.tr). Incompatibility of these public and private institutions's records for 11 countries is presented in Table 1. On the other hand, we should be cautious that the FERB record might also be flawed estimation. Therefore, we do not know the complete situation of the Turkish firms's foreign investment in terms of outgoing firm numbers and amount of capital transferred. The reason for this is that these investors can transfer money both without notifying the GDBFE and without using the banks. They can also make their investments either by using their firm's profits in other countries or by using the bank credits in foreign countries. Turkish Commercial Attaches in foreign countries are not able to monitor these kinds of investments, if they are not notified. Even some developed countries do not require detailed registration; with a taxation number, foreign firms can start operation, as in Germany. Furthermore, even though reaching reliable FDI data of developing county firms is more problematic (Dunning, et. al., 1998), developed country firms' FDI data is not immune from the critisms (Stephan and Pfaffmann, 2001).

4 When we compare Turkey's inward FDI to outward FDI, we see that in 1989 and 1993 its outward FDI is 10 percent of inward FDI (197 million/1835 million = .10; 500 million/5083 million =.10, respectively); but, in 2002 its outward FDI jumps over 30 percent of inward FDI (5 billion/16 billion =.31); further, as a firm number, the figure jumps from 11 percent in 1993 (282/2554=.11) to 21 percent (1342/6280=.21) in 2003 (see www.treasury.gov.tr and unpublished record of GDBFI).

4. NEED FOR A RESEARCH ON TURKISH FIRMS' FDI INVOLMENT

When we consider the subject of internationalization[5] of firms broadly embracing exports and imports (including capital, e.g., portfolio investments), technology and management development, conducting business activities within the country with foreign partner, and conducting business activities abroad with foreign partner or alone, there are some important empirical studies carried out related to the Turkish context. Following the above order, relating to exports (Erden, 1995) studied the export performance of Turkish FDI firms while Bodur (1986) examined the problems of Turkish exporting firms. Kırım and (Ateş, 1990) focused on the technology transfer issues. Related to management development, (Erden, 1987) studied the problems of managers' internationalization issue, and uncovered the impact of MNCs on Turkey via executive training programs (Erden, 1988a). She also studied international transfer of Turkish managers in MNCs (1988b). Considering internationalization of the Turkish firms in terms of export involvement, (Keçeci, 1997) studied the internationalization level of the automobile components supplier firms. Relating to internationalization as conducting business with foreign partners within Turkey, we can cite the works of Erdilek (1982), Bodur and Madsen (1993), Demirbağ et al., (1995) and Erden (1997) for the manufacturing sector; for the service sectors' sub-sector, Ekin (1998) studies the food retailing firms; and, the works of Erden (1996), Tatoğlu and Glaister (2000) include both sectors and others. The last one, pertaining to internationalization as conducting business activities abroad with foreign partner or alone Kaynak and Dalgıç (1992) studies the internationalization of Turkish construction companies.

Internationalization through outward FDI is very important for a nation's firms, industries and economy at large.[6] Firms, for example, can develop competitive skills in foreign markets and bring these skills and knowledge to the home country, and grow more; consequently, they may become more active in globalized world markets (Czinkota, et al., 2002). Yet, there is no empirical examination of Turkish firms' internationalization via FDI involvement in other countries except the study done by (Kaynak and Dalgıç (1992)). And, it is necessary to test or check whether the theories of FDI have an explanatory and

5 The internationalization concept is defined as "the process of increasing involvement in international operations"(Welch and Luostarinen, 1988, p.156), and "the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments" (Calof and Beamish, 1995, p. 116). The dimensions of internationalization are characterized by Welch and Luostarien (1988) as "how" foreign operations will be carried out, "what" goods and services, know-how exchanged, "where" these exchange activities take place (see also Lecraw, 1993). Therefore, internationalization is a multidimensional concept and it refers to both "outward" and "inward" activities of firms (Fletcher, 2001). Hence, there are many ways of international involvement such as exports and imports, contractual agreements and informal cooperations with foreign partners in the home country and abroad (licencing, technology and management development, alliances, others), portfolio investment, and equity investment (i.e. FDI) via joint ventures and wholly owned subsidiaries (greenfield, acquisition and others). We define internationalization as extending business activities in home country or abroad via different means. In this article, we will mainly focus on the equity investment aspect of internationalization of Turkish firms.

6 We should note that there are negative effects of outward FDI on home country economy. ... "[O]utward FDI could, under certain circumstances, displace (actual or potential) domestic investment, and affect output and employment in the home country adversely, particularly in the short or medium-term. Empirical evidence varies in this regard, although the balance of evidence for FDI in general seems to suggest that the effects of outward FDI on the level of home country economic activity are marginally positive. In addition, available evidence suggests that outward FDI as a whole has a positive effect on home country exports, while, in the aggregate, also resulting in increased imports as well as a changing pattern of trade. It contributes, moreover, to income generation for the home economy through repatriated income and strengthens innovatory capacity.... Finally, even in the absence of these effects, home countries would still benefit from outward FDI if that helps their TNCs [Transnational corporations] to retain their markets and, hence, survive" (UNCTAD, 1995, p.25).

predictive power for a developing country firms' FDI involvement. Further, no study exists related to the firm, industry, and country-specific factors' influence on the internationalization and the different modes of entry of Turkish firms. Also, it is crucially important to find out what the competitive advantages of Turkish firms are in their international expansion.

In attempting to conduct a nation-wide study about FDI involvement of Turkish firms, researchers need to restrict the sector of these firms in order to prevent possible industry effect on the issues to be covered. The General Directory of Banking and Foreign Exchange (GDBFE) of the Undersecretariat of Treasury, which is the only official institution that compiles files and collects data for the foreign investments of Turkish firms, makes classifications about outward FDI activities of Turkish firms (see Table 2). This classification can be narrowed as manufacturing FDI firms and service FDI firms. Therefore, one can choose to study either FDI activities of firms in the manufacturing or service sector. Alternatively, one can use GDBFE classification. In this case, for example, banking and/or other financial services can be candidate for one comprehensive study and commerce can be subject of another study. Similarly, other small numbered service sector firms in telecommunication, energy, tourism, transportation, insurance, etc. can also be studied by means of specifically designed case studies.

5. PROPOSED RESERCH ISSUES ON TURKISH FIRMS' INTERNATIONALIZATION

In the literature it is argued that developing country firms' FDI activities are different from developed country based firms's with respect to competitive advantages, motivation, foreign investment location and entry modes (Dunning, et al., 1998). Specifically, researchers contend that while developed country based firms' FDI activities mainly emanate from firm-specific advantages in technology, product differentiation, managerial skills, size, scale economies and benefiting from capital market imperfections (Lall, 1982; Wells, 1977) these do not explain truly the situation of less developed countries (LDCs) based firms' FDI involvement (Lall, 1982; Kumar and Kim, 1984; Lau, 1992). It is claimed that firm-specific advantages of the latter firms come from different sources such as lower cost of production, adaptation of their labor intensive, flexible small scale operating technologies, which are taken from developed countries, to the LDCs local conditions (Wells, 1983), access to cheaper or more appropriate management and other staff, superior knowledge of close markets, and early entrance to newly developing economies (Kumar and Kim, 1984; Lall, 1982).

Apart form conventional FDI theories, different perspectives such as investment development path (Dunning, 1981, 1986) and extended product life cycle (Aggarwal and Ghauri, 1991) put forth for explaining the developing countries' FDI involvement. However, a review of the literature shows that the study of the internationalization of developing country firms via FDI has been limited (Yeung, 1999). Since research on developing country firms' FDI involvement is neither rich nor up to date, unlike the research for developed country firms, we do not know whether the previous researchers' findings are still relevant in the face of dramatic changes in the world economy.

The study may start with an objective of shedding some light on a developing country (Turkey) firms' FDI involvement. Its purpose can be examining, evaluating and assessing the internationalization of Turkish FDI firms. Briefly, that study should inquire into the extent of Turkish firms' internationalization situation; what their internationalization determinants (forces within and outside of the firm that have influence) or motives are; and how, where and why these firms are doing their international activities. Researchers who are undertaking the study may want to find out which theories are relevant and help us to understand, explain, (and maybe to predict) the phenomena and which measurable factors affect or determine internationalization process of these firms.

Specifically, the researcher should aim to (i) examine the effect of firm-specific strength or capabilities on Turkish firms foreign investment, (ii) evaluate these firms' performance in accordance with their initial expectation, (iii) determine the motives of Turkish firms in choosing an investment location, (iv) find out home country and host country-specific factors' influence on these firms' outward investment, (v) asses the usefulness of FDI theories for the developing country firms, such as Turkey, (vi) portray the effect of their previous international experience, other than FDI, on their foreign involvement, (vii) sketch the contribution of these firms' organizational networks to their internationalization through foreign investment, (viii) draw their strategy and structure in their foreign involvement, (ix) determine whether these firms' corporate leadership have a stake in their foreign investment.

Finally, some of the specific questions a researcher may want to answer or particular issues whom may want to explore for fulfilling his or her research purposes or aims are as follows: 1. What are the capabilities and motives of Turkish firms involving in outward investment? Are these forces the same as those that have driven the investment by other developing country firms or by more advanced country firms? 2. Do firm, industry, home and host country-specific factors influence extent, mode and pattern of Turkish firms' internationalization? If so, what are they? Which one(s) of these firm-specific factors, home or host country-specific factors are in play and more important in internationalization? For example, we want to know whether Turkish firms' internationalization is the result of reaching sufficient competitive position through having valuable, important assets or it is the result of government erected push factors such as taxes. 3. What are the factors that determine Turkish firms' choice of country and choice of entry modes for performing international activities? 4. How do Turkish firms' managers assess performance of their firms' foreign investment? 5. What are Turkish firms' degrees of internationalization (DOI)? And, what is their potential for further internationalization? 6. Can we explain Turkish firms' internationalization with the relevant existing theoretical frameworks? If we can, among the eclectic (OLI), incremental, network theories which one(s) give more explanation and predictions to the internationalization process of Turkish FDI firms? 7. Are there strategies, plans of these firms for internationalization? If there are, can we categorize these firms according to their strategies; and, can organizational strategy have effect on internationalization? 8. How do Turkish firms control and coordinate their foreign investment activities? 9. Is there a relationship or connection between Turkish firms' internationalization and their entrepreneurial orientation?

6. CONCLUSION

A number of major developments in the global economic and business environment such as the increasing role of private sector and a greater reliance on market forces, major technological breakthroughs, the globalization of firms and industries have placed FDI in a central position in the world economy. Although the dominant players in the FDI outflows are developed country-based companies, firms from developing countries (e.g., Turkey) have also been actively involved in FDI. Turkish firms' FDI involvement appears to be affected by governmental policies and changing global business environment.

Past FDI research on Turkey has been centered on inward rather than outward investment. Turkish firms' impressive outward FDI activities have not been empirically examined for a long time.[7] We think that, there are many issues waiting for exploration and it is time for academicians to start the investigation. To be a subject of an elaborate study, an issue must be important for academia and the consumers of the knowledge that are created by the academia. As we discussed, internationalization through outward FDI is very important for a nation's firms, industries and economy at large. In addition, businessman and their associations, government officials, unions and general public debate considerably on "why doing production activities outside of Turkey" without relying on scientific facts. The future study may present concrete facts and clear evidences on this debate.

More importantly, by exploring and assessing the capabilities, motives, strategies, performance and entrepreneurial orientations of Turkish firms, future studies can provide valuable information for managers and policy makers in terms of creating competitive advantage, shifting motives and strategies, improving performance and entrepreneurial activities and taking the other necessary corrective actions in doing business activities locally and internationally. Furthermore, when we make ten or twenty years projection about the position of Turkish firms in the global arena, findings and implications of future study will become crucially important. Finally, since research on developing country-based FDI firms is sparse, suggested research framework for Turkish firms could be extended and applied to other developing country-based FDI firms.

7 Since we are living in a new era of postindustrial stage or information age, this new era requires more connection with science, technology and innovation for reaching global competitiveness and for following global transformation. There is a need for integration or connection of activities between universities and business organizations. For the case of business schools there is almost no links to business organizations in Turkey. Both business organizations and business schools appear to be turned their blind eye to each other's existence.

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Table 1. A Comparison of GDBFE of Undersecretariat of Treasury and Foreign Economic Relations Board (FERB) Figures on Number of Outgoing Firms and Their Amount of Investment (End 2002)

Country Name	Number of firms (in GDBFE record)	Number of firms (in FERB record)	Investment ($) (in GDBFE record)	Investment ($) (in FERB record)
Azerbaijan	111	808	155.000.000	1.500.000.000
Belarus	2	40	105.000	20.000.000
Georgia	17	100	37.777.453	125.000.000
Kazakhstan	66	129	167.639.893	1.300.000.000
Kyrgyzstan	15	n/a**	23.712.893	350.000.000
Moldova	5	n/a	432.905	42.000.000
Russian Fed.	67	190	172.813.845	800.000.000
Tajikistan	n/a	n/a	n/a	30.000.000
Turkmenistan	23	400	39.281.430	1.000.000.000
Uzbekistan	54	125	21.387.533	750.000.000
Ukraine	31	n/a	8.099.759	100.000.000
Total	391	1792	626.250.711	6.017.000.000

* Source: Table compiled by author utilizing the General Directory of Banking and Foreign Exchange (GDBFE) of the Undersecretariat of Treasury and Foreign Economic Relations Board (FERB) data.

** n/a: Not available

Table 2. Turkey's FDI Outflow by Sector, Investors, Capital (1979 – 2002)*

Sector	Number of Outgoing Firms	Number of Investing People	Total Number	Total Number of Established Firms in Foreign Countries	Total Capital Transferred in $
Banking	70	76	146	110	1.433.609.777
Manufacturing	172	68	240	212	1.402.562.208
Other Financial Services	90	27	117	112	1.081.064.841
Commerce	345	315	660	473	709.964.812,3
Telecommunication	11	0	11	21	142.709.797,4
Energy	7	0	7	12	98.906.206,84
Tourism	34	24	58	39	85.462.302,31
Construction	37	4	41	46	70.156.305,75
Mining	8	4	12	10	40.623.665
Other	9	3	12	10	25.178.758
Transportation	18	5	23	21	6.260.229,14
Insurance	13	2	15	15	2.538.213,9
Total	814	528	1342	1081	5.099.037.117

* Source: Table compiled by author utilizing the General Directory of Banking and Foreign Exchange (GDBFE) of the Undersecretariat of Treasury Unpublished Records.