FDI in Turkey:

Do investing companies seek to integrate people and cultures?
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Do investing companies seek to integrate people and cultures?

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A thesis in partial fulfilment of the requirements of Anglia Ruskin University for a PhD qualification

Anglia Ruskin University
Lord Ashcraft International Business School

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Acknowledgements

I would like to acknowledge the following people without whom this work could not have been completed. Firstly, those who generously gave their time to participate in this study. Their insights into and observations of the cross-cultural business and social interactions have enabled me to understand the complexities surrounding the concept of culture.

I am intensely indebted to my supervisor Professor Emanuele Giovannetti for being my mentor and guiding me throughout the doctorate programme. It would have been quite impossible to carry on the research work and make it to the final without his able guidance and sympathetic encouragement. I would like to express my gratitude to my associate supervisor Dr Meena Singh for diligently proofreading, polishing the final document and supporting me mentally with lots of positive energy. Special thanks to Professor Gary Packham for his overall support, suggestions and contextual insights. I thank Mrs Rachel Davies most warmly for undertaking the proofreading task of the thesis. I am also grateful to my initial supervisors Professor Terry Mughan and Professor Stuart Wall for their contributions with regard to shaping up the research direction.

My heartiest thanks go to my family, particularly my late father, who appreciated my efforts and supported me in pursuing this goal.
Abstract

Cultural distance (CD) as a concept emerged in the international business literature, to better understand the performance of different forms of foreign investment. While the implications of national CD on strategies and behaviour of multinationals (MNEs) affecting market entry decisions have been studied, market integration and subsidiary control mechanisms have been largely neglected. Focussing on ‘how’ and ‘when’ CD influences social interactions and strategies within multinational organisations, this study investigates strategies and behaviour adopted by foreign investing firms in the Turkish market during the entry, integration and establishment phases thereby attempting to fill a gap in existing research.

Novel empirical evidence from interviews within 12 industrial and commercial MNEs operating in Turkey and headquartered in Europe, Asia and Americas is addressed in this study. Such analysis is based on semi-structured in-depth interviews with Turkish managers working across various cultural contexts in Turkish subsidiaries. Furthermore, a quantitative survey conducted with local employees, has contributed valuable insights.

While National CD appears to be irrelevant in the pre-market entry period, its role becomes significant during market integration performance and human resource management. Empirical evidence shows how an awareness of CDs helps in successful market integration leading to an improved subsidiary control style. Similarly, the correct use of acculturation systems encourages the positive implications of national CD within the MNEs’ international subsidiaries.

This study fills a gap in existing CD research that has rarely given systematic and multi-dimensional attention to ‘how’ and ‘when’ national cultural differences influence social interactions and strategies within multinational organisations. Drawing on the existing literature and the primary data collected, this study provides a new holistic taxonomy of observed phenomena, by incorporating emerging market data in the wider empirical generalisations of the findings. The framework developed in this thesis for modelling the relationship between national CD and MNE business challenges, through their consecutive investment phases, has also provided evidence about the complexity and multi-level nature of the culture concept.

Rapid globalisation makes it essential for MNEs to appreciate the cultural complexities that the assigned managers will face in their international subsidiaries and the need to support them in developing appropriate competencies. In turn, this will enable more accurate assessment of an organisation’s readiness to better implement its subsidiary management, market adaptation and internal social harmonization mechanisms in different national cultural settings. The framework developed in this thesis, and its empirical findings, will provide useful insights for future researchers in this area.

Keywords: Cultural Distance, Turkey, Market integration Performance, Market entry mode selection, Performance measurement, Organisational culture, Subsidiary Control Strategies, Acculturation.
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Abbreviations

BAT : British American Tobacco
CARs : Cumulative Abnormal Returns
CD : Cultural Distance
CEO : Chief Executive Officer
CERs : Cumulative Excess Returns
EFQM : European Foundation for Quality Management
EU : European Union
FDI : Foreign Direct Investment
FNSS : FMC-Nurol Savunma Sistemleri
HCN's : Host Country Nationals
HQ : Headquarters of a corporation
HSBC : Hong Kong and Shanghai Banking Corporation
IBM : American multinational (International Business Machines) Corporation
IDV : Individualism index (from Hofstede’s Dimensional Culture Model)
IJVs : International Joint Ventures
IMF : International Monetary Fund
IND : Indulgence v Restrain Index (from Hofstede’s Dimensional Culture Model)
IP : International Paper
JTI : Japan Tobacco International
JV : Joint Venture
LTO : Long Term Orientation (from Hofstede’s Dimensional Culture Model)
M&A : Mergers and Acquisitions
MAS : Masculinity index (from Hofstede’s Dimensional Culture Model)
MNE : Multinational Enterprises
OECD : The Organisation for Economic Cooperation and Development
OLI : Dunning’s OLI (Ownership-Location-Internalisation) Model
PCN’s : Parent Country National
PD : Psychic Distance
PDI : Power Distance Index (from Hofstede’s Dimensional Culture Model)
PhD : Philosophy of Doctorate
Q&A : Questions and Answers
PMS : Performance Measurement System
ROE : Return on Equity
ROSF : Return on Shareholders Funds
TNC’s : Third Country National
TOFAS : Turk Otomobil Fabrikasi Anonim Sirketi
UAI : Uncertainty Avoidance (from Hofstede’s Dimensional Culture Model)
UK : United Kingdom
UNCTAD : United Nations Conference on Trade and Development
USA : United States of America
WOS : Wholly Owned Subsidiaries
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I, Deniz Meric, hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of PhD is entirely my own work, that I have exercised reasonable care to ensure that the work is original, and does not to the best of my knowledge breach any law of copyright, and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

Signed: (Candidate) ID No.: 0309634-2 Date: 03.10.2016
1 Introduction

Based on interviews with local subsidiary managers and a survey conducted with the local employees from 12 multinationals operating in Turkey, this PhD thesis aims to evaluate the notion that the national cultural differences impact on the strategies and behaviours of the multinationals with varying intensity through their investment stages.

This introductory chapter discusses the background of this research project including the research question and objectives, scope, research road map for the analytical framework, brief methodology and contributions of the study. It also provides a brief outline of the thesis chapter by chapter.

1.1 Background of the study

The process of increasing the involvement of enterprises in the international markets has resulted in companies using overseas investment activities for better placement and effective competition within new markets. Establishing a local identity and ensuring quality for cheaper products and/or services are other common motives for foreign investors to engage in export, intermediate or hierarchical entry modes. From the country perspective, particularly inward Foreign Direct Investment (FDI)\(^1\) contributes to industrial growth through technology transfers and human capital formation in developing countries.

Globalisation is not a new phenomenon as various types of economic exchanges between people located at different geographic locations has existed for millennia. Internationalisation however has additional dimensions in the modern business world as it further facilitates, capital flows, labour and technological transfers between nations (Dutt, 2001). As far as the success or failure of international business activities is concerned, crucial role played by culture as a part of organisational behavior and strategies cannot be overlooked by business studies. Multinational companies' key activities in areas such as innovation, decision making practices, strategies, are likely to be shaped and constrained by the national culture of their founders and this situation makes them difficult to be replicated in other national cultures.

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\(^1\) FDI is defined as "an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor" (Source: IMF, 1993. *Balance of Payments Manual: Fifth Edition*, Washington, D.C., International Monetary Fund)
Hofstede’s (1980, 2011) relatively old model of cultural framework provided an innovative conceptualization of culture proposing index scoring system used as an indicator of the national cultural differences between countries under the ‘cultural distance’ (CD) metaphor. The dimensional culture models from Hofstede (1980, 2001 and 2011), Trompenaars & Hampden-Turner (1997), GLOBE (2004) are aiming to offer valuable insights through their findings and conceptualisation of cultural differences between nations. Hall’s dimensional culture model (1990) however, was based on observations and provided a framework linking culture to communication, with insightful contributions reflecting the implications within multicultural business exchanges. These empirical intercultural studies claim that their CD conceptualisation and findings could enable MNE management and assigned expatriates to identify cultural differences and similarities and adapt strategies to achieve corporate goals (Javidan et al. 2006). Overall, as well as identifying the national CD within different conceptualization approaches, the literature clearly indicates the importance of managerial responses towards managing the potentially destructive implications within the subsidiary business settings.

Shenkar’s (2001) exclusive review of the national CD literature and its focus on foreign investment highlighted attention around investment location, mode of entry and performance of the MNE affiliates within the international markets. Furthermore, on the culture-performance research field, the investment performance was linked to the integration via acculturation, subsidiary control mechanisms and staffing of the key managerial positions (e.g. Nahavandi & Malekzadeh, 1988; Elsass & Veiga, 1994).

Models based on macro-economic considerations, such as the Uppsala Model (Johanson & Vahlne 1992, 2002, 2006) and the Eclectic paradigm (Dunning, 1977, 1981, 1988) have highlighted the role of culture in engaging investments within new markets and paving the way for institutional considerations to enter the mainstream theory. Moreover, it has been claimed that cultural distance had a negative influence on the survival rate of foreign ventures (Li & Guisinger; 1991; Barkema et al., 1996; Larimo, 1998). Barkema’s study (1996) hypothesised that the intensity of this effect would vary across entry modes because they required different amounts of acculturation. Culture and entry mode correlation was widely evaluated with comparable and mostly conflicting results (Jemison & Sitkin, 1986; Kogut & Singh, 1988; Tihanyi et al., 2005; Dow & Larimo, 2009). It appears that the culture models with their predictive capacity have introduced the CD concept without addressing its nature of complexity and human contextual factor. Hence, the national CD literature with market entry
reasoning objective may not necessarily capture the full extension of the business implications before any social interactions occur.

During the post-merger or acquisition period concerning internal integration and external adaptation within a new market, studies argue that a relatively high level of CD between firms is likely to lead to cultural ambiguity (Jemison & Sitkin, 1986; Lin & Germain, 1998; Lasserre, 1999). Furthermore, cultural differences may cause setbacks (Cartwright & Price, 2003) and culture clashes among employees (Brock et al., 2000) during the market integration period. Meanwhile, following a Foreign Direct Investment (FDI), the companies involved in the activity could learn from each other’s organisational routines at various operating levels, (Haspeslagh & Jemison, 1991); hence, there are studies that welcome the CD concept as an enhancing element of post- M&A integration performance through learning (Park & Ungson, 1997; Sim & Ali, 2000). Some studies disputed both arguments indicating that there is no significant relation between CD and performance and dismissed these potential implications during the FDI integration (Mjoen & Tallman, 1997; Luo, 1998; Beamish & Kachra, 2004). These contradictory findings urge researchers to find a more comprehensive way of measuring subsidiary performance other than by financial means, describing integration success for the MNEs and differentiating the national and organisational aspects of CD.

In order to manage the achievement of long-term viability and significantly improve performance at the subsidiary level, MNEs need to develop the appropriate subsidiary control system, staffing policies and acculturation strategies that fit each individual country (e.g. Buck & Watson, 2002; Gaur, Delis & Singh 2007; Tan & Mahoney 2004; Vance & Paik 2006 Tanur et al. 2009). The benefits of national CD between firms may well offset the potentially disruptive impact of the difficulties related to corporate CD during more mature stages of the investment. Gomez-Mejia and Palich (1997) concluded that there is a relation between the need for formal control due to cultural mismatch and potential social integration problems regarding efficient coordination of human resources and the accurate flow of information at a corporate level. Previous studies have produced conflicting findings indicating MNEs could employ tight or indeed loose control mechanisms when cultural distance between home and the target market is seen influential. Moreover, Wilkinson et al. (2008) claim that the subsidiary’s age could moderate the effects of cultural distance regarding international staffing policies and subsidiary ownership preferences. It is therefore critical that these moderating effects need further clarification by employing a methodological design exploring multinationals with significant internationalisation experience and matured subsidiaries.
Overall, the gaps and conflicting arguments within the findings of the previous researches suggest that there is a need for further investigation focusing on the relations between the cultural distance and the investment cycle as a ‘whole’. More importantly, our qualitative data were presented contradictory evidence to the mainstream culture models and their take on the national CD implications, by justifying the understanding of this investigation.

1.2 Research question and objectives

The main aim of this research is to investigate how and when cultural differences influence multinational firms’ behaviours and strategies in an emerging market. This is captured by the following objective: “To identify the modalities by which national cultural differences influence social interactions and strategies within a business organisation during the entry, integration and establishment phases of foreign investing firms in an emerging market?”

The more specific research questions, therefore, also concern:

1. What are the cultural distance implications on the market entry decision and entry mode selection by foreign investing firms?

2. Provided that the cultural distance influence is observed, what are the managerial responses that are more suitable to secure smooth integration process?

3. How do companies, from different national cultures create external adaptation, internal integration & control mechanisms in order to close the cultural difference?

To answer these research questions, this study develops a comprehensive conceptual research road map that assesses the main cultural distance implications based on relevant theories and literature. This road map is presented in the following section, in this chapter, to provide a detailed view of the research.

1.3 Justification of the research

The ever-growing importance of foreign investment activities and their effects on the economies of both developed and developing countries have always drawn academic world’s
attention. This new trend within the international business studies community has pointed out that more cross-cultural researches should be carried out to bring better understanding to the field. The relevance of the national CD concept as a determinant of both, the market entry decision and the entry mode selection has been often questioned in the international business studies literature; however, evaluating its potential implications prior to the actual market entry could be challenging, as the concept of culture requires interactions among people to be assessed empirically. Meanwhile, the integration period of a foreign investing firm might provide a better investigative platform regarding the likely influence of cultural distance on the investing firm’s integration performance in a new market. Such considerations have motivated the second key area of interest where the cultural distance implications could potentially play a part. They were captured by the associated research question: “Does the cultural distance between two countries, have implications on the establishment period in a developing country of the multinationals with regards to their strategies on subsidiary control mechanism, international staffing and acculturation policies?

The centre of global economic gravity has been slowly shifting, as emerging markets are currently home to 85% of the world’s population, contributing more than 80 % of global growth and almost 60 % of global GDP (IMF, 2016). This makes emerging markets and developing countries a fertile and increasingly attractive research setting for international business studies. Since the 2008 financial crisis, however, emerging markets have started to face decreasing growth rates, reversed capital flows and deteriorated medium-term prospects (IMF, 2016). In addition to these challenges, the emerging world, particularly Turkey, is facing increasing geopolitical and environmental risks such as regional crisis, conflicts and more specifically the Syrian refugee crisis. In order to achieve medium to long-term growth prospects, developing countries have increasingly come to see foreign direct investment as a major catalyst to economic development, modernisation, income growth and employment (OECD, 2002). Concerning overall attractiveness of the emerging markets, country cultural variables affect location decisions of foreign firms; hence, the host country culture will directly influence its competitiveness (Shenkar, 2012a; Dunning/Bansal, 1997; van Den Bosch/van Prooijen; 1992, cited in Bhardwaj et al., 2007, p.31) by shaping a nation’s ability to attract foreign multinationals.

The key control variables chosen in this thesis provide the main difference between this research and the many other ones sharing the same research objective. This dissertation starts from the realization that there are not enough country specific contributions focussing on measuring the cultural distance implications on the strategies adopted by the multinationals regarding the management of foreign subsidiaries. The selection of Turkey as
a case study in a cross-cultural business study can easily be justified by the fact that Turkey has all the relevant features given by its unique position of being as a cultural bridge between Europe, Asia and Africa as well as for its relevance as a large emerging market.

Turkey’s temptingly large domestic market, low costs and convenient location straddling Eurasia, have made it historically attractive to foreign investors. According to data from UNCTAD, it has won more than $232 billion in total FDI since 2003, compared with $68 billion for the whole of neighbouring southeast Europe. ME statistics (Ministry of Economy of Turkey) confirms that in 2015, Turkey attracted its largest amount of FDI, reaching the total of $16.8 billion, in the past seven years. Nevertheless, in 2016 the situation worsened dramatically as FDI in Turkey plunged by 54% dropping to $4.8 billion in the first half of 2016 compared to the $10.5 billion achieved in the same period of 2015, according to ME data. Moreover, due to the effects of the July 15, 2016 failed coup attempt and ongoing regional conflicts, some of the main credit ratings agencies downgraded Turkey's rating to "junk", below speculative/non-investment grade, indicating an increased country-risk to foreign investors. Having faced a volatile economic environment and an increased risk of instability in Turkey, existing foreign invested companies may have to cut back their future investments plans, potentially laying personnel off and even consider market exit strategies. This makes it even more important, for developing countries like Turkey, to maintain their current level of FDI and provide confidence to both existing foreign investors as well as to new ones.

National CD between countries has also been associated with significant differences in their legal systems, incentive routines, administrative practices and working styles (Hofstede, 1980; Shane, 1992; Ouchi, 1980). It has also been argued that corporations from countries with significantly divergent national cultures, based on dimensional culture models, present specific differences in their corporate decision-making practices, power distributions and control structures (Bourgoin et al. 1989). There is a lack of emphasis in the literature, however, that the possible implications of such differences on the multinationals’ strategies and behaviours in a foreign market need to be tested for their existential period as a ‘whole’. Investigating possible CD implications on the strategies and operations of case companies from different country of origin with their maturely established subsidiaries in Turkey could

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2 Financial Times Article, 29 Nov. 2016, “FDI falters as tensions mount in Turkey”, Available at: https://www.ft.com/content/753daa36-afe8-11e6-9c37-5787335499a0?mhq5j=e3

3 Al-Monitor Article, 13 Oct, 2016, “Where has Turkey's foreign direct investment gone?”, Available at: http://www.al-monitor.com/pulse/originals/2016/10/turkey-foreign-investments-hit-bottom.html#ixzz4lofELy3G
bring a new perspective on these arguments. Furthermore, since MNEs often follow long-term investment strategies and once in a host country, their FDI is supposed to contribute to further investments, one can observe a “crowding in” effect, fostered through their own supply chains. At the microeconomic level, long established foreign firms, usually have an exclusive market specific knowledge about both, internal integration and external adaptation, culture related strategies for their subsidiaries. Positive managerial spillover effects from long established MNEs in an emerging market could also arise if newly entered foreign investing firms learn from their cultural adaptation, market integration and IHRM practices.

Widely cited yet arguably controversial construct measures of cultural differences introduced by the dimensional culture models are arguably value-based therefore cannot fully capture the potential cultural distance implications on value-behaviours such as managerial responses and firm strategies. To overcome these limitations, this thesis aimed to generate a new conceptualization of culture in international business, which can make better sense of increasingly complex cultural phenomena, biculturalism, multicultural work teams and internationalization shifts by using data triangulation. In this research, the raw data were collected from 12 case companies operating in the Turkish market. Qualitative and quantitative data both were collected from these companies and have produced valuable insights on the area of possible national CD implications on the corporate strategies and behaviours in the international markets.

These are key issues raised in the relevant literature for the development of International Human Resource Management strategies and the subsequent choices made to operate global activities of multinationals. There is evidence suggesting that there is a lack of effective training and development programmes aimed at helping individuals understand the cultural issues required in their global roles, especially in US multinationals (Pickard & Brewster, 1994). Improved understanding of cultural values and related ethical issues for the multinationals may point towards the ‘deployment of strategies that encourage localization’ (Hailey, 1999, cited in Woldu et al, 2006, p.18). Therefore, findings of a qualitative case study that aims to evaluate multinationals’ subsidiary control mechanisms, international staffing and acculturation strategies in an emerging market could enhance the existing literature.

It is strongly believed by the author that this dissertation could offer valuable findings on the topics described above hence providing a significant contribution to the field of International Business Management. Furthermore, an accurate understanding and interpretation of the cultural distance phenomena can be of substantial benefit to the multinational corporations.
1.4 Research approach

An exhaustive review of literature relevant to cross-cultural business management - a multidisciplinary field including sociology, anthropology, subsidiary management, economics, business and cultural studies – was carried out before conducting the primary research. In addition, a detailed cross-cultural analysis was undertaken of Turkey, the emerging market selected by the investing companies in the study.

The literature on culture-business relation is arguably rich and diverse; however, its findings are relatively limited, widespread, and mostly contradictory. The analysis of cultural distance implications undertaken in the past have been mostly conducted in a mono-cultural environment or a specific period in the new market, which does not explicitly attempt to understand how the cultural distance influences multicultural organisations and their subsidiaries. The lack of longevity and an individual contextual approach have created a lacuna that is addressed in this study of national cultural distance implications on MNEs’ market entry, integration and establishment phases. By attempting the complex task of empirically evaluating national CD implications in a cross-cultural multiphase context, this study draws on multi-disciplinary and multi-cultural issues that are yet to be fully explored. The goal of this thesis, therefore, is to provide an analytical perspective on national CD implications in a multinational environment over time in a specific market and to identify critical factors for the execution of successful market entry, integration and establishment.

The chosen option for the literature review was to organise the research into culture concept and CD implications across phases, which is done in the literature reviews in Chapter 2. The main benefit of this approach was that the evolution of the rationale could be better understood as the theories were gradually presented; hence, possible unwanted repetition would be prevented.

1.5 Proposed conceptual framework

During the preparation period of the thesis, the gathered qualitative data and the background investigation regarding the case companies’ international experience have presented some patterns about their business strategies choices and decision-making mechanisms. In order to capture these common patterns and form a conceptual framework for the research, ‘the phase approach’ has been applied within a research road map.
The reasons behind why a firm decides to internationalise can be numerous however the common patterns from the case companies indicate that a MNE’s international experience in a foreign market can be divided into three main phases (as illustrated in Diagram 1.1): ‘Market Entry Phase’, ‘Market Integration Phase’ and ‘Market Establishment Phase’.

The main research objective of how and when the national cultural differences are influential on MNEs’ business strategies and behaviours in an emerging market can be better evaluated for the challenges the investing firm has to face within each phase.

Diagram 1.1 Illustration of the ‘Research Road Map’

<table>
<thead>
<tr>
<th>Components of the ‘Research Roadmap’:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Phase approach by covering 3 stages of FDI investment</td>
</tr>
<tr>
<td>☑ Contextual factors, defined as business challenges forcing MNEs to form strategies</td>
</tr>
<tr>
<td>☑ Measured CD from models and Perceived CD from data sets</td>
</tr>
<tr>
<td>☑ An emerging market Turkey due to its unique national and business culture</td>
</tr>
<tr>
<td>☑ Data collection from 12 industrial and commercial multinationals which are headquartered in the USA, Europe, Asia and all have a long establishment history in Turkey.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Applied Research Design(s):</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Case Study Design</td>
</tr>
<tr>
<td>☑ Mixed Method Design</td>
</tr>
</tbody>
</table>
National Cultural Distance (CD) Implications on the Foreign Direct Investment Evidence from MNE Cases in an Emerging Market (Turkey)

"Research Roadmap" for the Investigation

Market Entry Phase
Research Question 1
“What are the cultural distance implications on the market entry decision and entry mode selection by foreign investing firms?”

Market Integration Phase
Research Question 2
“Provided that the cultural distance influence is observed, what are the managerial responses that are more suitable to secure smooth integration process?”

Market Establishment Phase
Research Question 3
“How do companies, from different national cultures create external adaptation, internal integration & control mechanisms in order to close the cultural difference?”

Source: Author
During the market entry phase, the main challenges for the MNEs were presented in the literature as the market entry decision and the entry mode selection. The possible cultural difference implications were evaluated for these challenges for the initial part of the case companies' business activities in the Turkish market. Due to its inclusion of the national CD concept, the macro-economy oriented eclectic paradigm (1981, 2004) has been consulted to investigate the CD implications on the market entry decision for the case companies. Also on the FDI sequence and CD relation, the pioneering Uppsala models’ findings were discussed and challenged in relation to our case companies’ findings. Furthermore, a set of criteria has been applied to evaluate possible CD effects on the entry mode selection through the lenses of the specific case companies.

After the initial entry phase, MNEs will have to face a market integration period in which their business activities are evaluated through selected market performance indicators. This research’s evidence suggests that the national CD, therefore requiring cross-case analysis via set of selected performance indicators, may well affect market integration performance. The research road map includes financial and non-financial performance indicators for the corporate performance analysis in the Turkish market over their market integration period and evaluates possible national CD implications on market integration performance through the case companies.

MNEs having subsidiaries operating in various countries must face challenges such as parental control and cultural acculturation due to the complexity and cultural diversity compared to those faced by domestic market oriented corporations. As the foreign investment reaches its maturity, MNEs need to develop and choose the appropriate degree of management control and acculturation to exert in their subsidiaries in each country during their market establishment phase. The research road map finally proposes a cross-case analysis of possible national CD implications upon this market establishment phase for the specific areas, namely ‘subsidiary control mechanisms’, ‘acculturation modes’ and ‘subsidiary human resource applications’.

This holistic investigative framework is targeting national CD implications of phase specific business challenges that would force MNEs to form strategies in their operational markets. Table 1.1 summarises the selected contextual factors/business challenges and the related operational areas of MNEs covered in our holistic approach in this thesis.
This holistic investigative approach based on qualitative case study design will be an attempt to tackle the observed tendency in culture studies that heavily rely on the statistical manipulations. Bearing the research question in mind, qualitative and quantitative data are proposed to be evaluated accordingly main to the phase approach underlined in this research roadmap.

### 1.6 Research methods and analysis

As well as the analytical and inductive nature of the dissertation, a phenomenological view was taken in order to answer the research questions and to explore the "truths" of the lived experience from the participants regarding the culture concept. This research’s approach is based on the belief that the national CD concept calls for a qualitative research with an interpretive narrative. Within this framework, the data triangulation has brought qualitative and quantitative methodological tools together and provided a flexible and iterative approach for the analysis of the primary data set within this dissertation.
Semi-structured in-depth interviews have been used as one of the essential qualitative research methods, in order to cover all the phases of the multinational case companies in the Turkish market. Based on their existential longevity, a purposive non-random sample group of companies was selected from business directories that list foreign investors in Turkey and a warm-up letter was sent to this selected sample to invite their participation. There were not any proposed restrictions on either the sector or the region of the selected MNEs operating in Turkey. The sample size was limited to a minimum of 12 foreign organisations (See Table 1.2) to provide an adequate set of data for the qualitative case study approach. Turkey, as a host country, has been chosen among other emerging markets; meanwhile the foreign investing firms were chosen from different countries of origin and geographic positioning. Key employees and local senior managers were invited to topic-guided multiple interviews sessions to be conducted either over the telephone or face-to-face. A standard semi-structured and topic guided interview technique (suggested by Miles & Huberman, 1994; Vaara, 2002; Yin, 1994) has been selected as the appropriate choice to achieve much needed data sets in line with the research objective. Each topic has been approached in a non-directive way to understand the perspectives of the interviewees and to reach out their perceived observations. The interviews were transcribed, translated into English and re-read. Written up data were compared across interviews and across the companies, and analysed for common theme and issues. With reference to secure and reliable participation, well-structured preparation and networking skills have been essential, in return valuable amount of primary data have been gathered.

Table 1.2 Participating case companies

<table>
<thead>
<tr>
<th>Cases</th>
<th>Years Active In Turkey</th>
<th>Cross Country</th>
<th>Sector</th>
<th>Entry Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMYLUM NISASTA</td>
<td>27</td>
<td>EU-TR</td>
<td>Food &amp; Beverages</td>
<td>Int. JV</td>
</tr>
<tr>
<td>DANONE</td>
<td>19</td>
<td>EU-TR</td>
<td>Food &amp; Beverages</td>
<td>Int. JV</td>
</tr>
<tr>
<td>BAT</td>
<td>29</td>
<td>EU-TR</td>
<td>Tobacco</td>
<td>Greenfield</td>
</tr>
<tr>
<td>TOFAS</td>
<td>48</td>
<td>EU-TR</td>
<td>Manufacturing</td>
<td>Int. JV</td>
</tr>
<tr>
<td>FAURECIA</td>
<td>16</td>
<td>EU-TR</td>
<td>Manufacturing</td>
<td>Acquisition</td>
</tr>
<tr>
<td>MERCEDES BENZ TURK</td>
<td>49</td>
<td>EU-TR</td>
<td>Manufacturing</td>
<td>Int. JV</td>
</tr>
<tr>
<td>HSBC BANK *</td>
<td>26</td>
<td>EU-TR</td>
<td>Finance</td>
<td>Greenfield</td>
</tr>
<tr>
<td>FNSS Savunma Sis. AS.</td>
<td>27</td>
<td>USA-TR</td>
<td>Manufacturing</td>
<td>Int. JV</td>
</tr>
<tr>
<td>PhilSA (Philip Morris)</td>
<td>25+</td>
<td>USA-TR</td>
<td>Tobacco</td>
<td>Int. JV</td>
</tr>
<tr>
<td>EXPEDITORS</td>
<td>13</td>
<td>USA-TR</td>
<td>Logistic</td>
<td>Acquisition</td>
</tr>
<tr>
<td>OLMUKSAN IP</td>
<td>18</td>
<td>USA-TR</td>
<td>Manufacturing</td>
<td>Int. JV</td>
</tr>
<tr>
<td>JTI</td>
<td>26</td>
<td>JP-TR</td>
<td>Tobacco</td>
<td>Acquisition</td>
</tr>
</tbody>
</table>

Source: Author (*HSBC is perceived as a British Bank in Turkey and its headquarters is in London/UK)

4 The subsidiary’s age is as of financial year 2015. The data collection period was completed in 2012.
After the interviews, an additional survey focusing on the market integration phase was proposed as an additional measurement tool to identify Turkish employees’ perception of investing firms’ culture related values, national/business CD and market integration performance. A quantitative method would serve this purpose efficiently therefore, a short survey has been prepared in English and translated into Turkish. It was distributed initially in e-survey format to the Turkish employees of the case companies. Furthermore, the appointed surveyor who employed face-to-face approach conducted a second-round distribution. The collected data were analysed, and the findings were reported in the market integration performance analysis section of the dissertation.

A country level investigation on Turkey has been included based on available secondary data sources. In order to compare and investigate the cultural differences and conflicts, the thesis will present Turkey’s country profile regarding inward foreign investment background, business and national in cultures within Chapter 2-Literature Review/Part 3.

Several considerations have been made to assure the validity and reliability of this study. Firstly, a clear rationale for using a qualitative enquiry has been adopted and the data collection, analysis and interpretation procedures have been clarified. Secondly, in order to achieve triangulation, it is essential to use multiple sources of evidence (Yin, 1994). To this end, primary data have been complemented by various other sources (e.g., annual reports and leaflets of companies, press cuttings, internet sources, historical sources). With reference to the ethical implications of the research, an ethical consideration plan was submitted to and approved by the ethical comities of ARU prior to commencing the primary data collection phase.

1.7 Delimitations of the scope, key assumptions

This research investigates the circumstances of when and how the national cultural distance influences organisational behaviour and strategies through the analysis of qualitative data gathered from case companies operating in a specific emerging market. Thus, the dissertation looks at the implications of the cultural distance on the multinationals’ strategies through the entry, integration and establishment phases for the case companies in the Turkish market. The cultural distance and acculturation concepts are tested in the analysis chapters considering the Turkish national and business cultures as the fixed variables. As a
result, there will be a certain degree of limitation on generalizing some of the conclusions of this work. The researcher believes that national culture and that nation’s business culture are closely linked but not entirely the same concepts. This research will cover both, but it will focus more on the national culture and values of the country pairs investigated.

This research is limited to one specific emerging market; however, there is no limitation on location or on the industry of the foreign investment. The foreign firms’ choices of location have been towards industrialized big cities such as Istanbul, Ankara, Izmir, Bursa and Adana. Furthermore, since 2009, the global economic crisis has been affecting the emerging market trends and its effects will continue to have implications during this research. The non-random selection of the case companies meant that the majority of them are already in their mature investment stage in the Turkish market, nevertheless these multinationals cannot be immune from the global economic developments.

This research paper finds that during the post-investment integration period, there are possible implications of national cultural distance on the subsidiary performance of the multinationals. Furthermore, negative or positive CD effects on overall performance and the establishment of the multinationals are found to be linked to the level of acculturation and control mechanisms applied by the investing firm.

The selected case companies are multinationals with significant internationalisation experience and all have been chosen based on their operational longevity in the Turkish market. Although the local participants of our research had a satisfying level of experience within their business environments, they did not have a direct knowledge of market entry decision-making, shaped by their MNE headquarters. Nevertheless, for the market entry period, the macroeconomic factors of the market decision and the possible links to the national CD concept were evaluated.

Apart from the individual assumptions and limitations, it would also be wise to mention source of the generalized assumptions as pinpointed by Shenkar (2001), regarding the CD concept and FDI studies:

- *The illusion of symmetry:* Distance in physics is symmetric whereas in the FDI context the cultural distance is not necessarily identical between the home and host cultures.
This research is only concerned about the foreign investments in Turkey therefore concerning any distance measurements the fixed destination is defined as Turkey. For example, within the scope of this study, CD is measured for an UK investor facilitating in Turkey but not a Turkish company investing in the UK.

- **The illusion of stability**: Shenkar (2001) sustains that measured at a single point in time; CD is implicitly assumed constant. Nevertheless, cultures change over time and the national CD perceived and measured at the time of the market entry may have changed by the time of integration and its influence on the performance. Similar to the convergence thesis (Webber, 1969), this research also predicts national CD narrowing over time through created cultural synergy and local employees become knowledgeable of MNE management methods (Richman and Copen, 1972).

- **The assumption of corporate homogeneity**: Corporate culture can modify the behaviour and beliefs associated with national culture (Laurent, 1986). Meanwhile, national culture may play a stronger role in the face of a strong corporate culture. With reference to this assumption, this research acknowledges possible corporate culture influences during market entry, integration and establishment phases.

- **The assumption of spatial homogeneity**: Measuring distance from one national culture to another, the dimensional CD index assumes uniformity within the national unit and ignores inter-cultural variation (Au, 2000). Turkey national and business cultures also have divisions that are acknowledged in Chapter 2-Literature Review/Part 3 where the Turkey’s cultural profile is presented. Chapter 2/Part 3 specifically covers differences in Turkish business culture and values such as dominant secular and Islamic business values yet it would be beyond this work’s scope to cover regional differences.

1.8 **Outline of the thesis**

The thesis will follow a customised structure while addressing the detailed steps of the research road map.

*Chapter 1- Introduction*: It outlines the broad field of study and introduces the core research problem.
Chapter 2- Literature Review: Part 1 and Part 2 of this chapter build a theoretical foundation by reviewing the parent theories related to the research focus and the research problem in line with the research road map’s conceptual structure. Part 3: Country Profile of Turkey summarizes the information gathered through country level investigation providing Turkey’s comprehensive country profile concerning its foreign investment historical and modern background, national and business cultural elements and work related national values.

Chapter 3- Methodology: This chapter provides a clear picture of the researcher’s mind set on this study by stating the purpose and logic of the research and by identifying the adapted views regarding ontology and epistemology. The overall, research methods and the data collection procedures are also discussed in this chapter.

Chapter 4- Market Entry Phase Analysis: This chapter focuses on the market entry phase of the selected MNEs in the Turkish market and provides a cross-comparison analysis by using John Dunning’s OLI model to evaluate the market entry decision for the case companies. Furthermore, possible CD implications on the market entry mode selection were also investigated in this chapter.

Chapter 5- Market Integration Phase Analysis: This chapter investigates the market integration period of 12 multinational case companies in the Turkish market. The focus of the analysis is to evaluate the cultural distance implications on the integration performance through the customized selection of financial and non-financial performance indicators.

Chapter 6- Market Establishment Phase Analysis: The final analysis chapter covers the market establishment phase of the case companies in which the multinational companies establish their subsidiary control mechanisms and acculturation strategies. Cultural distance implications on these selected organisational strategies and behaviours are evaluated for the case companies within the market establishment phase.

Chapter 7- Conclusions and further implications: This conclusion chapter focuses on the implementation and limitations of the thesis and proposes an original contribution to the FDI literature; therefore, will contain the key messages as the most important part of the thesis.

In summary, this introduction chapter has provided an overview of the entre study. The background of the study explicitly specifies the research gap in the literature. The research problem, research objective and justification of the study clearly rationalise the importance of this research. This chapter also provides an outline of the investigation including the research framework under research roadmap structure, methodological approach and areas of contributions. Given the structure of the thesis, the following chapter contains a
comprehensive discussion of the relevant theories that emerged from a detailed review of the literature focusing on culture concept, CD metaphor, the possible national CD implications narrowed down on stages.
2 Literature Review

This review of the extant literature is designed to explore the theoretical foundation underpinning the cultural distance concept, internationalisation, integration performance, and subsidiary control and acculturation studies. The aims of this chapter are to review the relevant theories and their rational arguments in relations to the national CD concept as well as to explore the supportive streams under investment stages, which provide more insights into the business implications for the multinationals. In this chapter, all these streams have been considered in the context of narrowing the research question. Therefore, the following three sub-sections cover fundamental research streams for this study:

- Part 1: The theoretical foundation of the national CD measurement
- Part 2: The theoretical arguments with reference to the national CD implications grouped under investment stages.
- Part 3: Consolidating the research settings, Turkey’s FDI background, business and national cultural evaluation

2.1 PART 1: Review of Business Management Research Streams on the Culture Concept

The main purpose of Part 1 is to develop an understanding of the culture concept and identify antecedents of its business implications. Initially the review consolidates literature on relevant dimensional culture theories before discussing their influence on our research analysis design and assumptions. Further, the review identifies some of the key studies that have examined the interrelation between the organisational and national culture concepts for the multinationals.

2.1.1 Defining Culture
Culture is a term, which originated from the Latin\(^5\) word ‘c\(\text{ultura}\)’ with a literal meaning indicating that nature is made useful by human intelligence. Its original reference to ‘cultivation of the soil’ was extended somewhat modified into ‘cultivation of the mind or manners’ by the 16\(^{th}\) century. Culture has been a prominently difficult concept to define, thus culture has been conceived of as a ‘collective mental programming of the mind distinguishing the members of one group or category of people from another’ (Hofstede, 1994, p.5) and as ‘total patterns of values, ideas, beliefs, customs, practices and artefacts’ (Komin 1994). “Culture is a fuzzy set of basic assumptions and values, orientations to life, beliefs, policies, procedures and behavioural conventions that are shared by a group of people, and that influence each member’s behaviour and his/her interpretations of the ‘meaning’ of other people’s behaviour” (Spencer-Oatey, 2008, p.3). Hall (1983, p.30) argued that “culture is often subconscious and comparable to an invisible control mechanism operating in our thoughts that draws the line between one thing and another; these lines are arbitrary, but once we have learned and internalised them, we treat them as real”. Trompenaars & Hampden-Turner’s (2004, p.191) research defined culture as “…the pattern by which a group habitually mediates between value differences, such as rules and exceptions, technology and people, conflict and consensus, etc....” The author of this research describes culture as ‘a combination of a dynamic, influential and distinguishing set of behavioural values, beliefs and a shared mindset among a group of people’. Due to its dynamic nature, it is subject to evolution.

Adding to the challenge of finding universally acceptable definition, culture has been also extremely difficult to conceptualise (Boyacigiller et al., 1996) due to the obstacles in measuring and evaluating the differences between the national cultures. The concept of Cultural Distance (CD), as a metaphor, has been used as one of the key variables in strategic decision making (e.g. Gomez-Mejia & Palich, 1997 in technology transfer), subsidiary management and human resource management (e.g. Black & Mendenhall, 1991 in expatriate adjustment) in both the domestic and the international contexts. Its greatest impact, arguably, has been suggested in the areas of Foreign Direct Investment (FDI) and headquarter-subsidiary relations. These are the exact targeted areas within our qualitative data collection design and integrated into our conceptual framework.

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\(^5\) Middle English (denoting a cultivated piece of land): the noun from French culture or directly from Latin cultura ‘growing, cultivation’; the verb from obsolete French culturer or medieval Latin culturare, both based on Latin colere ‘tend, cultivate’’. This goes back to Latin colere cultivate’, a word that appeared from the same source in the mid 17\(^{th}\) century. In early examples, a culture was ‘a cultivated piece of land’. In late Middle English the meaning was ‘cultivation of the soil’ and this developed during the early 16\(^{th}\) century into ‘cultivation of the mind or manners’. Its reference to the arts and other examples of human achievement dates from the early 19\(^{th}\) century (Oxford Dictionary Online: Available at: <http://www.oxforddictionaries.com>).
2.1.2 Conceptualisation of National Culture

Empirical research on culture is conceptualised in the work of Hofstede (1980, 2001\(^6\) and 2011), Smith & Schwartz\(^7\) (1997), Trompenaars & Hampden-Turner (1997), and later by the GLOBE project (2004). These studies claim to offer highly valuable insights and predictions to the corporate decision makers operating in a multicultural environment through their findings and conceptualisation of cultural differences between nations. Culture studies claims that cross-cultural research findings could ensure MNEs maximise their performance (Trompenaars & Hampden-Turner, 2004), bring a common understanding within project management issues (Kiesel, 2005), optimise cross-cultural communication (Dahl, 2006) global branding strategies (Raman, 2003) and the national cultural differences as a determinant for the foreign market entry decision (Makino & Neupert, 2000).

The focus of our research is about the national cultural difference implications on the organisational behaviour and strategies through a long engagement circle in a specific foreign market, therefore the models on the conceptualisation of culture serve as useful tools to compare existing literature with the research findings. Based on our research focus, the following section summarises the main culture theories and concepts emerged from behavioural and empirical cross-cultural research field to date.

Hofstede’s Culture Model

Hofstede’s framework of national cultural differences (1980, 2001, and 2011\(^8\)) is an eminent piece of cross-cultural research whose theoretical foundation has been widely cited\(^9\) and

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\(^7\) Schwartz’s study on cultural values was originally done in 20 countries (Schwartz, 1992), but has continuously been expanded (Smith & Schwartz, 1997). (Smith, P. B., & Schwartz, S. H., 1997. Values. In J.W. Berry, M. H. Segall, & C. Kagitcibasi (Eds.), Handbook of cross-cultural psychology (2nd ed., Vol. 3, pp. 77-118). Boston: Allyn & Bacon)

\(^8\) The original theory that Hofstede proposed in 1980 talked of four dimensions, namely power distance, uncertainty avoidance, individualism vs. collectivism and masculinity vs. femininity. After conducting independent studies in Hong Kong, Hofstede included a fifth dimension in 1988, known as long-term vs. short-term orientation, to describe value aspects that were not a part of his original theory. Again in 2010, Hofstede devised another dimension, the sixth one, indulgence vs. self-restraint, in an edition of ‘Cultures and Organizations: Software of the Mind’, co-authored by Michael Minkov. Further details on the evaluation of the model are available at <https://geert-hofstede.com/national-culture.html>

\(^9\) According to the most recent Social Science Citation Index, total of 2700 refereed journal articles have cited Hofstede’s work (Hofstede, 2001). (Social Science Citation Index, Available at: http://thomsonreuters.com/social-sciences-citation-index)
extensively criticised in the culture literature. Hofstede’s (1980) empirical framework of national culture is based on a survey administered to 117,000 employees of the American IBM Corporation subsidiaries across 66 countries and 3 multi-country regions. Hofstede claims in his model that differences in national cultures vary substantially along four dimensions. These dimensions were labelled as uncertainty avoidance, individuality, tolerance of power distance and masculinity-femininity. Later on, Hofstede added two more dimensions to the original model based on different value surveys: “long /short term orientation” covering the focus of people’s efforts (Hofstede & Bond, 1988) and “indulgence versus restraint” covering the perception of life control and importance of leisure in people’s lives (Hofstede et al., 2011). Hofstede created ordinal scales for countries for each of these dimensions based on a standardised factor analysis of questionnaires. The quantitative data was collected using a self-completed questionnaire at two points in time between 1968 and 1972. Hofstede’s study has taken the respondents’ values as “broad tendencies to prefer certain states of affairs over others” (Hofstede, 1991, p.35). After a statistical analysis and theoretical reasoning of respondents’ values, four central and ‘largely independent’ bi-polar dimensions of a national culture were defined.

First, Hofstede’s model introduced the “Power Distance” dimension as “the extent to which the less powerful members of organisations and institutions accept and expect that power is distributed unequally” (Hofstede, 1991, p.28; Hofstede & Peterson, 2000, p.401). This dimension is used to assess how much a society’s level of inequality the followers endorse as much as by the leaders. Secondly, the “Uncertainty Avoidance” dimension has been defined by Hofstede as “to what extent a culture programs its members to feel about unstructured situations and the lack of tolerance in a society for uncertainty and ambiguity” (Hofstede, 1991, p.113; Hofstede & Peterson, 2000, p.401). It expresses itself in higher levels of anxiety and energy releases, a greater need for formal rules and absolute truth and less tolerance for people or groups with deviant ideas or behaviours. It is suggested that

10 Using factor analysis of country mean scores, three factors were identified which explained 49 % of the total variance. Initial factor analysis was based on 40 countries only, the addition of ten more countries and three regions did not significantly change the dimensions (Hofstede, 1993, cited in Brookes et. al., 2011. p.5)

11 Definitions of Hofstede’s (1991) cultural dimensions: Power distance: “the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally” (p.28). Uncertainty avoidance: “the extent to which the members of a culture feel threatened by uncertain or unknown situations” (p.113) Individualism versus collectivism: ranges from “societies in which the ties between individuals are loose” to “societies in which people from birth onwards are integrated into strong, cohesive in-groups” (p.51). Masculinity versus femininity: ranges from “societies in which social gender roles are clearly distinct” to “societies in which social gender roles overlap” (p.82). (Hofstede, G., 1991. Cultures and organisations: Software of the mind, London: McGraw-Hill)

12 The questionnaire focused on work-related values using 32 items to measure the importance of various work goals (Brookes et. al., 2011. p.5).
uncertainty-avoiding cultures try to minimize the possibility of such situations by strict behavioural codes, laws and rules. The third dimension introduced in Hofstede’s framework was “Individualism versus Collectivism” as “the extent to which individuals are integrated into groups”\(^\text{13}\) (Hofstede, 1991, p.51; Hofstede & Peterson, 2000, p.401). The “Masculinity versus Femininity” dimension\(^\text{14}\), in other words assertiveness and competitiveness versus modesty and caring (Hofstede, 1991, p. 82; Hofstede & Peterson, 2000, p.401), has been referred to as “the distribution of values between the genders to which a range of solutions are found at national level”.

The added 5th dimension “Long-term orientation” describes the inclination of a society toward the establishment of the absolute truth or searching for virtue (Hofstede, 1988). According to Hofstede (1991), these dimensions were selected because of their relationship to organisational phenomena and management studies. Finally, the 6th dimension “Indulgence vs. Restrain” focuses on the level to which societies can exercise control over their impulses and desires (Hostede & Minkov, 2010).

Some of the studies have suggested the popularity of Hofstede’s conceptualisation of culture as one of the model’s strengths due to the quantity and richness of its data set and further claim that Hofstede’s dimensions were empirically developed\(^\text{15}\) (Yoo, Donthu & Lenartowicz, 2011). Clark (1990) explains the model’s popularity by suggesting that its cultural dimensions fully cover major conceptualisation of culture. Citations and replications were given as a proof of popularity by Chandy &Williams (1994) and Sondergaard (1994) as they claim that social sciences and cross-cultural studies have heavily replicated Hofstede’s paper. According to a recent Social Science Citation Index, a total of 2858 citation from 1987 to 2004, refereed journal articles have cited Hofstede’s work (Hofstede, 1980, 2001 and 2010) as frequently as Karl Marx’s work Capital, the English version with a total of 2873 citation.

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\(^\text{13}\) Hofstede claims that the ties between individuals are considered loose for the individualistic societies; whereas on the collectivist side, people are integrated into cohesive in-groups or extended families that continue protecting them in exchange for true loyalty. Further details on the evaluation of the model are available at <https://geert-hofstede.com/national-culture.html>.

\(^\text{14}\) The model states that in masculine societies, the traditional masculine social values such as the importance of showing off, of performing, of achieving something visible permeate the whole society; whereas in more feminine societies, the dominant values—for both men and women—are those more traditionally associated with the feminine role: not showing off, putting relationships with people before money, minding the quality of life and the preservation of the environment, helping others. Further details on the evaluation of the model are available at <https://geert-hofstede.com/national-culture.html>.

\(^\text{15}\) While many other cultural constructs remained in the conceptualization stage, Hofstede (1980) identified the cultural dimensions using a survey of about 100,000 plus IBM employees in 66 countries, excluding most of the old communist and third world countries’. (Yoo, B., Donthu, N. and Lenartowicz, T., 2011, Measuring Hofstede’s five dimensions of cultural values at the individual level: development and validation of CVSCALE, Journal of International Consumer Marketing, Vol. 23 Nos 3-4, pp. 193-210)
(Barden, et. al., 2006). Furthermore, it is claimed that Hofstede-inspired empirical research is still increasingly popular (e.g. Gelfand et al., 2007; Tsui et al., 2007).

Moreover, Hofstede’s popular model has been widely applied at both country and individual levels. Examples of its usage at an individual level include exploring market perception of ethical norms (Paul et al., 2006), market segmentation (Kale 1995), negotiation behaviour (Volkema 2004), and consumer ethnocentrism (Cleveland et al., 2009). Examples of its usage at country level, meanwhile, include MNEs’ choice of entry mode (Kogut & Singh, 1988) and foreign acquisition performance (Slangen, 2006).

Despite its popularity, Hofstede’s model has received heavy criticism of its conceptual shortcomings. Hofstede’s (1980a, 1984, 1991 and 2010) revised model assumes that each nation has a distinctive, influential and describable culture16, and consequently countries can be hierarchically ordered along the six dimensions of their national culture. On the contrary, Anderson (1991) has described nations as imagined communities, Wallerstein (1990) has stated his scepticism over making the culture concept operational and Smelser (1992) dismisses culture studies, which attempt to measure the immeasurable. The general acceptance and popularity of Hofstede’s national culture research has been linked with the “loose” criteria for acceptable evidence in some parts of the management disciplines (McSweeney, 2002). McSweeney (2002) questions the scope of Hofstede’s model by indicating that sometimes Hofstede refers to differences between national cultures and sometimes the identification of those cultures based on his IBM questionnaire data analysis. He adds that despite the high volume of quantitative data and statistical manipulation, Hofstede’s research presents a limited characterization of culture within the territory of states, and its methodological shortcomings mean that it fails to enhance the understanding of the culture concept.

Giving his strong opposition, McSweeney (2002) has critically reviewed the assumptions and empirical claims taken by Hofstede. He pinpoints major holes in the generalisations of his findings due to the data set used in the research: The cultures carried by each respondent are assumed to be exclusively three non-interacting cultures: an organisational, an occupational, and a national one despite Hofstede claims that the response differences show ‘national culture with unusual clarity’ (Hofstede, 1991, p.252). His model has attributed the response differences to national cultures under the assumption that ‘every IBM employee

16 “...He treats national culture as implicit; core; systematically causal; territorially unique; and shared...” (McSweeney, 2002: p.24).
was a bearer of the same single organisational culture and every member of the same occupational category in IBM shared the same occupational culture’ (McSweeney, 2002, p.95). Hofstede’s model supposes that in IBM there is a singular, uniform and monopolistic organisational culture; nevertheless, some authors have argued for the recognition of multiple, dissenting, emergent, incomplete, contradictory cultures in organisations (Jelinek et al., 1983; Spender, 1998). Eventually, Hofstede had begun to acknowledge that ‘there is cultural variety within and between units of the same organisation’ (e.g. 1991, p.193; 1998a, p.11).

Dorfman & Howell (1988) have questioned the composition of Hofstede’s dimensions, some of which were claimed to be non-interactive. The bi-polar dimensions proposed by Hofstede are composed of contrasting positions; however, Triandis (1994) argues that these contrasting values could circumstantially coexist. Although Hofstede had not claimed to have found all dimensions of national cultures, only the dominant ones, his statistical evaluation of IBM employees’ answers to survey questions has not removed the profound complexity that there is no consensus about which ‘units’ or ‘dimensions’ should be used in describing cultures (McSweeney, 2002, p.98). McSweeney’s opposing review emphatically rejected the claim that ‘data obtained from a single MNE has the power to uncover the secrets of entire national cultures’ (cited in, Hofstede, 1980b: p.44).

Some studies conclude that national uniformity is a false assumption (Smelser, 1992; Steinmetz, 1999; and Bock, 2000) due to non-national cultures and non-cultural forces commonly operating within nations. National heterogeneity has been largely overlooked by Hofstede’s model yet quantitative studies using a large number of respondents do not necessarily guarantee representativeness (Bryman, 1988). Furthermore, although the large number of respondents (177,000 questionnaires, 2 survey rounds covering 66 countries) were used in characterizing national cultures, the heterogeneous data sample was critically indicated as a restraining factor for the reliability of the model (McSweeney, 2002). The final important criticism is that Hofstede’s model assumes that knowing values in a culture tells us about what actually happens in that culture.

Despite using culture models their assumptions only as useful tools, the research design of the PhD project has acknowledged the potential risk of gaining empirical evidence from a

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17 Within data sample only six countries had the numbers of respondents more than 1000 in both surveys whereas fifteen countries were represented by less than 200 participants. (McSweeney, B., 2002. Hofstede’s Model of National Cultural Differences and their Consequences: A Triumph of Faith - a Failure of Analysis, Human Relations, 55 (1), pp. 89-118)
singular case company. The adapted multi-case approach (total number of 12 MNEs operating in Turkey) aims to cover the dynamic interaction between organisational, occupational and national cultures and the potential implications for the participants.

**Hofstede’s Dimensional Model and International Business Management**

It is often argued that the ‘uncertainty avoidance and individualism dimensions often cause misunderstandings between teams in Anglo-Dutch-German organisations’ (Kogut & Singh, 1986; Kreder & Zellner, 1988; Hall, 1990; Tiessen 1997; Koberstein, 2000, cited in McCharthy, 2010, p.73). Members of countries or organisations with a moderate to high uncertainty avoidance are more likely to perceive change, uncertainty and instability as a threat (Hofstede 1991, House et al. 2004). MNEs operating in countries with a moderate to high uncertainty avoidance tendency may need to balance ambiguity due to local employees’ cultural tendency for stability and predictability.

The contrast in the *individualism-collectivism* dimension is linked with some of the social constructs such as individual and group accountability, teamwork and cooperation, networking and cross-business collaboration, and individual freedom and compliance (Morrison, 2000; Hollenbeck et al., 2006). Independent studies have validated the link between Hofstede’s individualism rankings and organisational practices by adding some insights that countries scoring high on collectivism tend to place high value on group maintenance and in-group harmony and loyalty (Leung, 1983; Beatty, McCune & Beatty, 1988).

Hofstede (1991) claims that both *power distance* and *individualism/collectivism* influence the type of leadership that is effective in a country. Hofstede noted that high power distance and high collectivism ranking cultures will likely favour autocratic leadership practice (Hofstede 1991); by contrast, countries with high individualism ranking and low power distance welcome participative leadership (Dorfman & Howell, 1988). Furthermore, in collectivist cultures, leadership should respect and encourage employers’ group loyalties so that incentives should be given collectively. On the contrary, in individualist cultures, people can be moved around as individuals; hence, incentives should be given accordingly (Hofstede & Bond, 1988).

Hofstede’s culture model has been used in this research in line with the proposed research road map where the national CD implications on the international business strategies were
evaluated through different stages. Market integration and market establishment phases include a number of business challenges relating social and human synergies hence our literature review on Hofstede model presented insights that will be cross-examined with the empirical evidence based on the qualitative data set. The selected established foreign multinationals operating in Turkey provided fertile individual research settings where external cross-national culture comparisons were proposed as a part of the research analysis. Despite the outlined criticism regarding the potential weaknesses, Hofstede’s model has been a popular reference point as a pioneering model among the culture-related business studies and its wide acceptance has been one of the main considerations for its inclusion within the analysis chapters for this research. Firstly, as indicated earlier in this section, citations and replications of the model even in the most recent studies have been considered in terms of its relevance to the modern culture-based business studies. Secondly, Hofstede’s model is a sufficiently comprehensive model that covers the country pairs, created by the case companies, used in this research. Furthermore, the model covers a wide range of predictive findings of the national cultures regarding the business behaviours and strategies, which is in line with the purpose of this research. Finally, one of the main presumptions of our research is that the organisational culture of a multinational enterprise is influenced by the national culture of its origin, which is also compatible with Hofstede’s model.

**Hall’s Culture Theory**

Edward T. Hall is a recognized pioneer for the study of intercultural communication as he was one of the first researchers to develop a research framework by observing culture. Hall developed his preliminary positions through years of personal observations based on living within various cultures. Hall’s main contribution to the conceptualisation of culture is that in his theory, culture is communication. The essence of effective cross-cultural communication has more to do with releasing the right responses than sending the right messages (Halls, 1990). Hall claims that cultural differences can affect how we define the message but, even more importantly, they influence the speed of sending or receiving these messages. Based on his preliminary positions, Hall’s (1990) theory concentrates on understanding the differences among nations at national and business level in five dimensions: time, context, space, information flow and interfacing (Steers, 2005).

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18 In his initial research, Hall (1966) has broken culture into two broad components within a “Set Theory” perspective. The “pervasive set” is the component of culture which is first noticeable (e.g. dress, language or greeting protocol etc.); the second is the “illusive” set which is the phantom component of culture (e.g. stress or tone on words, gender roles status roles etc.).
The first dimension, the context - the information that surrounds an event -, is divided into low-context culture and high-context culture. Low-context cultures focus on the message itself; the communication is direct and precise, and it is based on feelings or true intentions (Gudykunst & Ting-Toomey, 1988). In low context cultures, individuals do not have an extensive level of information networks; as a result, they need a large amount of background information. Whereas in high-context cultures the focus lies on the context, “the social cues surrounding the message” (Steers, 2005, p.132). High context people are well informed, and they build information networks to receive the latest information quickly, therefore need less background information. This high/low-context dimension is commonly employed to analyse cross-cultural communication since it is an easy concept to observe in intercultural encounters (Dahl, 2006). The second dimension refers to the personal space in the sense of Edward Hall’s observation that behaviours among humans suggest that territoriality can be used to send a message. Hall observes different levels of distance in the use of space. Each distance in the use of space varies according to culture. Furthermore, it is used only in culturally appropriate contexts (Priest, 2008). The third dimension, in Hall’s work, concerns the manner of using time that is seen as linear, segmented, scheduled, manageable and heading into the future. Hall’s concept of polychronic versus monochronic time orientation describes how cultures structure their time. The monochronic time concept follows the notion of one thing at a time, while the polychronic concept focuses on multiple tasks being handled at one time, and time is subordinate to interpersonal relations (Hall, 1990; Steers, 2005). Hall (1990) defines Polychronic cultures as doing multiple activities at the same time, taking more effort in relationships than in appointments and schedules. The fourth dimension is presented as the ‘information flow’, which refers to how and with what speed the information flows from the source to the target in an organisation in a business context. According to Hall’s model, how information is handled in different cultures is one of the most important things in international understanding.

Hall (1990) has also introduced the concept of cultural interfacing. According to his cultural observations, some cultures are easier to interface with others and the greater the cultural distance the more difficult the interface is expected to be. Hall’s (1980; 1983; 1991) work on understanding cultural difference with the introduction of time chronemics, space and intercultural communication concepts has provided a better understanding of the cultural differences. However, his methodological approach is mainly based on observations, on both animals and humans, and his framework is subject to the research bias commonly faced by qualitative researches. Furthermore, although the monochronic / polychronic time concept is
easily observed, the lack of empirical data makes this culture dimension difficult to apply within the business researches when comparing relatively similar cultures.

**Hall’s Model and International Business Management**

The *communication context*, particularly communication skills are vital to management and leadership; meanwhile, the perception of these skills differs across cultures (Hartog et al., 1999; House et al., 2004; Trompenaars & Woolliams, 2005). ‘The understanding of the differences between monochronic & polychronic time systems would be helpful in dealing with people from different groups in business environments where a consensus needs to be created’ (Hall, 1990, p.16)

Unlike some other prime culture models, Hall’s take on the culture concept is based on observations rather than quantitative methods. The model contributes to the culture related literature with its inclusion of the communication, time and space aspects of a complicated concept. Due to this comprehensive approach, Hall’s model was consulted during the preparation of the e-survey in this dissertation, as the consultation of quantitative based culture models alone would not sufficiently reflect the whole picture. The e-survey was designed to analyse observed cultural differences and their possible implications for the integration performance of the companies forming the case studies for this thesis.

2.1.3 **Cultural Distance (CD) Concept**

The difficulties of defining and conceptualising culture, as outlined previously, have presented an even greater challenge: *measuring the distance between cultures* as differences between cultures of home and host countries may hinder multinational firms’ ability to have successful international operations. Consequently, management scholars have put forward concepts such as cultural distance (CD\(^{19}\)) and psychic distance (PD\(^{20}\)) to describe the differences between countries that hinder the flow of information and force firms

\(^{19}\) CD definition was put forward by Luostarinen (1980, pp. 131-132) as "the sum of factors creating, on the one hand, a need for knowledge, and on the other hand, barriers to knowledge flow and hence for other flows between the home and the target countries”.

\(^{20}\) PD (Psychic Distance): Beckermann (1956, cited in Johanson & Vahlne, 1977, p.24) was defined as "the sum of factors preventing the flow of information from and to the market" and utilizing a mix of variables, such as culture, language, education, and industrial development. [Johanson, J., Vahlne, J. E., 1977. *The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments*, Journal of International Business Studies, 8(1), pp. 23-32.]
to adapt to a foreign business environment. The \textit{psychic distance (PD)} concept was used in the theory of familiarity and in the internationalisation process theory (a.k.a. the Uppsala Model, 1977), both arguing that firms are more likely to launch foreign investment in markets relatively similar to their own home base and then progressively expand into countries with greater psychic distance (Shenkar, Luo & Yeheskel, 2008). In 1980s, \textit{cultural distance (CD)} concept emerged as measure featured in the transaction cost theory (Williamson, 1979, 1985) and eventually became the leading theoretical framework with which to predict the mode of entry into international markets. The CD concept has progressed even further as Kogut & Singh (1988) developed a ‘cultural distance’ measure based on Hofstede’s model by aggregating his four dimensions into a composite index (Shenkar et. al, 2008).

The concepts of ‘cultural distance’ and of ‘psychic distance’, despite their conceptual differences, have often been used interchangeably (Sousa & Bradley, 2006). Their usage was linked to various management issues such as export performance (e.g. Shoham & Albaum, 1995; Bello & Gilliland, 1997), foreign direct investment (FDI) (e.g. Benito & Gripsrud, 1992; Evans, Treadgold & Mavondo, 2000), entry mode choice (e.g. Kogut & Singh, 1988; Kim & Hwang, 1992), international joint ventures (e.g. Manev & Stevenson, 2001; Shenkar et al. 2008), foreign markets consumer preferences and cultural values (e.g. Sousa & Bradley, 2006). In some of the influential studies regarding the cultural effects on the firm behaviour, ‘psychic distance’ was the preferred formulation (Sousa & Bradley, 2006). It has been argued that, while the two concepts are certainly related, they also need to be distinguished because CD reflects a difference in cultural values among countries that should be assessed at the cultural or country level whereas PD is based on the individual’s perception and should be assessed at the individual level. Consequently, findings of the business studies based on CD and PD concepts often present inconsistent and even contradictory results (Prime, Obadia & Vida, 2009; Santos & Reis, 2013).

Cultural Distance (CD) has also been observed in the areas of organisational behaviour and human resource management in both domestic and international context. Arguably, its greatest impact, however, has been felt in the area of foreign direct investment (FDI) for the application of the CD construct, most often in the form of an index compiled by Kogut & Singh (1988) from Hofstede’s (1980) cultural dimensions (Shenkar, 2001) and FDI related fields such as headquarter-subsidiary relations and expatriate selection. Furthermore, the CD concept has been used both at firm-level and individual-level analyses. At a \textit{firm level}, CD has been used to explain the entry mode choice (Kogut & Singh, 1988; Drogendijk & Slangen, 2006); whereas at an \textit{individual level}, scholars have analysed the effect of CD on
Shenkar (2001, p.519) noted, “...few constructs have gained broader acceptance in the international business literature than cultural distance...” He claims that the concept of cultural distance is primarily inspired by the work of Hofstede’s ‘dimensions of culture model’ (1980) which has provided researchers with a way of conceptualising culture, and with index scores for countries which have been treated as indicators of cultural distance. Hofstede's work has been even further 'simplified', in a much-cited article by Kogut & Singh (1988), where the four dimensions are condensed in an index of cultural distance. The formula is

$$CD_j = \sqrt{\frac{\sum_{i=1}^{4} (I_{ij} - I_{iu})^2 / V_i}{4}}$$

where $CD_j$ is the cultural differences of the $j$th country from the $u$th country, $I_{ij}$ represents the index of the $i$th cultural dimension and the $j$th country, $I_{iu}$ the index of the $i$th cultural dimension, and $V_i$ is the variance of the index of the $i$th dimension. CD was arguably popularised in the wake of Kogut & Singh’s (1988) cultural distance index, which measures the CD between two given countries using the Euclidean distances of Hofstede’s (1980) scores of cultural dimensions. This relatively standardised measure of cultural differences within the CD construct offered a convenient tool with which to overcome the complexities of culture (Shenkar, 2012(a)). Being able to synthesise the plethora of differences between two countries into measurable dimensions is arguably the reason why CD and PD concepts have gained such broad acceptance (Santos & Reis, 2013).

Both Hofstede's dimensions and the Kogut & Singh's formula have been very widely welcomed by the business academic community (Kirkman, Lowe, & Gibson, 2006). Nevertheless, these models’ simplification of a complex issue and the possible disadvantages of such conceptualisations have received criticisms (e.g. Drogendijk & Slangen, 2006; Shenkar, 2001; McSweeney, 2002; Williamson, 2002; Triandis, 2004). Cultural distance, in other words, ignores the actual cultural characteristics or positions on cultural dimensions, although these are likely to affect the behaviour of people from different countries and the relationships between them (Drogendijk & Holm, 2012). Another criticism points out that perceptions of cultures and cultural differences are not symmetrical (Chapman et al., 2008; Shenkar, 2001). Shenkar (2012a) noted other shortcomings of the distance metaphor such as the implication of steadiness in cultures by avoiding possible cultural changes, evaluation and learning over time. Furthermore, Shenkar et al. (2008), state that,
by using CD concept, researchers are dealing only with the surface level of arguments within the organisational research field and that the assumption of promoting a national cultural identity remains separate and distinct throughout the process of interaction is questionable. Consequently, the culture concept has been disconnected from its early roots in anthropology and given some vastly oversimplified economic and cost related roles (Shenkar, Luo & Yeheskel, 2008).

This research has adapted the cultural distance (CD) concept as an external indicator for the cultural differences between hosting market country Turkey and the home market countries for the selected MNEs. Furthermore, some parts of the e-survey include perceived cultural differences hence the psychic distance (PD) concept indeed.

2.1.4 Organisational Culture and National Culture Interrelationship

In the business literature, it has been suggested that the organisational culture and national culture, as separate constructs, may have a certain level of interdependence. Schneider and Barsoux (2003) argue that national culture represents a deeper layer of consciousness and shows more resistance to change. It may also be predicted that cultural differences at the national level create relatively greater barriers to multinationals’ international ambitions than the potential organisational cultural differences (Stahl & Voigt, 2008) due to selected entry mode.

Despite being separate constructs, organisations’ values and behaviour are generally firmly rooted in their national values and practices (Drogendijk & Holm, 2012). Sagiv and Schwartz (2007) stress that organisational culture is partly determined by the corporate objective, the surrounding society and personal value priorities of organisational leaders. Therefore, it has been suggested that, the culture of companies within a country should partly reflect the national culture (Harzing & Sorge, 2003). This implies that if a particular culture model characterises national cultures, then the actual companies from a particular country would reflect the description of that particular national culture. It has also been suggested that “in general, organisations tend to mirror the culture of power distance practices and values in their society so that they can gain legitimacy and appeal to the people from their host societies” (House, et al. 2004, p.534). Sagiv and Schwartz (2007) also suggest that organisations are put under societal pressure to adapt to national culture values. Thus, this implicit way of social legitimisation and acceptance is essential to secure the economic survival of a company. Employees also shape organisational culture to a certain extent by
bringing their own value preferences into the organisation, representing the “way people select actions, evaluate people and events, and explain their actions and evaluations” (Sagiv & Schwartz, 2007, p.83). Overall, it is fair to say that organisational culture represents a composition of different individual objectives and shared values of the society. Real companies, however, consist of many elements of which the national cultural influence is only one aspect. Differences in size, organisational culture, branch, region, etc., may neutralize the influence of national culture (Oudenhoven, 2001). Moreover, each organisational culture is of a distinctive character and might be subject to change due to interaction with other cultures (McSweeney, 2009).

Weber et al. (1996, p.1225) stress that “national culture differentials better predict stress, negative attitudes towards the merger, and actual cooperation, than corporate culture differentials do”. In contrast, Stahl & Voigt (2008) and Schweizer (2005) propose that organisational culture has a stronger impact on FDI outcomes.

Our literature review for this PhD project revealed that most of the studies primarily focus on either organisational culture or national culture. The opposing positions and conflicting findings regarding cultural distance implications within the international business might be caused by lack of clarity within the construction of the framework and the critical reasoning. It is important to acknowledge that there is an underlying relationship between national and organisational culture. The basic assumption in this study concerning data collection is that while national cultures may not easily be recognized at the company level, they do exist in the images the respondents have of the overall typical characteristics of companies in their country.

### 2.1.5 Conclusions for PART 1

Several conclusions can be drawn from the discussions in PART 1 concerning culture, conceptualisation of the national culture and CD concept within international business. First, due to its complexity, culture concepts and the related arguments were found to be contradictory. The basic dimensional culture theories consulted provide impetus and links with a number of studies that offered insights on national CD implications for the international business environment. The review of the predominant culture models was done comprehensively; however, their consultation was limited. Other predominant culture models
such as Trompenaars and Hampden-Turner’s Seven Dimensions Model (1997)\textsuperscript{21} and GLOBE\textsuperscript{22} Project (House \textit{et al.}, 2004)\textsuperscript{23} were evaluated yet not included in the Literature Review chapter. Despite its detailed comprehensive approach to quantification of the culture concept, the GLOBE model’s special emphasis on the leadership has not been included within the scope of our analysis. Meanwhile, cultural dimensions of Trompenaars and Hampden-Turner’s resemble those from Hofstede and Hall culture models, yet its popularity appears to be more moderate. Second, despite the term ‘cultural distance’ drawing attention in all the areas in our research, the literature review revealed that this metaphor might well not be the best way of defining the differences between cultures. Third, the interconnection between organisational and national cultures has been linked to the methodological design deficiencies of the culture studies. While each of the reviewed studies shows that MNEs’ organisational culture is influenced by the national cultures of their countries, it cannot be dismissed that MNEs’ organisational culture is also heavily dependent on their founding members’ and corporate vision.

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\textsuperscript{21} Fons Trompenaars and Charles Hampden-Turner (1997) have developed a matrix centred “Seven Dimensions of Culture” model based on an extensive quantitative database of over 30,000 survey results collected during the course of multiple studies involving questionnaires sent to large number of managers in 30 countries. Similar to Hofstede’s approach, respondents were given contrasting tendencies, opposing attitudinal dispositions or dilemmas within basic questions that researchers believed would provide insights into basic cultural attitudes and values. (Trompenaars, F., Hampden-Turner, C., 1997. \textit{Riding the Waves of Culture: Understanding Cultural Diversity in Business}, Second Edition, London & Santa Rosa, Nicholas Brealey Publishing Limit)

\textsuperscript{22} GLOBE= Global Leadership and Organizational Behaviour Effectiveness

\textsuperscript{23} With the ambition of being a comprehensive culture model, the “GLOBE Project”, was developed in the early 1990s by Robert J. House’s team, and published after the millennium. The GLOBE-project aimed at creating more accurate national cultural differences scores with a significant enrichment in the cultural dimension. In 2004, “Culture, Leadership, and Organizations: The “GLOBE Study of 62 Societies” was published, based on results from approximately 17,300 middle managers from 951 organizations operating in various industries in 62 societies and 735 questionnaire items, analysing from 1994 to 1997, the differences in leadership and behaviour in organizations for these 62 societies. (GLOBE Centre, Available at: <http://business.nmsu.edu/programs-centers/globe/>)
PART 2: National CD Implications on the Foreign Investment Phases

The main purpose of PART 2 is to develop a theoretical understanding of this study’s ‘phase approach’ and identify antecedents of CD literature on market entry, integration and establishment stages. Initially the review consolidates literature on CD primary thrusts before discussing the literature pertinent to MNEs’ market entry challenges, subsidiary integration performance, parental control, acculturation and staffing strategies. Therefore, the following three sub-sections cover fundamental research streams for each investment stage, their theoretical foundation and impact on our conceptual framework.

Shenkar’s exclusive review of the CD literature (2001, 2012a) argues that in the foreign investment field, CD has had three primary thrusts. The first thrust has been to explain the ‘sequence’ of such investment by multinational enterprises (MNEs), the second wave of studies on CD has tried to predict ‘the choice of mode of entry’ into foreign markets and a third thrust has been to evaluate success, failure and performance of MNE affiliates in international markets. Shenkar’s classification and the literature review about the studies investigating CD implications for foreign investment have been considered and consulted during the semi-structured interviews. As indicated in the research road map, the parental theories for these major business challenges and the possible national CD implications will be explored in the following sections.

2.2.1 Market Entry Phase

Based on our research objective, some of the analytical frameworks, presented below, attempted to include national CD implications within the MNEs’ entry phase and its challenges (the entry decision and the entry mode selection). Hence, these studies have contributed to shaping the initial part of the phase analysis.

(i) International Market Entry Decision

Since the beginning of international business research, the choice of a market entry mode. Entry mode is "a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)", (Sharma & Erramilli, 2004, p.2).
has been considered as one of the most important decisions in the internationalisation process (e.g.; Anderson & Gatignon, 1986; Hill et al., 1990; Quer et al., 2007; Brouthers & Hennart, 2007). Moreover, international market entry modes are the third most researched field in international management (Werner, 2002). The literature review indicates that the real emphasis has been given to the market entry mode as the chosen entry mode has significant implications for performance (Brouthers, 2002), subsidiary control (Arregle et al., 2006) and the long-term consequences for the multinationals (Brouthers & Hennart, 2007).

The Uppsala Model of internationalisation processes, developed by Johanson and Vahlne, was first published in an international academic review in 1977. Since then, it has been revised a few times (Johanson & Vahlne, 1992, 2002, 2006; Figueroa-de-Lemos, Johanson & Vahlne, 2010) in further attempts to answer the main criticisms. The model aims to explain management’s decisions about opportunity and risk taking, based on a firm’s level of commitment to a foreign market. Furthermore, it explains how the experience and learning processes within a firm affect managerial decisions.

The theoretical argument of the model is based on the market entry sequence of several Swedish firms strategically applied during their internationalisation processes in the late 1970s and 80s. Firstly, the findings indicated that organisations start their foreign operations from culturally and/or geographically close countries and then gradually move towards culturally and geographically more distant countries. Secondly, firms initiate their foreign operations by using traditional exports and then gradually move to using more demanding operation modes such as sales subsidiaries etc. both at the home and host country level.

\[25\] ‘There are today three main different acknowledged modes of foreign market entry. Before engaging in international trade, a firm can choose to either use an export mode, an intermediate mode or a hierarchical mode of entry in the foreign target market (Cullen, 2002; Hollensen, 2001; Kim et al, 2002; Marshall, 2003). Export modes give the firm a low degree of control, and involve a low level of risk and give the firm a high amount of flexibility. Export modes are therefore 100% externalized (Hollensen, 2001). There are three modes of export, all depending on the number and the degree of the involvement of intermediaries: • Indirect export occurs when the manufacturing company leaves the exporting activities (the foreign sales of its product) to a domestic company such as export buying agents, trading companies or brokers. • Direct export takes place when the producing enterprise takes care of exporting activities (handling documentation, pricing policies) and is in direct contact with the first intermediary (distributor or agent) in the foreign market. • Co-operative export involves collaborative agreements with other enterprises such as export marketing groups regarding the performance of exporting functions. (Cullen, 2002; Hollensen, 2001).

Intermediate modes involve shared control and risk as well as split ownership. The different existing intermediate modes of entry are the following: • Contract manufacturing • Licensing • Franchising • Joint venture or a strategic alliance is a partnership between two or more parties. The joint venture can be either non-equity or an equity joint venture. In an equity joint venture, a new firm is created where foreign and local investors share ownership and control. In a non-equity joint venture, the parties do not invest in the alliance. The collaboration options within the joint venture can vary; it can occur on the R&D, marketing or production level, all depending on the interest of each party and the nature of the alliance. (Cullen, 2002; Hollensen, 2001; Kim et al, 2002; Marshall, 2003). Hierarchical modes have a high level of control and risk, but give the firms a low level of flexibility. Hierarchical modes are 100% internalized; the foreign market entry mode is solely controlled by the firm itself. • Domestic based sales representatives • Resident sales representatives. • Region centres or Regional headquarters • The Multinational enterprise (MNE) represents the final stage of internationalization and includes the establishment of a wholly owned subsidiary. This can take place through either an acquisition of an already existing enterprise on location, or by starting up a firm from scratch, also called Greenfield investment.’ (Cullen, 2002; Hollensen, 2001; Marshall, 2003) [Cited in ~ Durmaz, Y., Tasdemir, A., 2014. A Theoretical Approach to the Methods Introduction to International Markets, International Journal of Business and Social Science, 5(1), pp.47-54]
The Uppsala model initially proposed that foreign sales begin with occasional export orders that are followed by regular exports. A firm will not commit higher levels of resources to the market until its experiential knowledge reaches satisfying levels and consequently the internationalisation evolves at a relatively slow pace. Johanson & Vahlne (1992) emphasise that the model is about the processes of internationalisation, shifting the focus from specific entry modes in their original 1977 paper. Finally, the Uppsala model specifies that the level of commitment may also decrease or cease altogether if performance and prospect are not sufficiently met. These findings will be challenged and compared from the empirical findings of this research within the initial analysis written in Chapter 4.

The original Uppsala Model significantly suggests that the order in which market a firm enters depends on psychic distance and physical distance, beginning with countries closer to its home market (Johanson & Vahlne 1977). Nevertheless, it can be argued that as the world has become more global and borderless for businesses, physical distance has become less of an obstacle. Consequently, the proposed implications of both physical and psychic distance on the corporate decision making, regarding selecting a new market and appropriate market entry mode, may no longer be overestimated. Although, psychic distance is still regarded as an important factor determining the level of uncertainty in the updated version (Johanson & Vahlne, 2009), the Uppsala model has put a special emphasis on the risk of not being a member of desirable networks (Tykesson & Alserud, 2011).

Axinn and Matthysens (2002) criticized the Uppsala Model with the example of e-commerce as internationalizing option in the modern business world without following the incremental steps suggested by the Uppsala Model in order to enter a large number of markets. Further points of criticism were raised indicating the higher speed of internationalisation leaving the Uppsala Model as too static (Andersen 1997) and deterministic (Petersen et al. 2003). The research analysis on the market entry phase will consult the argument suggesting the order of which market a firm enters depends on psychic distance and physical distance, beginning with countries closer to its home market by the Uppsala Model apply it to the case companies. The market entry phase analysis, therefore will evaluate the selected case companies’ historical internationalisation data prior into their entry to Turkey to evaluate psychic distance and physical distance concepts.

“The eclectic paradigm” (2001), a.k.a. the OLI Model, in economics is a further development of the theory of internalisation and published by John H. Dunning. Dunning (1977, 1981, and 1988) formulated the OLI Model by integrating ownership, and location and internationalisation advantages (OLI) in order to explain why direct foreign investments, take
place. OLI model states that internalisation occurs if the transaction costs on the free market are higher than the internal costs. Dunning’s OLI model argues that a firm will profit when locating its ownership advantages on a foreign location that might offer unspoilt natural resources, lower labour cost and favourable government policies such as low corporate taxation and tariff barriers (Tatoglu & Glaister, 1998).

Dunning (2001) exemplifies some factors that can be applied to define the location-specific advantages. First, the firm should have some ownership advantages such as trademark, production technique, entrepreneurial skills etc. with respect to other firms in the host country. The greater the competitive advantages of the investing firms, the more they are likely to engage in their foreign production. If this condition is satisfied, it should also be more beneficial for the firm to internalise these advantages through foreign investment rather than through any other method of exploiting them. The ‘location attractions’, (e.g. existence of raw materials, low wages, special taxes or tariffs) refer to the benefits of the host country compared to the alternative countries or regions, where MNEs could potentially invest. Finally, assuming the first two conditions are satisfied, it should be more profitable for the firms to use these advantages outside of their home country rather than using the option of direct export to the host country. The greater the net benefits of ‘internalising’ cross-border intermediate product markets, the more likely it is that a firm will prefer to engage in foreign production itself with an appropriate entry mode to support this commitment.

Some of the academic papers based upon Dunning’s framework, such as Agarwal & Ramaswami, (1992) and Tahir & Larimo (2002), tried to distinguish certain common factors belonging to the OLI advantages. Regarding ownership advantages (O factors), Agarwal and Ramaswami, (1992) suggest that to generate income and to be able to survive among its competitors, MNEs firms must possess superior assets that can benefit the corporation within their market investment objectives in comparison to the higher cost of servicing these markets. Three main FDI determinant factors within the ownership advantages have been suggested: the investing firm’s Size, Research and Development Intensity\textsuperscript{26} and International Experience\textsuperscript{27} (Agarwal & Ramaswami, 1992; Hollensen, 2001; Tahir & Larimo, 2002; Terpstra & Yu, 1988). The empirical relationship between firm size and FDI has been shown to be positive (Agarwal & Ramaswami, 1992; Tahir & Larimo, 2002; Terpstra & Yu, 1988).

\textsuperscript{26} The term R&D Intensity refers to the fact that the firm invests in technology and thereby has assets in skills, such as an ability to develop differentiated products (intangible assets) in order to increase its competitiveness (Tahir & Larimo, 2002).

\textsuperscript{27} A firm’s international experience refers to the degree to which a firm has been involved in international operations (Agarwal & Larimo, 2002).
For R&D intensity as a FDI determinant factor, Dunning (2001) states that an R&D-intensive firm’s goal of internationalising is about coordinating existing assets with new assets. Meanwhile, international experience reduces the cost and uncertainty of serving a market and, as a result, increases the likelihood of firms committing resources to foreign markets (Hollensen, 2001). In other business studies, a firm’s international experience and FDI are also demonstrated to be positively related (e.g. Johanson & Vahlne, 1977; Tahir & Larimo, 2002; Tatoglu & Glaister, 1998).

The location-specific factors, (L) factor, describe different aspects of the country in which the firm with existing ownership advantages has strategic business intentions to invest. Some of the following factors have been mentioned earlier by Dunning (2001), as well as by other scholars (e.g. Agarwal & Ramaswami, 1992; Tahir & Larimo, 2002): Cultural Distance28, Geographic Position, Infrastructure29, Agglomeration Benefits30, Market Potential31, Competitor Intensity, Labour Cost32, Educational Level33, Business Climate34 and Economic Climate35.

Many scholars (e.g. Cullen, 2002; Grosse & Trevino, 1996; Kogut & Singh, 1988; Tahir & Larimo, 2002) argue that the higher the cultural distance between two countries, the lower is the propensity for a MNE to engage in FDI in the other. Another ‘L’ advantage ‘geographic

28 Dunning and Lundan (2008) point out that scholars interested in the role of culture in evaluating culturally related patterns of organising work (e.g. Kogut, 1992; 1993; Westney, 1993; Westney & Zaheer, 2001) and in analysing the content and significance of psychic distance (Xu & Shenkar, 2002), have helped pave the way towards introducing institutional considerations into the mainstream of theorising.

29 The infrastructure level is suggested in terms of transportation (by air, land and sea) and in terms of telecommunications (fax, landline telephone, mobile telephone network and Internet) (Dunning, 2001).

30 Dunning (1998, 2001) mentions the relevance of the agglomeration benefits which imply the concentration of a certain industry in a specific geographic location as a location-specific factor.

31 The market potential comprises a number of factors related to the market such as market’s size and growth (Dunning, 2001), country GDP and target customer buying power (Tahir & Larimo, 2002; Terpstra & Yu, 1988; Agarwal & Ramaswami, 1992).

32 Labour costs may vary immensely between different countries due to government policies hence it is included within O factors by Dunning (2001) and Tahir & Larimo (2002)

33 Dunning (2001) mentions the access to highly educated personnel as an additional relevant location-specific factor. Highly educated personnel are often required by firms that invest in technology and have assets in skills, such as abilities to develop intangible assets. The access to highly educated personnel in interaction with labour cost affects the firm’s decision to go abroad in the sense that it either will find high-skilled labour on location or will have to bring its own personnel from the home location.

34 Corporate tax rates, trade agreements and laws and regulations are considered as L factors under the name of country’s business climate (Dunning, 2001; Tahir & Larimo, 2002; Agarwal & Ramaswami, 1992).

35 Tahir & Larimo (2002) as well as Agarwal & Ramaswami (1992) mention economic variables such as inflation and exchange rate fluctuations as investment risks.
proximity’ and FDI are often claimed to be positively related (Grosse & Trevino, 1996; Terpstra & Yu, 1988) under the assumption that the closer geographical distance would mean sharing similar culture (Terpstra & Yu, 1988). Furthermore, market size and growth are claimed to be positively linked to FDI (Tahir & Larimo, 2002; Terpstra & Yu, 1988; Agarwal & Ramaswami, 1992), because the market size and growth offer a greater long-term profitability to the firm (Agarwal & Ramaswami, 1992).

Finally, the internalisation of the organisation creates a benefit to MNEs (Dunning, 1998, 2001). The internalisation advantages, (I) factors, in Dunning’s Eclectic paradigm (2001) implies that it must be in the best interest of MNEs possessing ownership advantages to transfer them abroad rather than issuing licensing or patent agreements to foreign firms (Dunning, 1988). In the early stages of the Eclectic paradigm, Dunning (1980) considered that the internalisation aspect of the OLI theory had been seriously neglected by the trade and international investment literature. The contractual risk, the relative costs of sharing assets and skills with a local firm versus integrating them within the firm, was suggested as the I specific factor by Agarwal & Ramaswami (1992). However, it has been regarded as being rather difficult to estimate, therefore, studies suggest that I factors can be summarised by ownership- and location-specific variables.

Dunning’s Eclectic paradigm, can be seen as a functional analysis tool as it could provide a way of understanding the motives and reasons why the case companies did choose the Turkish market for operational purposes rather than direct export. Therefore, the market entry analysis has included the OLI analysis for the case companies operating in the Turkish market.

(ii) Market Entry Mode Selection

Concerning the strategic considerations on the selection of market entry mode, several studies tried to evaluate the characteristics of the home country as antecedents of the entry mode choice (see the synthesis in Table 2.1). While descriptive results for entry mode choices by companies with different origins have been frequently presented, theoretical explanations are rarely attempted (Morschett et al., 2010). The only variables considered that are based on theoretical arguments are facets of the home country culture (e.g. Erramilli, 1996; Brouthers & Brouthers, 2003).
Table 2.1 Synthesis of studies focusing on empirical relations between the CD and entry mode selection

<table>
<thead>
<tr>
<th>Study</th>
<th>“Home Country Characteristics” or “CD” as antecedents of the entry mode choice</th>
<th>Main Conclusions</th>
</tr>
</thead>
</table>
| Jemison & Sitkin (1986) | CD Index                                                                          | - Entry via acquisition has an integration costs attachment.  
- Higher CD means higher integration costs therefore JV is chosen over acquisition. |
| Kogut & Singh (1988)     | CD Index                                                                          | - A greater CD between the home and host countries could lead an investor choosing a joint venture or a Greenfield investment over an acquisition.  
- As well as CD, inexperience in managing a labour force in a foreign market and venturing outside their core industry are influential. |
| Erramilli (1996)        | Home Country Characteristics: *(PD) and *(UA)                                      | - Firms from the countries with high (low) PDI and UAI scores would prefer a higher (lower) level of equity ownership in foreign subsidiaries. |
| Barkema & Vermeulen (1997) | Home Country Characteristics: *(MF)                                                | - When investing in high MF distant countries, JV is an optimal entry mode as it allows the local partner to take charge of human resources |
| Tihanyi et al., (2005)  | CD Index                                                                          | - The predicted effect of CD between home country and host country on the entry mode choice is ‘ambiguous’ |
| Dow & Larimo (2009)     | CD Index                                                                          | - The CD effects on the entry mode choice are “ambiguous”.  
- When a refined interpretation of ‘international experience’ is employed, only experience in similar countries affects entry mode selection. Experience in dissimilar countries seems to have no predictive power. |

Source: Author (*PD=Power Distance Index; UA=Uncertainty Avoidance; MF=Masculinity/Femininity)

Jemison and Sitkin (1986) have introduced the cultural distance concept as a potential entry mode determinant. Their research points out that when a foreign firm acquires a local firm, integrating local employees could be challenging, particularly if there are significant cultural differences between the two firms. It is claimed that entry via acquisition has an integration costs attachment and requires the organisational fit of two companies. Contrary to acquisitions, with a joint venture entry mode, foreign investors could have an advantage if they assign the local partner to manage local workforce and build a fast track relationship with the local suppliers, buyers and governments (Jemison & Sitkin, 1986).
Kogut and Singh’s study (1988) focused on the influence of the national cultural distance on the choice of entry mode, between Greenfield investment, acquisition and joint venture. Their findings concluded that the greater the cultural distance between home and host countries, the more likely it is that a firm will choose a joint venture or a Greenfield investment over an acquisition. They argue that the main disadvantage of entering through acquisition was the high management cost involved in integrating the target firm’s labour force; thereby, the national CD may well have a negative impact on MNEs’ management costs. Kogut and Singh (1988) also claim that with the international joint venture entry mode, partnering firms must maximize the profits of the joint venture. That might initiate an arrangement where the management of the joint venture’s labour force can be left to the local partner (Kogut & Singh, 1988). Hence, joint ventures might be preferred over acquisitions by firms, which are inexperienced in managing a labour force in a foreign market, and by firms venturing outside their core industry.

Later, Erramilli (1996) examined the impact of national culture on the level of equity ownership, using two national cultural indices developed by Hofstede (1980), the Power Distance Index (PDI) and the Uncertainty Avoidance Index (UAI). He argued that in high UAI countries, where authority and decision-making responsibility are centralized, subsidiaries tend to have hierarchical structures, with a relatively larger proportion of supervisory personnel. Similarly, he argued that in high UAI countries where managers tend to avoid uncertainty about the future and rely on written, standardised rules, subsidiaries tend to have hierarchical structures (Boogers, 2012). On this basis, he hypothesized that firms from the countries with high (low) PDI and UAI scores would prefer a higher (lower) level of equity ownership in foreign subsidiaries.

Hennart and Larimo’s results (1998), meanwhile, concluded that the premise that an investing firm’s national culture would have an intrinsic influence on their ownership preference is not valid. Sangen and Hennart’s (2004) study looks at the subsidiary ownership choices and possible cultural conflicts scenarios. It suggests that when the investor opts for a wholly owned Greenfield, it must deal with all kinds of local stakeholders embedded in the foreign environment, which is likely to cause culture-related difficulties.

Tihanyi et al.’s study (2005) concludes that the predicted effect of cultural distance between home country and host country on the entry mode choice is ambiguous. Their research found

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36 Hennart and Larimo’s results (1998) showed that the Japanese firms that invested in the U.S. tended to have a higher preference for joint ventures over wholly owned subsidiaries than Finish firms investing in the USA.
that there is a negative relationship between cultural distance and entry mode choice for US-based MNEs; meanwhile national CD had a strong positive effect on MNE performance for developed country investments.

Findings on the differences between home and target market along Hofstede’s four cultural dimensions (Hofstede’s culture model, 1980, 2001 and 2011) and the role played by differences in individual culture dimensions in shaping decisions on ownership structure present some useful insights. In line with evaluated strategies and behaviours of MNEs in this research, Hofstede’s model (2001) and supportive studies, suggest that MNE decision makers coming from high PD (power distance) countries tend to seek control; therefore, they prefer entry modes supporting full/majority ownership. On the contrary, managers coming from low PD countries are more open-minded regarding whether to have a dominant position in the venture. This suggestion, however, does not explore how differences between the home and the target market in the PD dimension would influence the entry mode choice.

The role played by UA (uncertainty avoidance) on the choice of entry mode does not have a clear-cut rationale due to opposing views. Regarding the investment risk management, it might be expected that firms coming from high UA countries prefer to invest through shared entry modes, on the other hand regarding the additional uncertainty derived from shared control, MNEs may be more willing to invest alone. Regarding the role of UA differences between the home and the target on entry mode choice, the greater the distance is, the lower the tendency to use shared entry modes (Hofstede, 1989).

It is expected that firms coming from high individualistic societies would choose WOSs (Wholly Owned Subsidiary) rather than JVs as entry mode, in order to avoid sharing the venture’s control and ownership (Hofstede, 2001). Meanwhile, if the home and host countries differ along the IC (individualism / collectivism) dimension, the management of human resources could become a problematic issue; hence, MNEs may prefer investing through a joint venture entry mode so that the local partner oversees the human resource management (Barkema & Vermeulen, 1997). On the other hand, there is the actual potential for cooperation when both partners come from societies, which strongly differ in this dimension, a potential that has not yet been explored in the literature. In the case of both partners come from societies with similar dimensional characteristics, both firms’ preferences for control and individual decision-making processes may challenge the most basic issues such as setting goals by consensus, achieving agreements and sharing decision processes.
The joint ventures provide a suitable entry mode when investing in countries that have a large difference along their MF dimension specifically as they allow the local partner to take charge of human resources (Barkema & Vermeulen, 1997). This conclusion does not clarify the conditions that allow the potential development of a cooperative agreement or the achievement of compatible/agreed objectives.

In order to analyse possible national CD implications for the market entry period, the generalized findings and conclusions from these previous studies, based on home country characteristics or CD index as antecedents of the market entry choice, will be used to compare available data from the case companies studied in this research.

### 2.2.2 Market Integration Phase

The investment performance is arguably one of the most influential elements that shape corporate strategy and behaviours during the market integration phase. Early studies of the post-acquisition performance (e.g. Datta, Pinches & Narayanan, 1992), placed special emphasis on the strategic and financial goals of the transaction. However, the research focus has then moved towards intangible social and cultural issues to achieve MNEs’ initial internal integration and external adaptation targets within international markets. Therefore, business studies have started to argue social and culture related issues that are critical to M&A performance such as cultural fit (Schweigher & Goulet, 2000), acculturation modes (Elsass & Veiga, 1994; Nahavandi & Malekzadeh, 1988) and knowledge transfer (Bjorkman et al., 2003). A warning insight was issued by the culture studies claiming that CD might become a source of confusion, hostility and distrust between FDI partners of international joint ventures, mergers and acquisitions (Buono & Bowditch, 1989; Olie, 1990; Vaara, 2003). Anderson (1990) argues that financial measures alone are unlikely to capture international joint ventures’ (IJVs) performance objectives and underlines the importance of inter-partner trust and harmony. Cultural distance may pose difficulties in building trust-based relationship between JV partners (Park & Ungson, 1997) as partners who are more culturally distant are likely to have a lower level of inter-partner trust. In a cross-cultural context, conflict is more likely, and inter-partner differences in culture lead to differences in how partners perceive and respond to events in the environment of the joint venture. Furthermore, Barkema and Vermeulen (1997) argue that differences in the long-term orientation of the partners may lead to differences in objectives, perceived opportunities and threats in the environment of the international joint venture. However, as an inter-firm relationship develops, mutual
understanding may well reduce cultural distance between firms. Our market integration performance analysis will evaluate these arguments based on the empirical evidence presented by the 12 MNEs’ integration period in Turkey.

The literature on subsidiary performance has flourished within three main research streams (Lin 2014). The first suggests that subsidiary performance is strongly affected by the realization of potential economic benefits, which in turn depends on adopting a proper international strategy (Harzing, 2000). The second research stream focuses on the strategic implementation, where sufficient organisational control is the crucial point for the realization of benefits (Williams & van Triest, 2009). The third research stream centres on the difficulties resulting from the conflicts between dissimilar cultures in MNE headquarters and subsidiaries (Shenkar, Luo, & Yeheskel, 2008). Furthermore, the main research streams related to exploring the cultural distance-performance relationship have presented contradicting results grouped around three main arguments (Stahl & Voigt, 2003; Tihanyi et. al, 2005): (i) CD positively affects the investment performance of MNEs (e.g. Larsson & Risberg, 1998, Morosini et al., 1998, Very et al., 1996; Harrison et al. 1991; Gomez-Mejia & Palich, 1997; Park & Ungson, 1997; Vermeulen & Barkema 2001; Chakrabarti et al., 2009); (ii) CD negatively affects the investment performance of MNEs (e.g. Chatterjee et al., 1992; Datta, 1991; Weber, 1996; Li & Guisinger, 1992; Chang, 1995; Luo & Peng, 1999); (iii) The investment performance of MNEs depends on their integration level (e.g. Slangen, 2006). These arguments will be referred to during the analysis where the case companies’ integration performance and possible national CD implications are examined.

(i) The Implications of Cultural Distance on MNEs’ Integration Performance

A high performance of MNEs in an international environment requires their leaders to reduce the overall risk of their business portfolio and costs of operations. However, these tasks may become increasingly demanding and complex as the cultural distance in the MNEs’ countries of operation increases. Hence, the cultural distance in multinational operations was considered as an important predictor of performance (Morosini, 1998).

Stahl and Voigt’s (2008) meta-analysis suggests that culture studies show opposing views

37 Stahl and Voigt’s (2008) meta-analysis included 46 studies, with a combined sample size of 10,710 M&A.
regarding CD influenced socio-cultural integration and synergy realisation. This would suggest that the culture–performance relationship is more subtle and complex than is assumed (Teerikangas & Very 2006). Through cross-border acquisitions, MNEs gain access to a valuable set of new practices, which should enhance their performance (Vermeulen & Barkema 2001). Morosini et al. (1998) argue that a large cultural distance makes it more likely that the acquirer possesses a set of practices that is significantly different from the acquired unit’s own set; therefore, the performance of acquisitions in culturally distant countries should improve because of these new practices. Slangen (2006), however, argues that this should only be the case for acquisitions involving a low level of integration.

In case of tight integration when the acquiring firm imposing all its practices on the acquired unit, many of the culture specific integration practices likely to cause implementation problems, which consequently should reduce the acquired unit’s performance (Child et al. 2001).

The performance-enhancing argument of national CD suggests that because of various advantages of foreign operations, MNEs are motivated to enter culturally distant markets (Tihanyi, Griffith & Russel, 2005). Performance studies (e.g. Birkinshaw, 1997; Hakanson & Nobel, 2001) present findings indicating that innovation-related performance benefits may influence MNE headquarters to locate their foreign subsidiaries in advanced R&D environments (Tihanyi et al., 2005). From the point of associated creativity benefits, cultural distance could enhance MNE performance.

Barkema et al. (1996) suspected that the intensity of CD effects would vary across entry modes because they require different amounts of acculturation38. Differences in cultural values could result in lower levels of acculturation (Bjorkman et al., 2007) which might impose barriers to human integration (Stahl & Voigt, 2008).

Our literature review reveals that a large body of research has been conducted to promote culture as a crucial factor in M&As, nevertheless results from these studies appear to be inconclusive and/or contradictory (see a synthesis of some of the studies in Table 3.2). Stahl and Voigt’s (2008) meta-analysis reveals that there are a few reasons that might explain

38 It can be described as the process of contact, conflict, and adaptation that occurs when two national cultures work together (Cartwright and Cooper, 1993)
these inconsistent findings in M&A research: firstly, different forms of acculturation strategies are referred by these studies under the generalised term called ‘integration’. Secondly, some studies mix different levels of analysis with respect to culture constructs, e.g. national vs. organisational culture. Finally, there is not a consensus on a common definition of “M&A success” across studies; hence, these studies used measurement techniques accordingly to their definition of success.

Table 2.2 Synthesis of studies investigating the CD and the Affiliate Performance

<table>
<thead>
<tr>
<th>Study</th>
<th>Unit of Analysis</th>
<th>Cross-Cultural Interactions</th>
<th>Independent CD Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hu &amp; Chen (1996)</td>
<td>JVs40</td>
<td>China → USA, Europe, Japan, Hong Kong clusters</td>
<td>CD approximated using country of origin as dummy variable</td>
<td>% of Success (Stability)</td>
</tr>
<tr>
<td>Park &amp; Ungson (1997)</td>
<td>JVs41</td>
<td>USA → Anglo, North European, Latin and Japanese clusters</td>
<td>CD calculated with Hofstede’s data using Kogut &amp; Singh index based on average composite scores for each region</td>
<td>Survival rate (Stability) Longevity</td>
</tr>
<tr>
<td>Sim &amp; Ali (2000)</td>
<td>JVs42</td>
<td>Bangladesh → Asia and Europe clusters</td>
<td>Perceived CD measured by survey questionnaire on 9 items</td>
<td>Stability</td>
</tr>
<tr>
<td>Morisini, Shane &amp; Singh (1998)</td>
<td>Acquisitions43</td>
<td>Italy → 12 other countries</td>
<td>CD calculated from Hofstede’s data using Kogut &amp; Singh index</td>
<td>Post-acquisition performance</td>
</tr>
</tbody>
</table>

39 Joint venture performance assessment has been based on measures such as instability, profitability, learning, growth and fulfilment of expectations. It has been argued that financial measures embody potential limitations in assessing joint venture performance; furthermore financial measures should be considered as a part of criteria which set parent firms’ performance perception (Anderson, 1990; Geringer & Hebert, 1991). Financial measures may also fail to reflect the actualisation of international joint ventures’ short and long-term objectives (Killing, 1983; Anderson, 1990). Anderson (1990) argues that traditional accounting figures assess only one dimension of performance and that a number of qualitative factors such as partner relationships, technology transfer and learning expectations in joint ventures should be considered as an input to realise long-term objectives of parent firms.

40 Hu & Chen’s (1996) Sample size: 2442 joint ventures in China formed between 1979-1990 from range of industry segments

41 Park & Ungson’s (1997) Sample size: 137 USA-foreign and 49 USA-USA joint ventures formed between 1979-1988 in electronics

42 Sim & Ali (2000) Sample size: 59 Private sector international joint ventures both developed and NIE countries with more than 3 years in Bangladesh

43 Morisini, Shane & Singh’s (1998) Sample size: 52 firms that engaged in cross-border acquisitions in Italy between 1987 and 1992
<table>
<thead>
<tr>
<th>Study</th>
<th>Country of Origin</th>
<th>Sample Size</th>
<th>Methodology</th>
<th>Performance Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mjoen &amp; Tallman (1997)</td>
<td>Norway → Undisclosed other countries</td>
<td>102 international JVs established by 37 Norwegian MNEs from range of industry segments</td>
<td>Perceived CD measured by survey questionnaire on 7 items</td>
<td>Performance (Satisfaction, Achieved Objectives, Profitable Investment)</td>
</tr>
<tr>
<td>Beamish &amp; Kachra (2004)</td>
<td>Japan → 73 countries</td>
<td>1335 Japanese JVs established before 1997 from all industry sectors.</td>
<td>CD calculated with Hofstede’s data using Kogut &amp; Singh index weighted to account for the different cultures in multi-partner JVs</td>
<td>Performance (aggregate of 8 items)</td>
</tr>
<tr>
<td>Sim &amp; Ali (1998)</td>
<td>Bangladesh → Asia and Europe clusters</td>
<td>59 Private sector international joint ventures both developed and NIE countries with more than 3 years in Bangladesh</td>
<td>Perceived CD measured by survey questionnaire on 9 items</td>
<td>Performance (aggregate of 8 items)</td>
</tr>
<tr>
<td>Lin &amp; Germain (1998)</td>
<td>USA → China</td>
<td>67 USA-Chinese International JVs consisting of 94 managers (34 USA nationals and 59 Chinese)</td>
<td>Perceived CD measured between JVs’ American and Chinese partners</td>
<td>Performance</td>
</tr>
<tr>
<td>Berkama &amp; Vermeulen (1997)</td>
<td>Netherlands → 73 other countries</td>
<td>228 International JVs &amp; 600 International WOS of 25 Dutch nationals between 1966-1994</td>
<td>CD calculated from Hofstede data in two ways: (1) Kogut &amp; Singh index (2) Euclidean Index (Also tests several hypotheses based on individual dimensions)</td>
<td>Survival rate</td>
</tr>
</tbody>
</table>

44 Mjoen & Tallman’s (1997) Sample size: 102 international JVs established by 37 Norwegian MNEs from range of industry segments


46 Sim & Ali’s (1998) Sample size: 59 Private sector international joint ventures both developed and NIE countries with more than 3 years in Bangladesh


The inconsistency within the conclusions across this set of studies could also be related to the preferred CD metrics used in these studies, as there is a large variation in the approaches used to prepare the CD metric. It appears that as a popular convenient choice the Kogut & Singh’s CD index has been used by most of the studies at the country level of analysis meanwhile other studies have measured perceived CD (~Psychic Distance (PD)) of managers by using surveys. Another important point regarding this inconsistency is that when a country or region of origin has been used as a surrogate for CD within a study, researchers have acknowledged that there are differences in home and host market structures, currencies and economic policies as well as differences in management styles. Researchers who have used the country cluster\(^{52}\) unit of analysis argue that many deep-seated cultural values, such as different religious ethics, do not differ enough within national boundaries to justify using regional units of analysis. Another possible cause for the observed differences in the conclusions reached can be traced to the limited comparability of the performance measures. Individual studies utilise dissimilar measures of affiliate performance such as duration (e.g., Barkema et. al., 1997), stability (e.g., Sim & Ali, 2000), financial performance (e.g., Luo, 1997) and satisfaction (Lin & Germain, 1999). Finally, inconsistencies in these results also appear to be due to the lack of controls regarding the moderating variable.

Regarding the CD and FDI performance relationship, the literature review also suggests the possibility of CD translating into friction and its cost-related business consequences. Shenkar (2001) argue that it is a common presumption among many culture-performance studies that

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51 Berkema et al.’s (1997) Sample Size: 897 foreign expansions (244 international JVs) of 25 Dutch multinationals between 1966 and 1994

cultural similarity increases harmony within the multi-cultural business environment. Meanwhile, it is also claimed that cultural dissimilarities increase the frequency and severity of communication difficulties (Browne, Rugman & Verbeke, 1989; Park & Ungson, 1997), conflict (Sim & Ali, 2000) and misinterpretation of a foreigner’s intentions. Our research question asks: “How do companies, from different national cultures create ‘external adaptation’, ‘internal integration’ & control mechanisms in order to close the cultural difference?” During the market integration period, internal friction may arise when culturally dissimilar managers and staff interact and coordinate within the subsidiary (Killing, 1983). Internal friction could lead to the increased coordination costs (Galbraith, 1973) and agency costs (Woodcock & Geringer, 1991). Shenkar (2001) argues that MNEs’ external adaptation may suffer during the integration period when foreign expatriates rely heavily on unfamiliar institutions in a foreign legal, political and business environment (Kogut & Singh, 1988); this could translate into to increased transaction costs (Milgrom & Roberts, 2003) and opportunity costs (Buchanan, 1987). Shenkar (2001) emphasises that CD alone is not enough to cause friction, as this varies with the complexity and intensity of cross-cultural interaction. Nonetheless, few researchers have evaluated the translation of cultural distance into friction, perhaps because of the difficulties associated to its measurement. We take the view that all these CD related frictions and possible cost implications would eventually affect the overall FDI performance and thereby influence MNE’s strategies and behaviours during the integration period. The qualitative research design, as outlined in research methodology, has included the initiative to cover the possible national CD related “frictions” during the integration period of the cases.

(ii) Performance Measurement Systems

The international environments in which the multinational organisations operate is dynamic and success largely depends upon meeting the changing needs of all the stakeholders involved; therefore, MNEs with subsidiaries operating within international markets cannot

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53 Coordination costs can grow when activities that involve cross-cultural coordination or negotiation are impeded by miscommunications, reduced harmony, inefficient information sharing, more frequent exceptions, higher decision wait times, or increased rework volumes (Jin & Levitt, 1996).

54 Agency costs arise when the interests of an agent conflict with the interests of the principal (Woodcock & Geringer, 1991). Cultural differences may cause misunderstandings hence the agency costs.

55 Transaction costs arise when ‘locating trading partners’ (expatriates) and ‘executing transactions with these partners’ in an unfamiliar local business environment (Milgrom & Roberts, 2003).

56 Cultural differences can lead to growth in opportunity costs when expatriate decision makers face greater uncertainty about the business and institutional environment in a foreign location (Eriksson et. al., 1997).
afford to build a self-centred or one-dimensional performance measurement system. Performance measurement systems portray an important control mechanism in MNEs as they reflect the intentions of headquarters and can improve relationships between headquarters and subsidiaries.

Historically, the focus of performance measurement has been on financial measures, nevertheless, by the late 1980s, studies had shown that historic financial data alone might not provide a sufficiently accurate analysis of the performance for MNEs because of the increasing complexity of organisations and the markets in which MNEs compete (Kennerley & Neely 2002). There have been several frameworks and models developed for performance measurement widely referred as PMS (Performance Measurement System), defined as "set of metrics to quantify both the efficiency and effectiveness of actions" (Neely et al., 2005, p.1229). PMS could translate subsidiary activities into measurable outcomes and provide a common basis for decision-making at all levels of the MNE, including foreign subsidiaries (Buscoa et al., 2008; Dossi & Patelli, 2008, 2010).

Over the years, several specific performance measurement tools have been introduced, such as the performance measurement matrix (Keegan et al., 1989), the results and determinants framework (Fitzgerald et al., 1991), the balanced scorecard (Kaplan & Norton, 1992, 1996, 2001), the Sink & Tuttle framework (Sink & Tuttle, 1989) etc.

The Sink & Tuttle framework (1989) is a classical input-output approach to PMS that claims that the performance of an organisation is due to the interrelationship between seven essential performance criteria. Although these seven criteria of the model can be regarded as important and relevant to PMS, this model does not consider the customer’s perspective and the need for flexibility, which has become increasingly essential for the MNEs.

The EFQM Excellence Model, developed in 1991 with the support of the European Organisation for Quality and the European Commission, is a non-prescriptive performance measurement system. This model was proposed to help organisations to assess their progress towards excellence and continuous improvement. This model is based on eight

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57 Effectiveness, described as an element of performance which involves doing the right things, at the right time, with the right quality. In terms of measurement, effectiveness is expressed as a ratio of actual output to expected output.

58 Foundation for Quality Management
fundamental concepts of excellence (Calvo-Mora et al., 2005) and its core is based on the RADAR methodology, that enables this model to perform comprehensive, systematic and regular reviews of an organisation’s activities and results (Ray, 2003). The EFQM Excellence Model, however, has been criticized for creating bureaucracy due its strict methodological approach to access performance.

Kaplan & Norton (1992) have developed and promoted the Balanced Scorecard (BSC) model claiming it can assist organisations in developing a better performance measurement system than one solely dependent on financial measures (Schwartz, 2005). The BSC proposes that a company should use a balanced set of measures, including financial and non-financial ones, which allow a comprehensive view of the business from four strategic perspectives: financial, internal business, the customer and innovation and learning perspectives. The BSC model proposes a balanced approach between financial and nonfinancial indicators (Striteska, 2012). According to Ghalayini et al. (1997), the main weakness of this approach is that it is primarily designed as a useful tool to provide top management with an overall view of performance regarding monitoring and controlling yet the model falls short as an improvement tool. Furthermore, it has been argued that although the balanced scorecard is a valuable framework, it provides little guidance on how the appropriate measures can be identified, introduced and ultimately used to manage business (Neely et al., 2000).

Apart from the corporate performance measurement systems, researchers have, more specifically, looked at the multinationals’ performance measurements at the subsidiary level. For the multinationals, an international investment is expected to produce favourable outcomes including a positive impact on their financial performance. Nevertheless, these expectations and the actualisation of synergies might take some time, making it difficult to determine whether an increase in performance has been triggered by that particular foreign investment (Dauber, 2012). Dauber’s review (2012) concludes that for this reason most studies used key ratios to observe performance via remarkable changes in return on assets [ROA] (e.g. Barkema & Schijven, 2008; Porrini, 2004; Zollo & Singh, 2004), return on sales.

These fundamental concepts are: results orientation; people development and involvement; customer focus; continuous learning, innovation and improvement; leadership and constancy of purpose; partnership development; management by process and facts; and public responsibility. These concepts are expressed and specified in nine criteria that are divided into five key implementation enablers and four results in order to measure excellence. Among the five enabling activities the model included: leadership, people, policy & strategy, partnership & resources and processes. The enablers drive the four sets of results: people, customer, society and key performance results. Each criterion consists of sub-criteria (totally thirty-two) that are supplemented by a list of typical areas which should be addressed (Calvo-Mora et al., 2005).
[ROS] (e.g. Homburg & Bucerius, 2006), number of new products launched (e.g. Puranam et al., 2006), stock abnormal returns [SAR] (e.g. Cording et al., 2008; Chakrabarti et al., 2009; Meschi & Metais, 2006; Stahl and Voigt, 2008), productivity of employees (e.g. Paruchuri et al., 2006), sales growth (e.g. Ellis et al., 2009; Stahl & Voigt, 2008); and the perception of performance by management (e.g. Ellis et al., 2009; Slangen & Hennart, 2008). Furthermore, stock market-based measures have been used frequently to measure post-acquisition performance in the literature (e.g. Chatterjee et al., 1992; Singh & Montgomery, 1987). The applicability of this approach largely depends on the size of the stock market in which the investing MNE’s shares are listed, both in terms of the number of companies quoted and as a proportion of the total size of the economy. These limitations could easily hinder the usefulness of stock price measures.

In other studies, a mixture of different performance measures was identified: such as perceptions of performance by top management and accounting data (Ellis et al., 2009); changes in market share, return on investment, relative position in the industry, market coverage and customer satisfaction (Colombo et al., 2007). According to Dauber (2011), it is necessary to see the bigger picture behind an M&A deal and measure whether the initial objectives were finally met. The market integration analysis will cover a selected number of financial performance indicators as suggested by the subsidiary performance studies.

The subsidiary performance literature predicts that the “timing of market entry” is an important variable in the MNE’s performance (Delios & Beamish, 2004; Demirbag et al., 2002; Dhanaraj & Beamish, 2004). The timing of the entry into a local market was associated with the strategic decision-making by MNEs. One of the strategies for MNEs is to enter a local marketplace fast. Their early mover status may provide certain advantages such as gaining an advanced positioning among rivals, acquiring scarce assets, locally available input factors and geographic space as well as developing a unique local buyer network (Lieberman & Montgomery, 1998). According to Lieberman and Montgomery (1998), early movers can also gain profits by influencing customers’ attitudes and perceptions. Montgomery at al. (2000) suggested that late entrants could gain advantages over an early mover when they possess capabilities to acquire the same technology at a lower cost, use superior technology to produce better or cheaper products, capture shifts in consumers’

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60 RADAR methodology consists of five steps: determine required results, plan and develop approaches, deploy approaches, assess and review achieved results (Calvo-Mora et al., 2005).

61 An early mover, by definition, has a quasi monopoly before competition enters and is in a position to capture higher economic rents than would be possible in a competitive marketplace (Von Hippel, 1988, p. 59).
tastes more quickly, and make more intensive investments than early movers. Some researchers, however, have disputed that entry order effects are significantly ‘moderated by factors such as survivor bias and entrant capabilities’ (e.g. Colder & Tellis, 1993; Mitchel, 1991; cited in Montgomery, 2000) criticized the previous studies for only including surviving business entities in their analyses as several research findings pointed to high failure rates for the market pioneers. The empirical evidence gained from the MNEs particularly operating within the tobacco industry signals relevance of the entry timing and market integration performance.

Mishra and Gobeli’s (1998) study suggests that strong commitment to technology62 transfer leads to superior subsidiary performance. It is suggested that technology transfer influences subsidiary performance due to the level of difficulties and costs involved as well as the possibility that the transferred technology may not always be successfully commercialised in local marketplaces (Mitchell, 1991). The capability to transfer technological knowledge into a new local marketplace and the commercialisation of the transferred technology are highly specific to the specialized technical staff a firm (Gunawardana et al., 2012). Montgomery (2000) reviews that a firm’s performance in a new foreign market is a function of both the uniqueness of the technology being transferred and the presence of a specialized technical staff that can convey the tacit aspects of the technology and commercialise it in the local marketplace. The effectiveness in the technology transfer via expatriates as a possible non-financial performance indicator will be evaluated for the integration phase analysis.

The second analysis of this research will focus on the integration performance evaluation for selected multinational’s Turkish subsidiaries and the possible national CD implications for their integration performance as well as overall performance. The reviewed literature regarding organisational and subsidiary performance measurement systems together with the qualitative and quantitative data will form an essential part of the proposed analysis.

### 2.2.3 Market Establishment Phase

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62 Technological knowledge, is generally defined as “knowledge about how to produce a cheaper or better product at given input prices, or how to produce a given product at a lower cost than competing firms” Such knowledge takes the forms of patented design and process, or of know-how shared among the employees of a firm (Caves, 1996, p.3).
MNEs having subsidiaries operating in various countries find themselves surrounded by challenges due to the complexity and cultural diversity not faced by the domestic market oriented corporations. It has been argued that the main challenge for the multinationals can be in finding the right balancing act between central coordination of global activities and the effective delegation of the decision-making capabilities to the subsidiaries (Busco et al., 2008). Culture researchers emphasize the importance of direct control of subsidiary operations due to high level of cultural distance between home and host country (Gaur, Delis & Singh 2007). Parental control and cultural acculturation issues become increasingly more complex as the MNEs focus on identifying mechanisms to ensure effectiveness of the different types of subsidiaries within their global networks (Ellis, 2000). Gomez-Meija & Palich (1997) also argued that it is harder to supervise the international operations in various countries and claimed that a decreasing level of cultural distance will reduce the expenses of adapting a MNEs’ control system to a host country subsidiary. To compete with others in a global environment, MNEs need to develop and choose the appropriate degree of management control and acculturation to exert in their subsidiaries during their market establishment phase. These arguments raised in the international management literature have inspired the third research question that will be subsequently evaluated in our holistic phase analysis: “How do companies, from different national cultures create external adaptation, internal integration & control mechanisms in order to close the cultural difference?”

This part of the review consolidates literature on relevant theories based on MNEs’ establishment period challenges. The review, therefore, identifies some of the key culture studies that have examined parental control mechanisms, acculturation strategies and international human resource applications.

(i) Subsidiary Control Mechanisms

Subsidiary control mechanisms are important for MNEs because of the challenges involved in supervising and co-ordinating their subsidiaries that are in economically, politically and culturally diverse business environments (Brock et al., 2008). An effective subsidiary control may involve equity ownership, managerial supervision, direct monitoring, linked information

63 Their study is limited by the fact that it looked only at various forms of output control and did not assess output versus other forms of control.

64 In the context of international business, headquarters control can be defined as “a vertical relationship between a higher ranked unit (headquarters) and a lower ranked unit (subsidiaries)” (Kretschmer, 2009, p. 8).
systems, or the assignment of expatriate staff (Brock et al., 2008). The concept of control may involve more than just the ownership structure; organisational control also requires planning, implementation, evaluation, and correction of performance to ensure that organisational objectives are achieved. Additionally, it has been argued that the subsidiary control mechanisms have been evolved from a dominant headquarter with hierarchically controlled subsidiaries to interdependent and structured networks (Dunning & Lundan, 2009).

The literature suggests that MNEs tend to follow control mechanisms, namely ‘structuring of activities/standardisation’, ‘corporate culture’, and ‘international staffing policies’ to ensure that foreign operations complement the overall corporate goals and philosophies (Chow et al., 1999). The degree of cultural distance is proposed as an antecedent condition affecting the MNE selection of a control system (Hamilton & Kashlak, 1999). As indicated earlier, the third research question seeks to evaluate MNEs’ creation of external adaptation and internal integration strategies for their subsidiaries and possible national CD influences on their preferred subsidiary control mechanisms. Accordingly, these three subsidiary control mechanisms, and their possible CD implications, will be evaluated for the 12 case companies participating in our research.

As a control mechanism, structuring of activities (~standardisation) refers to the existence of written policies, rules, standardised procedures, and manuals which specify how to and, sometimes how not to, perform activities (Rockness & Shields, 1984; Merchant, 1985). MNEs can achieve standardisation by using standardised policies so that subsidiaries operate in a very similar manner to headquarters. Hence, standardisation can be seen as a rational management initiative by MNEs to transfer their policies and practices to international operations in the belief that they will produce the best performance for their foreign subsidiaries or international joint venture partners. However, if the MNE eventually becomes very large and complex, implementing a control strategy via standardisation could also bring out inefficiencies. Standardisation as a way of formal control mechanism will be examined for the case companies.

Culture studies (e.g. Hofstede, 1991) link the attitudes towards uncertainty avoidance with

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65 The research claims that when cultural distance is high, the use of an input control system becomes more probable because of the increased transaction costs associated with outcome or behavior control. The likelihood of using input control increases as the headquarters' ability to effectively employ behavior or output control declines. (“National influences on multinational corporation control system selection” (by Robert D. Hamilton, III and Roger J. Kashlak, Management International Review. 39.2 (Apr. 1999): p167)
coping mechanisms against ambiguity by relying on rules of behaviour, structuring of activities, and standardization of procedures (Chow et al., 1999). The national cultures in which headquarters (HQ) and subsidiaries are immersed affect their perceptions of the appropriate balance of power distribution between them, and therefore the relationship between HQ and each subsidiary (Holm, Forsgren & Johanson, 2015). If standardisation occurs with a subsidiary, then the MNE as owner could insist on full compliance, subject to legal barriers of the host country. In the case of a joint venture with distributed equity amongst partners, the MNE may not be able to mandate systems (Chen & Wilson, 2003). The issues then become one about the interaction between ‘who’ can decide ‘what’ regarding the operational systems in the IJV environment and this can lead to disagreements between the different institutional owners of the organisation. Furthermore, it was suggested that diversity in strategy and beliefs often result in conflicting voices, which increase with cultural heterogeneity (Hoskisson et al., 2002). These expectations of standardisation by a MNE may meet opposition in the drivers operating for the host country partners in the IJV local partner (Jain, Lawler and Morishima, 1998). Moreover, in contrast to the standardisation motives of a foreign MNE, the local partner may have drivers that favour localised practice or adaptation. Hofstede (1991) suggests that power distance is negatively related to the preference for decentralization whereas decentralization is positively related to individualism dimension in his culture model. Furthermore, Ferner et al.’s study (2004) demonstrated that high power distance scores are related to centralized HQ control. In contrast, when HQs are based in cultures with a low power distance these are more likely to consult their subsidiaries or grant them autonomy to make their own decisions (Hofstede, 2001; House et al., 2004, Holm, Forsgren & Johanson, 2015).

The corporate culture constitutes an implicit control mechanism; however, it may well be difficult to maintain globally due to different business values among the hosting countries. Furthermore, it heavily relies on the individual managers’ own interpretation. The ultimate downside of relying on a corporate culture for subsidiary control is that local managers may have a limited understanding of the values and attitudes generated by the corporate headquarters. The headquarters’ level of control exerted through the selection of the top managers for the foreign subsidiaries may indicate how much formal control over the subsidiaries’ operations is perceived by the corporate personnel. Many managers are captured by the notion that a strong organisational culture is an indispensable prerequisite for success, provided that they perceive culture as a means of control more than as a form of human expression. Bringing assigned and local managers together could promote common culture and values to be shared among the employees. Consequently, corporate culture would form an implicit mechanism helping to enforce the company’s explicit bureaucratic
control. However, this perception of culture, which can be easily manipulated as a way of solving problems is an over simplification. It may well become a functional strategy provided it considers how the local culture operates, the efficiency level of the organisational culture and the expatriates’ competency on the culture transformation process or capacity to create a cultural modification.

*International staffing policies* as a subsidiary’s control mechanism has been linked to the organisational success in the business literature (Buck & Watson 2002). The business literature argues that MNEs employ ‘*staffing policies*’ to secure a smooth integration and control mechanisms in the new business environment. Different cultural background could cause communications misunderstandings between people (Marschan-Piekkari & Welch, 1999). An opposing stream of research, however, argues that home country nationals presumably have a better local knowledge therefore they are better equipped to address local characteristics related to the cultural, economic, political and legal environments of a host country (Kobrin 1988; Harzing 2001).

Multinational companies use corporate culture to improve control, coordination, and integration of their subsidiaries that are embedded in local national cultures (Colakoglu & Caligiuri, 2008). Cultural control may be achieved by placing a number of expatriates who then could directly manage subsidiary operations or indirectly control the subsidiary based on socialization (Harzing 2001). MNEs, therefore, strive to find the balance between global and local in designing and implementing HRM practices. Meanwhile, the national CD may hinder the acceptance and implementation of their human resource practices (e.g. recruitment practices, filling the key managerial roles) at their subsidiaries. According to the strategic fit models (e.g. Chandler, 1962; Schuler and Jackson, 1987) HRM policies are influenced by the organizational strategies. Resource-based theory (e.g. Barney, 1991) argues that variations in HRM practices are due to availability of resources in the organization. Furthermore, transactions costs theory (Williamson, 1979) takes into account the cost of HRM activities meanwhile agency theory (Jensen and Meckling, 1976) suggests that occupation and position title determine variations in HRM practices (cited in Aycan, 2005, p.1085). Within the ‘culturalist’ perspective however, Tayeb (1995) suggested that the ‘what’ question in HRM might be universal, but the ‘how’ question is culture-specific as culturally driven preferences influence the exercise of choice between alternative practices (Child, 1981, p. 318). The role of culture in HRM practices was explored in a theoretical model, the
Model of Culture Fit (MCF)\textsuperscript{66} (Mendonca & Kanungo, 1994) which assessed culture at two levels: societal (i.e. the socio-cultural context) and organizational (i.e. internal work culture) (Aycan, 2005). The model asserts that the internal work culture consists of managerial beliefs and assumptions about two fundamental organizational elements: the task and the employees. Managers implement HRM practices based on their assumptions on the nature of the task and the employees. The internal work culture, in turn, is shaped by both the socio-cultural and institutional environment (Aycan, 2005). Aycan (2005) further argues that recruitment criteria are culture-bound: In the USA recruitment criteria are perceived to be relevant to the job description and candidates' education, past experiences, personality traits and cognitive skills. Meanwhile, in Japan, team members' favourable opinions about the candidate (Huo and Von Glinow, 1995) and right temperament and personality (Evans, 1993) are among the most commonly used selection criteria. Recruitment criteria in Islamic Arab countries are suggested to show agreeableness, good interpersonal relations and trustworthiness (Ali, 1989) yet in India belonging to the same 'in-group' as the manager (Sinha, 1997) is seen be important (cited in Aycan, 2005, p. 1085). In this dissertation, building on this literature, we explore the relation between CD and HRM practices in the context of Turkey.

The \textit{EPRG-Model}\textsuperscript{67}, introduced by Perlmutter (1969, 1979), tries to describe MNEs' staffing policies in key positions on their international subsidiaries and to identify the orientation of the organisation. The EPRG-Model is based on a qualitative method of analysis. It identifies four different international orientations: ethnocentric, polycentric, geocentric and regiocentric orientations.

According to the EPRG-Model, MNEs following an \textit{ethnocentric staffing policy}, home-country orientation typology, would appoint mostly parent country nationals to the top positions at their subsidiaries (Perlmutter, 1969, 1979). It could be a common policy among companies with limited international experience or just starting their international activity (Perlmutter, 1979). In the typology, the underlying assumption is that, foreign markets are seen as secondary markets where the excess productions can be disposed. The idea behind

\textsuperscript{66} The Model of Culture Fit (MCF) was proposed by Kanungo and his associates (Kanungo and Jaeger, 1990; Mendonca and Kanungo, 1994; Aycan et al., 1999).

\textsuperscript{67} The EPRG-Model has been introduced in Howard V Perlmutter’s article "The Tortuous Evolution of the Multinational Corporation", Columbia Journal of World Business; Jan/Feb 69, Vol. 4 Issue 1, pg 9. See more details on the EPRG Model in Chapter 2-Literature Review, page 45,46
ethnocentrism arises from the dominance of one culture over another one. According to Ahlstrom and Bruton (2010), ethnocentrism reflects a sense of superiority about a person or firm’s homeland; thereby ethnocentric people believe that their ways of doing things are the best, no matter what cultures are involved. According to Hofstede (2010, p.14), however, “in the broader area of management, ethnocentric approaches over the past 30 years have gradually lost support, if only because they proved ineffective, even fatal.”

According to the EPRG-Model, MNEs following a polycentric staffing policy would assign host country nationals to their international subsidiaries. The main assumption in this approach is that each foreign market requires close examination. Each market is treated unique and assigned with specified management strategies and localized human resource management (Perlmutter, 1969, 1979). According to Ahlstrom & Bruton (2010, p.42), “polycentrism is the opposite of ethnocentrism; in that, people seek to do things the way local do”. This orientation is based on the philosophy that it is better to use local methods and local managers (Beamish & Calof, 1994) to cope with the local problems, rather than to force alien solutions (Drachal, 2014). The possible downfalls of this assumption are that local managers may be reluctant to implement the recommendations from the headquarter and the transfer of the technology or tacit knowledge could be affected negatively (Perlmutter, Heenan, 1974)

The EPRG-Model claims that the geocentric staffing policy is merit based hence firms with a geocentric staffing policy would simply appoint the best person regardless of their nationality including third country nationals (Perlmutter, 1969, 1979). According to Keegan & Schlegelmilch (1999, p.21) “the geocentric orientation represents a synthesis of ethnocentrism and polycentrism”. Furthermore, it sees similarities and differences in markets and seeks to create a global strategy that is fully responsive to local needs. In the geocentric approach headquarters and subsidiaries must be somehow unified in order to erase any bias based on the country of origin, consequently the organisation can be paraphrased as the global organism with equally privileged organs scattered in different countries (Drachal, 2014). Bartlett & Beamish (2010) indicates that this orientation might be inevitable a MNE that operates on global scale. This orientation is useful if the priority is not only for achieving short-term market success, but also for maintaining the successful presence on the market and for keeping the long-term stabilization.

Within a regiocentric orientation, applied by MNEs, managers are transferred on regional basis regardless their nationality (Perlmutter, 1979). This typology allocates the foreign markets in homogeneous market clusters and focuses on comparable regional market situations to reach market penetration with a standardised product portfolio (Drachal, 2014).
The regiocentric strategy assumes that all countries of the region can be regarded as a single market (Wiktor et al., 2008). Consequently, key positions are held by employees of the regions origin so that they can serve markets, which are identified to show a homogeneous attitude and culture to the belonging of the employee (Drachal, 2014).

Another stream of research argues that home country nationals (HCNs) presumably have a better local knowledge and they are better equipped to address the local characteristics related to the cultural, economic, political and legal environments of a host country (Kobrin 1988; Harzing 2001). Based on the underlying assumption that parent company nationals (PCNs) and HCNs possess different types of knowledge and competencies, previous studies have unsurprisingly suggested that PCNs are preferred when dealing with the globally integrated operations of multinational corporations while HCNs better handle operations within a host country better (Tan & Mahoney 2004; Vance & Paik 2006).

The EPRG-Model has been criticized for being too HQ-centric nature. Novicevic & Harvey (2001) indicate the pluralistic orientation trends where more autonomy and flexibility in staffing policies are given to the subsidiaries are also observed. The analysis concerning the market establishment phase will be specifically looking into the subsidiary control mechanisms chosen by the selected multinational case companies operating in Turkey.

Hofstede (1980) and GLOBE (2004) culture models link power distance dimension with certain control levels by claiming that employees in high power distance cultures may prefer an authoritarian or paternalistic style. Multinationals based in high power distance cultures are more likely to recognize potential opportunism and consequently increased transaction costs as a major problem in their foreign subsidiaries. Therefore, MNEs based in high power distance national culture are more likely to choose the internalisation of subsidiary management roles in order to minimize opportunism and transaction costs (Brock et al., 2008). In contrast, because low power distance cultures are associated with less respect for authority, expatriatisation of key positions by the home country nationals is less likely to be a favoured control measure by the MNEs located in such cultures (Brock et al., 2008). MNEs located in countries with high uncertainty avoidance cultures would tend to have more formalized co-ordination mechanisms to increase confidence (Hofstede, 1997). This could translate into a clear preference for the appointment of trusted agents. MNEs located in countries with individualist cultures would value job specialization, personal accountability and performance-based evaluation and they will be more likely to assert control in an attempt to manage inefficiencies due to potential opportunism in foreign subsidiaries (Brock et al., 2008). On the other hand, MNEs located countries characterised by collectivistic cultures
would put greater emphasis on group co-ordination (Very et al., 1996) and stable group membership (Hofstede, 1997), group decision-making and on job design maximizing the social aspects of the job (Gelfand et al., 2004). Therefore, any failure to recognise these tendencies within MNEs chosen subsidiary control mechanisms may cause problems during the market establishment period. The market establishment analysis will evaluate the possible national CD implications for the case companies’ applied control mechanisms in Chapter 6.

(ii) Acculturation Strategies

The requirement of dealing with national and/or organisational cultural issues may lead to cultural conflicts, which consequently could trigger negative psychological effects on employees or more specifically acculturation stress. The term double-layered acculturation describes the double cultural adjustments on the specific challenges associated with cross-border M&As which involve companies with different organisational cultures that are embedded in different national cultures (Rajan, 2010). “Cultural differences do not automatically cause tensions. But when tensions do arise – often due to situational factors such as lack of communication or poor performance – people blame many of the organisational difficulties they encounter on cultural heterogeneity – on the presence of others who seem different – rather than to the context within which these problems took place” (Kanter & Corn, 1994, p.19). Rajan’s (2010) study reviews that cross cultural studies emphasise the influential role of the national culture in determining the acculturation success under the assumption that it influences the organisational culture of the acquired company (e.g. Tanure et al. 2009; Lubatkin et. al 1998; Very et. al 1996). Rajan (2010) adds that the process of acculturation in M&As can be understood as consisting of three main patterns namely, contact, conflict and adaptation; the initial contact between the companies could potentially result in conflict, whereas adaptation requires companies to achieve cultural synergy.

The process of acculturation in M&As requires companies to achieve cultural synergy and this has led researchers to focus on the possible modes in which this acculturation can

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68 The term double-layered acculturation was explained as acquired firms’ process of adapting to both a foreign national culture and a new corporate culture (Shimizu et. al, 2004).
occur. Berry (1983, 1984) identified four acculturation modes\(^69\) (integration, separation, assimilation and deculturation) through which MNEs define the acculturation strategies in order to resolve emergent conflict.

Acculturation via integration leads to structural assimilation of two cultures (Berry, 1983). According to Nahavandi & Malekzadeh (1988), integration occurs when both firms preserve their cultural identities and remain autonomous, except for combining their structural aspect. Integration can take place only if the acquirer is willing to allow such independence; as a result, the acquired company’s employees try to maintain many of their own basic assumptions, beliefs, cultural elements, and organisational practices and systems (Nahavandi & Malekzadeh, 1988).

Berry (1983) suggests that acculturation via separation involves preserving one’s culture and practices by remaining independent from the dominant group. Separation is characterised by minimal interaction between both firms that might lead to a high level of conflict in case of hostile takeovers as the acquired firm rejects any type of intervention (Nahavandi & Malekzadeh, 1988). Separation is likely to take place when members of the acquired organisation refuse assimilation and resist any attempt for adaptation and conciliation. If allowed to do so, they would preserve their culture and organisational systems and function as a separate unit under the financial umbrella of the parent company (Nahavandi & Malekzadeh, 1988).

Nahavandi & Malekzadeh (1988) claim that assimilation involves a scenario where one firm voluntarily renounces its culture. Cultural synergies are created through absorbing the other’s identity. Assimilation is a unilateral process in which one group willingly adopts the identity and culture of the other (Berry, 1983, 1984); therefore, the members of the acquired firm willingly relinquish their culture as well as most of their organisational practices and systems (Sales & Mirvis, 1984). This is likely to occur in an acquired firm in which employees and managers perceive that their culture and practices are dysfunctional and hindering their organisational performance (Nahavandi & Malekzadeh, 1988).

\(^{69}\) The model suggests that four acculturation strategies emerge from these dimensions: Assimilation occurs when individuals adopt the cultural norms of a dominant or host culture, over their original culture. Separation occurs when individuals reject the dominant or host culture in favor of preserving their culture of origin. Separation is often facilitated by immigration to ethnic enclaves. Integration occurs when individuals are able to adopt the cultural norms of the dominant or host culture while maintaining their culture of origin. Integration leads to, and is often synonymous with biculturalism. Marginalization occurs when individuals reject both their culture of origin and the dominant host culture Berry (1983, 1984).
The *deculturation* (*marginality*) mode involves losing cultural and psychological contact with one’s group and the other group, and it involves remaining an outcast to both (Sales & Mirvis, 1984). Deculturation occurs when members of the acquired company do not want to be assimilated into the acquiring company. It is likely to result in the loss of the acquired firm’s culture and management as the acquired firm distances and alienates itself due to feelings of confusion, stress and conflict. Consequently, the acquired company is likely to disintegrate as a cultural entity.

CD based employee resistance is often mentioned as one of the major barriers in achieving internal social integration. Dauber’s research (2011) calls for a careful consideration of different combinations of acculturation strategies as well as within different organisational areas in which acculturation can take place, i.e. culture, strategy, structure and operations of the organisations involved. It was suggested that the integration strategy of the foreign investing firm could block the positive effects of the national culture and lead to acculturative stress (Slangen, 2006). Thus, in order to complete a successful establishment phase in a foreign market, the MNEs may have to evaluate their acculturation strategies carefully depending on their entry mode choice and market integration short and long-term plans.

Larsson & Lubatkin (2001) argue that certain factors such as the relatedness between firms, the level of autonomy given to the acquired business, the size of the acquired unit and social controls applied by the acquirer would determine the acculturation mode selection and their market integration strategy. Acquired unit’s desire to preserve its own organizational practices as well as its willingness to adopt the acquirer’s culture would determine its acculturation mode (Nahavandi & Malekzadeh, 1988). Meanwhile, acquirer firm’s organisational culture and its cultural diversification strategy level would influence the preferred mode of acculturation.

The analysis of the market establishment phase will also cover the acculturation strategies applied by the selected multinational case companies operating in Turkey. More importantly, the possible national CD effects on their behaviours regarding acculturation selection and application in the Turkish market will be examined.

**2.2.4 Conclusions for Part 2**
The research objective is to identify the modalities by which national cultural differences influence social interactions and strategies within a business organisation during the entry, integration and establishment phases of foreign investing firms in an emerging market. The lack of a holistic approach and the observed imbalanced within the existing literature have been the main motivating factors for putting national CD in a more comprehensive framework. Meanwhile, emerging markets’ growing importance in the global market, the drive to attract more foreign investments, and the struggle to keep them within borders made this research objective highly relevant. Our review of Turkey, covered in detail in the following Literature Review-Part III section, concluded that Turkey, as an emerging market, could provide a fertile research setting in which to explore our research objective.

In our holistic investigation, MNEs’ market specific investment journey is represented in three consecutive phases. Each phase has a specific research question that covers the identified business challenges related to this period. In this research, the identified business challenges are defined as contextual factors forcing MNEs to generate market specific strategies. They were selected mainly from primary thrusts of the CD concept in the FDI literature as outlined extensively by Shenkar (2001 & 2012a). Notwithstanding these contributions, there remained observed methodological and conceptual gaps as well as imbalances within their take on the national CD construct. These imbalances in the CD literature gave rise to the need for a holistic investigation approach adopted in this study. Meanwhile, the observed gaps in the primary thrust inspired the phase-specific research questions of the study. Hence, after a careful consideration, three research questions were established within the scope of our research objective.

The initial research question was derived from the initial thrust of national CD usage in the FDI literature. The CD concept has been widely used in the launch/sequence of FDI and the MNEs’ ownership choices. The national CD concept has been exhausted in this particular thrust; however, contrasting findings of the mainstream studies were mostly generated from quantitative research settings and consequently relied heavily on statistical manipulations. This gave a leeway to our initial research question. It covers the national CD implications of MNEs’ micro-economic decision-making process; hence, the phase analysis will evaluate this relationship in a qualitative case study design. Table 2.3 summarises the connections between the research question, the related analysis and the key empirical literature to compare the results.
### MARKET ENTRY PHASE

**Research Question:** “What are the cultural distance implications on the market entry decision and entry mode selection by foreign investing firms?”

**Contextual Theme & Business Challenges:** Decision making theme  
Market entry decision (Launch/Sequence of FDI); Entry mode selection

**Investigation:** National Cultural Distance Implications of pre-market entry challenges

**Data Sets:** Primary (Interviews) & Secondary Data Sets  
(empirical evidence gathered from the selected multinationals operating in Turkey)

**Concepts/Models / Insights Used:**
- Application of OLI Model for the evaluation of the market entry decision
- Application of Uppsala Model for the evaluation of FDI sequence (prior to entry to the Turkish market)
- Empirical reasoning of the chosen FDI mode to Turkey

**Analysis:** Cross-case comparisons to evaluate patterns and to reach insights

**Key Literature Comparisons:**
- The CD construct in the theory of familiarity stream and their argument that firms were less likely to invest in culturally distant markets (Shenkar, 2001, p.519). The opposing view that larger CD between home and host markets rather encouraged FDI as a way of overcoming transactional and market failures (Yoshino, 1976; Ozawa, 1979, Davidson, 1980; Dunning, 1988).
- Studies that used the CD construct in the expansion stream regarding the sequence of FDI multiple entries claim that MNEs progressively expanded from their home base into countries with greater psychic distance (Johanson & Vahlne, 1977, Thurnbull, 1987; Engwall and Wallenstal, 1988). The opposing view refuses national CD concept as a predictor of FDI sequence (Benito & Gripsrup, 1992; Sullivan & Bauurchmidt, 1990)
- Studies predicting the relationship between national CD and FDI mode suggesting the higher the CD, the more control the MNE was likely to maintain over its foreign operations (Root, 1987; Davidson & McPeteridge, 1985; Kim & Hwang, 1992).
- Findings from business studies predicting relationship between MNEs’ home country cultural characteristics and MNEs’ chosen FDI mode such as Jemison & Sitkin (1986), Kogut & Singh (1988), Erramilli (1996), Barkema & Vermeulen (1997). (See Table 2.1)
- Findings from business studies dismissing a significant relationship between MNEs’ home country cultural characteristics and chosen FDI mode such as Tihanyi et al. (2005), Dow & Larimo (2009). (See Table 2.1)

Source: Author

The second research question targeted the missing practical element observed from the second thrust of national CD usage in the FDI literature. As outlined earlier in this chapter,
the mixed empirical results in the thrust labelled national CD as a hindrance or enhancing factor to the performance of the MNEs in foreign markets (see Table 2.2). These empirical results, again, heavily relied on quantitative research methods, failed to establish a common understanding on how to measure CD and MNE subsidiary performance. More importantly, they seem to lack the initiative to address MNEs’ managerial practices for subsidiary performance implications of national CD. Therefore, our second research question aims to reach insights evaluating possible performance implications of CD and observed managerial responses together within a mixed method research design. Table 2.4 summarises the proposed interlink between the research question, the phase analysis and the key empirical literature to compare results.

Table 2.4 Summarised connections for the market integration phase investigation

<table>
<thead>
<tr>
<th><strong>MARKET INTEGRATION PHASE</strong></th>
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<tbody>
<tr>
<td><strong>Research Question:</strong> “Provided that the cultural distance influence is observed, what are the managerial responses that are more suitable to secure smooth integration process?”</td>
</tr>
<tr>
<td><strong>Contextual Theme &amp; Business Challenges:</strong> Achieving short/medium term targets theme (Market Integration, Knowledge &amp; Technology Transfer, Human Resource Productivity)</td>
</tr>
<tr>
<td><strong>Investigation:</strong> National CD implications of market integration performance</td>
</tr>
<tr>
<td><strong>Data Sets:</strong> Primary (Interviews &amp; Survey) &amp; Secondary Data Sets (empirical evidence gathered from the selected multinationals operating in Turkey)</td>
</tr>
<tr>
<td><strong>Concepts/Models/Insights Used:</strong> Selected performance indicators from culture and performance literature: Stock market based indicators, accountancy based indicators, human resource productivity, tacit knowledge and technology transfer.</td>
</tr>
<tr>
<td><strong>Analysis:</strong> Cross-case comparisons under home-host country pair theme in order to evaluate patterns and to reach insights</td>
</tr>
<tr>
<td><strong>Key Literature Comparisons:</strong></td>
</tr>
<tr>
<td>• Findings from business studies claiming CD improves/enhances subsidiary performance such as (Hu &amp; Chen (1996), Park &amp; Ungson (1997), Sim &amp; Ali (2000), Morisini, Shane &amp; Singh (1998). (See table 2.2)</td>
</tr>
<tr>
<td>• Findings from business studies claiming CD hinders/ worsens subsidiary performance such as Lin &amp; Germain (1998), Berkama, Shenkar &amp; Vermeulen (1997), Lasserre (1999), Berkema et al. (1997). (See table 2.2)</td>
</tr>
<tr>
<td>• A general insight from business studies claiming there is no relation between CD and subsidiary performance such as, Johnson, Cullen &amp; Sakano (1991), Mjoen &amp; Tallman (1997), Beamish &amp; Kachra (2004), and Sim &amp; Ali (1998). (See table 2.2)</td>
</tr>
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</table>
| • At the strategic phase, CD could create synergy while at the operational phase it could erode the applicability of the parent's competencies (Brown, Rugman &
The third and final research question concerns mature/ageing subsidiaries and the possible CD influences on the strategy-development for the establishment phase. In the market entry and integration stages, the existing CD metaphor mainly focuses on what sets cultures apart, however, in the establishment phase, matured subsidiaries need mechanisms to close CD. The literature review revealed that such mechanisms/strategies were linked to internal integration and external adaptation concepts. Their findings however, do not refer to the modified mechanisms/strategies used by mature/aging subsidiaries. Hence, this gap is addressed in our longitudinal case study design within the limits of our research objective. Table 2.5 underpins the connection between the research question, related analysis and the key empirical insights to compare results.

Table 2.5 Summarised connections for the market establishment phase investigation

<table>
<thead>
<tr>
<th>MARKET ESTABLISHMENT PHASE</th>
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<tbody>
<tr>
<td><strong>Research Question:</strong> “How do companies, from different national cultures create external adaptation, internal integration &amp; control mechanisms in order to close the cultural difference?”</td>
</tr>
</tbody>
</table>
| **Contextual Theme & Business Challenges:** *Achieving long term targets theme*  
(Subsidiary control, market longevity & expansion) |
| **Investigation:** National Cultural Distance Implications of market establishment challenges |
| **Data Sets:** Primary (Interviews) & Secondary Data Sets |
| **Concepts/Models/Insights Used:**  
- Control mechanisms (corporate culture, standardisation, international staffing policies),  
- EPRG International Staffing Model  
- Nahavandi & Malekzadeh’s Acculturation Model (1988) |
| **Analysis:** Cross-case comparisons in order to evaluate patterns and to reach insights |
| **Key Literature Comparisons:** |
• Findings from culture studies suggesting that MNEs rely on a greater number of parent country expatriates when they are culturally distant from the subsidiary (e.g. Yeganeh, 2011)
• Strategies of a MNE to achieve cultural synergy could block the positive effects of the national culture and lead to acculturative stress (Slangen, 2006).
• Insights suggesting MNEs’ organisational culture and cultural diversification strategy levels are influential factors for the preferred mode of acculturation (e.g. Larsson & Lubatkin, 2001).
• Findings from culture studies suggesting a positive correlation between high power distance scores and centralised HQ control (e.g. Ferner et al., 2004; House at al., 2004; Hofstede, 1991)
• Insights indicating subsidiary control mechanisms have been evolved from centralised HQ control to interdependent and structured networks (e.g. Dunning & Lundan, 2009).
• Findings in some of the IHRM studies suggest that MNEs from high power distance cultures exercised tight control over subsidiaries in the form of expatriate assignment, regardless of whether the host country was high or low on those dimensions. Hence home-country culture is an important determinant of strategic and IHRM decisions (Brock, Shenkar, Shoham, & Siskocick, 2008).

Source: Author

In short, the literature review in PART 2 strengthened the justification of this study: a further study based on multi-phase approach and multi-case design is required to fill the gaps and provide empirical assessment that would bring a better understanding to the arguments above under a comprehensive and inclusive research framework.
2.3  PART 3: Country Profile of Turkey

Turkey has been chosen as the emerging market for this research. Turkey’s country profile, in terms of its cultural and economic background, needs to be evaluated in detail. In this PART 3, Turkey’s country profile has been explored and summarized from two main perspectives: Turkey’s economic and cultural profile.

2.3.1  Foreign Investment Background and Economic Profile of Turkey

The Ottoman Empire has been a dominant force in the foundation of many aspects of modern Turkey, as we know it today. The economic history of the Ottomans for the period 1299-1923 can be divided into two separate sub periods (Timur, 1998): Enlargement Era (1299-1623)\(^{70}\) and Reformation Era (1623-1923)\(^{71}\). The Ottomans in the enlargement era saw military expansion as a main source of wealth and agriculture had higher importance than manufacturing and commerce (Timur, 1998). Toward the end of the empire, particularly from the second half of the 19\(^{th}\) century until the beginning of the 20\(^{th}\), much of foreign investment was directed towards the rail network, infrastructural facilities, the banking system and the mining industries with a high level of dependency on the west (Timur, 1998). The Ottoman economy became progressively more open market oriented and, by 1913, the empire was exporting raw cotton, raw wool and untreated hides and importing cotton thread, cotton textiles and finished leather (Hale 1984). Because of the economic and political weakness of the Ottoman state and its liberal trade agreements, it eventually became bankrupt by 1875. In 1881, the Public Debts Administration was set up by the creditors to collect all state taxes to pay the debt. The government lost all the control over the economy, could not control and/or collect its revenue and the British owned Ottoman Bank received the privilege to print money.

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\(^{70}\) Enlargement Era (1299-1623), was when Ottomans became one of the dominant forces among the world powers, comprised a closed agricultural economy as a main source of wealth; whereas agriculture had higher importance than manufacturing and commerce (Timur, 1998; Faroghi, 1999).

\(^{71}\) The “Reformation Era” (1623-1923), comprised state organized reforms, commencing with administrative and political structures through to state and public functions. Through the Free Trade Treaty, starting in 1838, foreign investors entered the capital Istanbul in the Ottoman State more than just for limited import-export networking activities. The Ottomans made important concessions called “Capitulations” to the Western countries, particularly starting with France, so that the Ottoman State could benefit from their financial, military and political support (Timur, 1998; Faroghi, 1999).
With the establishment of the Turkish Republic in 1923 and the Lausanne Treaty\textsuperscript{72}, the activities of foreign firms ended as the Lausanne Treaty erased the capitulations rights and privileges of the foreigners. On the other hand, Turkey was obliged to retain the guarantees issued to foreign firms before the First World War. The Turkish government was allowed to buy out of concessions\textsuperscript{73}; therefore, in between 1923-1944, foreign firms were nationalised in order to clear out these concessions (Bozdoğan & Kasaba, 1998).

Once the WWII was over, Turkey loosened its state control and moved towards liberalising its economic policies. As part of this liberalisation, Law 5821 (Law for the Promotion of Foreign Investment) was enacted in 1951 dealing with levels of foreign capital. All sectors of the economy except agriculture and commerce were opened to FDI, and foreign firms were entitled to transfer 10\% of their profits outside the country. A fairly liberal foreign capital law (The Law on the Encouragement of Foreign Capital Law, no: 6224) was passed in 1954 because of the failure of the previous foreign capital laws and the insufficient financial resources or the saving gap. Unlike the previous laws, this one lifted all prior restrictions to encourage foreign investment such as restrictions on profit transfers, employing foreign personnel and entitlement to equal rights that domestic firms had. On the other hand, this law had three approval criteria for foreign firms' activities in Turkey: Firstly, foreign investment should help Turkey's economic development; secondly, foreign investors could only invest where Turkish private enterprises operate and finally, foreign investors should not use any monopoly or special privileged position (Karadeniz, 1995).

\textsuperscript{72} Treaty of Lausanne (1923), final treaty concluding World War I. It was signed by representatives of Turkey (successor to the Ottoman Empire) on one side and by Britain, France, Italy, Japan, Greece, Romania, and the Kingdom of Serbs, Croats, and Slovenes (Yugoslavia) on the other. The treaty was signed at Lausanne, Switz., on July 24, 1923, after a seven-month conference. The treaty recognized the boundaries of the modern state of Turkey. Turkey made no claim to its former Arab provinces and recognized British possession of Cyprus and Italian possession of the Dodecanese. The Allies dropped their demands of autonomy for Turkish Kurdistan and Turkish cession of territory to Armenia, abandoned claims to spheres of influence in Turkey, and imposed no controls over Turkey's finances or armed forces. The Turkish straits between the Aegean Sea and the Black Sea were declared open to all shipping. (Lausanne Peace Treaty content can be accessed at: http://www.mfa.gov.tr/lausanne-peace-treaty.en.mfa).

\textsuperscript{73} Despite the Ottoman Empire had a complicated experience with the foreign capital due to the 'capitulations', the new Turkish Republic was willing to have foreign firms' cooperation, as long as they were controlled by foreign investment law. However, there was almost no inflow of foreign capital to Turkey during the 1920's probably because of the uncertainties regarding the establishment of the new states, the nationalization of already operating foreign firms in order to take over foreign concessions, as well as the 1929-27 recessions in Europe (Hale, 1984). During the 1930's and 1940's, a weak private sector and the world economic crisis led the Turkish Republic towards a state controlled type of economic policy. By the beginning of the 1930s, Turkey had adopted central planning, under which the state's role was encouraged in banking, industry, foreign trade, mining and infrastructure. Meanwhile the agricultural sector had been neglected, and there was no significant increase in agricultural inputs or machinery. Concerning the foreign capital level, the first government regulation for foreign investment (Decree No.17 on Law 1567) was announced in 1930. This law was enacted during the Great Depression in order to regulate all foreign economic transactions and protect the value of the Turkish currency. Highly restrictive foreign investment regulation might have resulted in a very low inflow of new foreign capital to Turkey. The neglect of agricultural policy during the 1930's resulted in a large fall in its production, then followed by the economic and political changes of the 1940s. The same period witnessed also a big shift of labour from agriculture to military production due to World War II. Although the country remained out of the war until almost the end, the public sector production supplied war needs (Hale, 1984).
Although this new law provided conditions that are more liberal for foreign investors, the inflow of foreign capital remained low between 1954 and 1980. During this period, economic, social and political problems led to a military takeover in 1960, repeated in 1970 and in 1980. As a result, Turkey was considered a risky country for foreign firms. The failure of the 1950s liberalisation policies resulted in heavy inflation, unemployment, a high current account deficit and social turmoil. Therefore, the strategies of the 1960s and 1970s were based mainly on import substitution policy under the implementation of three five-year plans. External factors such as rising oil prices in 1973-74 and the world recession in 1974-75 had an adverse effect on the current accounts. Despite these external shocks, Turkey did not alter its economic policy and tried to maintain its rate of growth through rapid reserves depletion and consistent external borrowing. As a result, the worsening of the current accounts deficit developed into a payment crisis in 1977, and Turkey lost its international creditworthiness (Macovei, 2009). In 1979, Turkey’s debts to western governments and foreign commercial banks were rescheduled according to the conditions of the IMF’s structural adjustment program. In January 1980, a new stabilization program was introduced; foreign trade and foreign exchange were liberalised. On the foreign capital side, when the stabilization programme was introduced in 1980, there was an important development in the administrative form of Law no 6224. A Foreign Investment Department was set up by the State Planning Organisation, which provided assistance and guidance to the foreign investors (Karadeniz, 1995).

Since 2000, Turkey’s economy has moved to a better phase after years of struggles with high inflation and high volatility in the interest and the exchange rates. Turkey’s economy has been growing, driven by its industry and service sectors, although the traditional agricultural sector still accounts for about 30% of employment. After Turkey experienced a severe financial crisis in 2001, the financial authorities adopted financial and fiscal reforms as part of an IMF structural adjustment program. Although macroeconomic balances are still in need of further improvement, Turkey has managed to place itself in a position to devote more efforts to microeconomic issues (Macovei, 2009). At the moment of writing, it would be fair to say that the driver of the growth relies upon domestic private sector and more active yet controversial privatisation efforts. An aggressive privatisation program has reduced state involvement in basic industry, banking, transport and communication and an emerging cadre of middle-class entrepreneurs has been adding dynamism to the economy. Furthermore, the removal of barriers to foreign investment and entrepreneurship has been targeted by the new Foreign Direct Investment Law implemented in 200374. Nevertheless, the global financial

crisis starting in 2007, the ongoing regional conflicts and slower growth trend among the emerging markets have been having a negative effect on Turkey’s investment profile and further financial and fiscal reforms are being proposed by the current government in 2016.

2.3.2 Economic Overview of Turkey

Turkey’s economy has been in transformation since the 1995 customs union agreement with EU that laid the foundations for the country to become more internationally competitive. After the 2001 banking crisis, the Turkish government has introduced liberalisation policies and political reforms, which resulted in a candidacy agreement with the EU. GDP’s Annual Growth Rate in Turkey averaged 4.68% from 1999 until 2017, reaching an all-time high of 11.70% in the first quarter of 2011 and a record low of -14.40% in the first quarter of 2009 (IMF Data, 2013). Turkey managed to weather the recent global financial and economic crisis relatively well, as its GDP grew by 5% year-on-year in the first quarter of 2017, following a 3.5% growth in the previous period and beating the market expectations of a 4% rise (Trading Economics, 2017). The above expansion was driven by higher government spending, investment and exports. Moreover, according to World Bank 2016 data (World Development Indicators database, World Bank, 17 April 2017), the Turkish economy is currently the 17th largest economy in the world and 6th in the EU area. Turkey is also a part of the G20 countries. The country has a population of 79.81 million (Turkish Statistical Institute, 2016), about a quarter of whom are under 14 years old, making it the world’s 19th most populous country (UN, 2017). It is projected that Turkey’s economy would be the 12th largest economy in the world by 2022 (statisticstimes.com, 2017).


76 World Development Indicators database, World Bank, 17 April 2017, Available at <http://data.worldbank.org/data-catalog/GDP-ranking-table,>

77 At the beginning of this research in 2010, it was 15th largest economy and 6th in the EU area (World Bank, Sep 2010)

78 The G20 countries, Group of Twenty (G20), includes the world’s major economies, comprising 19 countries and the European Union. The G20 is primarily a forum to discuss economic issues and cooperation among members, and was started in 1999 after the Asian financial crisis. The first official G20 summit was held in 2008 partly in response to the global financial crisis.


Turkey benefits from a well-diversified economy, proximity to Europe, Eurasia and the Middle East, as well as integration into European markets (see Table 2.6). Turkey's foreign trade has extended steadily since the mid-1990s, however the major trade partners (import & export) still are EU countries (lead by Germany, France, Italy, and the UK). Other significant trade partners are listed as Iraq, Switzerland, United Arab Emirates, Iran, Russian Federation, China and the USA (World Bank, 2015). Despite the close economic ties with the EU countries, the Silk Road Initiative by China and the Turkish Stream Project by Russia

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81 Turkey's main export markets are the EU (44.5%), Iraq, USA, Switzerland, United Arab Emirates and Iran. Imports into Turkey come from the following key markets: the EU (38%), China, Russia, USA, South Korea and Iran. (Source: http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/index_en.htm)

82 Turkey is the EU's 4th largest export market and 5th largest provider of imports. The EU is by far Turkey's number one import and export partner. EU exports to Turkey are dominated by machinery and transport material, chemical products and manufactured goods. Turkey's exports to the EU are mostly machinery and transport equipment, followed by manufactured goods. (Source: http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/index_en.htm)

83 Belt and Road Initiative by China: A network of caravan routes in Eurasia, a.k.a. Silk Road, caravan routes, stretching thousands of kilometers from east to west, were established during the Western Han Dynasty (206 B.C. – 9 A.D.) and used in trade. Since ancient times, due to its geographic location, Anatolia (Turkey) has always been a bridge between East and West, making it a natural point of confluence of the ancient Silk Road. Turkey developed strategies to revive the ancient Silk Road as "The Caravanserai Project", for instance, was introduced in 2008 by the Republic of Turkey Ministry of Customs and Trade to increase cooperation among customs authorities of the countries along the Silk Road. This project aims to facilitate trade and transport by accelerating border crossing procedures between Turkey, China, Azerbaijan, Iran, Georgia, Kazakhstan and Kyrgyzstan. Another endeavor unveiled by Turkey to revive the Silk Road is the Middle Corridor Initiative, which aims to create economic corridors between Turkey, China, Georgia, Azerbaijan, Turkmenistan, Kazakhstan, Afghanistan and Pakistan. Turkey and China signed a memorandum of understanding on aligning the Belt and Road Initiative and Middle Corridor Initiative with the prospect of integrating the Middle Corridor Initiative into the Belt and Road Initiative. Considering Turkey’s contribution to the 21st Century Maritime Silk Road component of the Belt and Road Initiative, the undersea Marmaray railway tunnel, which was inaugurated in 2013, enabled an uninterrupted rail connection between Beijing and London by railway via a tunnel beneath the Bosporus Strait. Another important section of the Silk Road Economic Belt is the high speed railway line between Turkey’s capital, Ankara, and Turkey’s biggest city, Istanbul, which was inaugurated in 2014. The significance of this railway line is that it is China’s first high speed railway project overseas. A consortium of Chinese and Turkish companies built the second phase of this railway line. This success is the harbinger of the future collaboration between Turkish and Chinese companies within the Belt and Road Initiative. To build on this success, the Turkish and Chinese governments have pledged to deepen cooperation on key projects, such as the high speed railway linking Edirne in Western Turkey with Kars in Eastern Turkey, spanning the country from west to east. It will constitute the backbone of the Middle Corridor Initiative and
show that the country is establishing new partnerships in Eurasia.

Table 2.6 Turkey's FDI and Macro Economic Indicators

<table>
<thead>
<tr>
<th>Population:</th>
<th>79.81 million</th>
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<tr>
<td>GDP (Current prices):</td>
<td>856,791 million (US) $</td>
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<tr>
<td>FDI Inflows:</td>
<td>12,273 million (US) $</td>
</tr>
<tr>
<td>Number of companies with foreign capital:</td>
<td>52,754</td>
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Composition of GDP (%) in 2016

- Agriculture: 6.1%
- Industry: 28.4%
- Services: 65.5%


Developments since 2012, however, raise concerns about Turkey’s capacity and uneven economic reforms. On the macroeconomic level, slow growth in developed economies and a deteriorating geopolitical environment in the Middle East have negatively affected exports volume, investment levels and growth of the Turkish economy. The influx of more than three million Syrian refugees (between 2013–16), political instability (e.g. general elections in June 2015 and November 2015) and the failed coup in July 2016 have all hindered the Turkish Government’s reform initiatives. Meanwhile, a series of terrorist attacks in 2016 have weakened the tourism sector and scared foreign investors (World Bank, 2017) (see Table 2.7).

Table 2.7 Rankings of FDI Inflows (2003–2016)

84 **Turkish Stream** is a planned natural gas pipeline running from Russkaya compressor station near Anapa in the Southern Russian Krasnodar Region, across the Black Sea to Kiyikoy on the Turkish Thrace coast. Announced by Russian President Vladimir Putin on 1 December 2014, during his state visit to Turkey, the proposal is designed to replace the cancelled South Stream project. The Turkish Stream project was signed into an agreement by Russia and Turkey in October 2016 with an estimated total cost of €11.4 billion ($12.7 billion). [Russian Times Article, “Gazprom begins Turkish Stream pipeline construction”, 8 May, 2017, Available at: <https://www.rt.com/business/387528-gazprom-turkish-stream-start-construction/> and BBC News, “Russia drops South Stream gas pipeline plan”, 1 December 2014, Available at: <http://www.bbc.co.uk/news/world-europe-30283571 >]
### Rankings of Turkey by Year

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<tr>
<td>Rank</td>
<td>52</td>
<td>37</td>
<td>22</td>
<td>17</td>
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<td>20</td>
<td>30</td>
<td>27</td>
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<td>26</td>
<td>24</td>
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### Figure 2.2 and 2.3 FDI Inflows to Turkey (in million $)

![Graph showing FDI inflows to Turkey (1990-2016)](https://www.indexmundi.com/facts/indicators/BX.KLT.DINV.CD.WD/compare)

Source: IndexMundi, Foreign direct investment, net inflows (BoP, current US$); available at: [https://www.indexmundi.com/facts/indicators/BX.KLT.DINV.CD.WD/compare](https://www.indexmundi.com/facts/indicators/BX.KLT.DINV.CD.WD/compare)


2.3.3 Cultural Profile of Turkey

Internationalisation requires a worldwide integration of economic, cultural, political, religious, and social systems. Increasing competition conditions force companies to analyse not only other countries’ economic and political systems but also their cultural, religious and social systems. This section will explore Turkey’s national and business cultures.

(i) Turkish National Culture

The Turkish national cultural identity may be difficult to define, as Turkish national culture is unique in containing both elements of Eastern and Western cultures. Turkey’s national culture remains mostly shaped by its deep roots in the Middle East, Anatolia and Balkans. At the same time, a society accommodates a variety of ethnic minorities. In many ways, Turkey’s national culture represents a continuum that bridges past and present; as a result, it reflects unparalleled richness and diversity inherited from many civilizations for at least twelve thousand years. Turkish national culture has undergone major changes, presenting new internal challenges and dynamics, over the last century. Particularly upon the fall of the Ottoman Empire after World War I, the Turkish Republic adopted a unitary approach, which forced all the different cultures within its borders to mix with each other with the aim of producing a "Turkish" national and cultural identity.

Apaydin’s research (2009) maps out Turkey’s complex geographic and cultural positioning in the wider region. The location that is now occupied by the Republic of Turkey has been at an international crossroads for at least two millennia. From a network theory perspective, the centrality of its position provides undeniable benefits of geographic proximity, trade, and transportation opportunities. However, from a cultural identity perspective, ambiguity prevails.

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85 See more details in the Appendix section I-119 for Turkey’s national culture analysis by the Hofstede’s dimensional culture model

86 Turkish 70-75%, Kurdish 18%, other minorities 7-12% (2008 est.) & Muslim 99.8% (mostly Sunni), other 0.2% (mostly Christians and Jews) [Mundi Index, 2016, Available at: http://www.indexmundi.com/turkey/demographics_profile.html]

87 However recent government has launched the much discussed “Democratic initiative process” project aims to improve standards of democracy, freedoms of all the ethnic groups and to end terrorism in Turkey. These initiatives include: Armenian Initiative, Kurdish Initiative, Roma Initiative and Initiatives for some religious groups such as Alevi population, Greek Orthodox group and Jewish population. Above all The Kurdish initiative is the most discussed initiative of the government. The main goal of the Kurdish initiative was to improve the human rights of Turkish citizens of Kurdish origin and to end a 25-year conflict between Turkey and the PKK (the name stands for Freedom and Democracy Congress of Kurdistan; a listed terrorist organization by UN, NATO and EU). The initacted peace process between the Turkish government and the PKK administration collapsed in summer 2015 due to the domestic and regional developments (Hürriyet Daily News, 2010, PM says democratic opening goes on, 18 July, Retrieved 19 July 2016).
Some EU (European Union) countries resent Turkey's EU aspirations on cultural grounds and the country is often placed in the Middle East cluster (e.g. UNCTAD\textsuperscript{88}) (Apaydin, 2009). Meanwhile, the Middle Eastern Arabic speaking countries resent such an association on linguistic grounds and accuse the Ottoman rulers, predecessors of the Republic, of putting an end to the intellectual flourishing of the Arab civilization (Ali & Camp, 1995).

The empirical evidence from the semi-structured interviews and e-survey will be used to cross-examine some of the national characteristics of the hosting country Turkey, and their possible implications on the working environment, social harmony with the assigned expatriates and HQ-subsidiary relations of the MNEs operating in Turkey.

(ii) Turkish Business Culture

To understand the prevailing Turkish people’s business culture, both their cultural heritage and modern trends need to be examined. The Ottoman Empire period has had the greatest effect on modern business mentality by creating the historical heritage of Turkish people. In that period, faith was at the core of Ottoman philosophy and doubt was not allowed (Timur, 1998). Fatalism, traditionalism and obedience are the most dominant and striking elements of this medieval mentality (Uğener, 1951). This mentality, which completely ignores the use of reason and the individual’s own will, continued its existence until the mid-18\textsuperscript{th} century.

Towards the end of 17\textsuperscript{th} century, the Ottomans suffered many defeats and lost some many territories in Europe (e.g. Carlowitz Treaty\textsuperscript{89}, 1699); the Western countries’ superior military technology, management and organisation may well be listed as the main reasons for these losses (Arbak, 2005). By the end of 18\textsuperscript{th} century, the realisation of the recession of the Ottoman state compared to the Western World heading towards the industrial revolution caused the Ottoman Empire to reform that was inspired by the Western rational philosophy. After this time, the Ottoman Empire began facing a dilemma because of the contradicting philosophies of traditional scholastic mentality and modern rationality (Bozdoğan & Kasaba, \textsuperscript{88} UNCTAD=United Nations Conference on Trade and Development

\textsuperscript{89} Treaty of Carlowitz, Carlowitz also spelled Karlowitz, (Jan. 26, 1699), peace settlement that ended hostilities (1683–99) between the Ottoman Empire and the Holy League (Austria, Poland, Venice, and Russia) and transferred Transylvania and much of Hungary from Turkish control to Austrian. The treaty significantly diminished Turkish influence in east-central Europe and made Austria the dominant power there (Treaty of Carlowitz, 1969, available at: <http://www.britannica.com/event/Treaty-of-Carlowitz>).
1998). After the 1820s, the transfer of knowledge was not only confined to military topics but also to political, educational, judicial and social areas. The climax of these adaptations and transformations is generally considered to be the year 1923 in which the Ottoman Empire was abolished, and the Turkish Republic was born.

During the last three centuries, Turkish management increasingly confronted an important contradiction between supporters of change, who turned their faces to the Western European countries, and defenders of the existing order who turned their faces to the East (Arbak, 2005). Defenders of the existing order used Islam as an ideological shield against change and opposition to change caused the society to become highly stagnant. As a result, a great part of the society became extremely loyal to traditional values, which mainly consisted of Turco-Mongol tradition, Persian government tradition, and Arab-Islam values (Arbak, 2005). The Koran was believed to be the ultimate source of truth (Turan, 1994). The typical values and characteristics of this inland closed culture are: being patrimonial, collectivist, traditionalist-conventionalist, co-operative, militarist, religious, dependent, fatalistic, scholastic, autocratic-centralized, rural, having closed systems, showing little tolerance of uncertainty, little or no tolerance to deviants and obedience to the elderly (Aldemir, 1995). In contrast to the general opinion, supporters of change used to be the sultans; in the 1800’s some of the reformist sultans sent groups of Young Turks to the Western countries for educational purposes. These people, after completing their education, took important positions in the governments and initiated radical changes. The period between 1839 and 1923 can be characterized as a period in which two contrasting systems (the religious and traditional system vs. the rational and western system) co-existed.

With the establishment of the Turkish Republic (1923), for the first time, rationality as opposed to religious faith was taken as a basis in governing. According to Timur (1998), the real dilemma began in the first years of the Turkish Republic when Mustafa Kemal Ataturk abolished all the traditional and scholastic Ottoman institutions and formed schools and universities based on the rational philosophy of Western civilization. The revolution and the following social engineering under the watchful eye of M.K. Ataturk were adapted rapidly, however the complete change of mentality could take much longer and, more importantly, the old mentality still affected the new one throughout the completion of transition period.

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90 A series of Reforms (called as Tanzimat Fermanı) in several areas of political, social and economic spheres were introduced starting in the year 1839. Reforms in education, administration, health, deed system, judicial system, political regime were in line with Western European practices (Timur, 1998).

91 Mustafa Kemal Ataturk, founder of the Turkish Republic, emphasized the importance of rationality, science and modernization in almost every speech he delivered (Nutuk, 1984, originally published in 1927).
(Ulénger, 1981). The Turkish society appears to have a philosophy of universal Western values, but in reality, it has inherited a generational collective subconscious philosophy of the medieval Anatolian mentality (Timur, 1998).

Aldemir’s research (1995) divides people based on their location: Coastal Town or Inland Town People. Coastal Town People had been exposed to and then adapted to the values of these different and contrasting cultures; they were very flexible and open to change and were ready to initiate private enterprises. In the early years of the Republic, there were no Turkish entrepreneurs; thus, the new republic encouraged Turks to establish private enterprises. Briefly, people living in Coastal Towns and those living in large commercial Inland Towns, but dealing with trade, became more influenced by universal and modern values. It has been proposed that public sector organisations carry values and characteristics of inland town cultures while private sector organisations have adopted the values and characteristics of coastal town cultures (Aldemir, 1995).

Management studies regarding Turkey since the 1990’s point out that the Turkish management style is far from being western as it contains many eastern elements; however, it is also influenced mainly by white middle class American management style (Aldemir, 1995) even though there are both geographic and cultural distances between the two countries. The American managerial way of leadership, motivation and communication techniques with co-workers is quite different from the Turkish managerial style, which is a mixture of democratic and autocratic styles. Western values are highly respected. However, at the same time, an inherited collectivist mentality subconsciously affects the decision-making processes. Getting the job done is still strongly linked to the status orientation, which brings the expectancy of obedience, continuity and loyalty from subordinates. Religion, traditionalism, fatalism and family orientation also feed the values of this management style. Nevertheless, being materialistic, two-faced and suspicious is also seen as elements of the eastern smartness (Arbak et. al., 1997). It is suggested that doing business with hypocrisy was developed during Sultan Mehmed-the Conqueror (1432-1481) among the privileged people and then it has diffused through the other classes. Yet Turkish managers value western professionalism and smartness with the elements of responsible behaviour, scientific thinking, fairness, personal freedom and rights (Arbak et. al., 1997). The Turkish management style also tends to be more on the autocratic and hierarchical side compared to the western style of leadership. This implies that the Turkish management style is a mixture

92 The Turkish saying “hem severim, hem döverim”, meaning both giving the benefit of protection out of love and the fear of the wrath, summarizes it perfectly.
of western rational thinking and eastern autocratic values. Maintaining the position of such authority seems essential. Turkish managers generally treat their subordinates like an extended family member yet reaching consensus with them regarding the tasks is not part of this relationship (Arbak et. al., 1997).

A common criticism against *Turkish business culture* is that of not having a well-defined business culture within the related literature. Mustafa Ozel's research (1995) on the Anatolian work ethic claims that in terms of intelligence and skills one Turk is worth five Japanese but in terms of working together five Japanese are worth fifty Turks. His analysis emphasises the problems behind teamwork and involvement in the decision-making process which are regarded highly in corporate success. Turkish business culture may well be struggling in teamwork due to lack of real professionalism and diplomatic behaviour, low level of tolerance towards uncertainty and positive criticism. However, it also has certain qualities such as using body language in communication, helping each other, valuing friendship and family connections, which can also make teamwork efficient. It is obvious that organisations in Turkey do not excel in sharing information and knowledge as managers see knowledge as a positional power and source of dominance, therefore hesitate to share it with others. The general perception is that it would be ideal if the manager\(^\text{93}\) can correctly mix eastern and western managerial values.

Turkish work ethics\(^\text{94}\) were found to be very similar to Protestant work principles; in fact, Turkish managers apply Protestant work ethics more than the Protestants (Aslan, 2001). However, Aslan's research\(^\text{95}\) (2001) predominantly looked at religious managers from Turkey; therefore, the results of the study could not be generalised beyond this managerial group\(^\text{96}\). His research indicated that religious Muslim managers see work as worship and doing good for others though work is praised highly by Islam. Religious and cultural backgrounds are also linked to the negative attitude towards leisure activities. Waste is considered as a sin in Islam, therefore money and time saving are essential for Turkish managers from either religious or secular backgrounds (Aslan, 2001). In comparison, the

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\(^{93}\) See further details at the Appendix section K-130 for the general characteristics of the Turkish Managers in a detailed list.

\(^{94}\) "Work mentality is an attitude that emerges by the effect of values and knowledge that individuals, groups and institutions attain as the result of personal experience and cultural inheritance within a dynamic interaction. It explains the behaviours, interpersonal relations, tools, processes, structures, and systems used by these actors in order to reach their goals and changes depending on time and place" (Aldemir, C., Arbak, Y., Özmen, Ö., 2003. *Türkiye'de İşgörme Anlayışı: Tanımı ve Boyutları* Yönetim Araştırmalar Dergisi, 3(1), pp.5-28.).

\(^{95}\) Aslan's research (2001) compares Protestant English, Catholic Irish and Muslim Turkish managers with regards to five values; the importance of the work, task orientation, approach towards time and money saving, inner focus on control, spending free time.

\(^{96}\) As Aslan's research (2001) was based on and took place in a secular state, it was extended later on with secular Turkish managers. Nevertheless, it has to be said that religious Turkish managers are also influenced by Ataturk's leadership values as well as secular Turkish managers are affected by Islamic work ethics.
inner motivation to earn more, hence to work harder, may well be lower for European managers due to the living standards and stable economies in EU (Aslan, 1999). In short, the similarities of the Protestant work ethic observed among the Turkish managers can be explained by their belief system, and by the political and economic situation in which they work.

In their study on Turkey, Aldemir, Arbak and Özmen (2003) highlight contradicting Western style professional and rational work mentalities and status-oriented, mystic and hypocrite work mentality based on the inherent characteristics of the collective sub-consciousness of the traditional Turkish society. *Status orientation* is based upon traditional Middle Asian centralist values perfected by the Ottomans (Aldemir et al., 2003). The scholastic philosophy, a combination of collectivism, traditionalism and fatalism, is the essence of the *mystic work mentality*. Their study notes that *hypocrite work mentality* includes materialism, hypocrisy and favouritism. In essence, the presence of a positive relation within the western and local work mentality dimensions’ own groups supports the continuing existence of a dual cultural structure, while the negative relation (between western values and hypocritical and mystical work values) shows the contradictory aspects of this dualistic structure of the Turkish work mentality (Aldemir et. al, 2003). The general construction of the survey of this research included the perception differences between foreign investors and the local work force regarding work related values and work ethics.

### 2.3.4 Conclusions for Part 3

Based on historical data, it can be concluded that Turkey has evidently been an attractive market for foreign investors, yet it has not fulfilled its potential in this field due to multiple reasons. These have been identified as the lack of well-defined FDI policies and effective legislations, global and regional economic and political turbulences, ongoing global economic uncertainties and intense competition from other emerging markets.

However, Turkey’s geographical position as a gateway between Europe, the Middle East and Central Asia could offer additional market establishment and development opportunities for foreign investing companies. The Turkish domestic market alone is large and has an increasing purchasing power, yet it has stuck to the mid-income range compared to the developed countries. Foreign trade has seen steady growth since the mid-1990s; however,
the major trade partners are still from EU countries, particularly France, Germany, Italy and the UK. Outside of the EU, American and Japanese companies have been the most active in Turkey. Until recently, due to the foreign policy choices taken by the ruling elite, the created business opportunities with Islamic countries in the Middle East, Northern Africa and the Russian Federation have been dented due to the ongoing multi-dimensional conflicts in the neighbouring regions.

The structural reform program, started in 1999 under the IMF and the World Bank assistance, has made a positive impact on the economy during the recent financial recession period. Since the new millennium, the elected government has introduced liberalisation policies and political reforms together with a candidacy agreement with the EU; however, the pace of the reforms has not been as linear as intended to be. The Foreign Capital Incentives Law, number 6224, has been abolished and replaced by the new Foreign Direct Investment Law in 2003. This has been a significant step towards the removal of the disparity between domestic and foreign investors; however, poor implementation of the renewed legislation seems to be the main setback for Turkey. Furthermore, after the start of the wave of privatisations following the opening of its markets and the economic restructuring since 1980s, Turkey lost its momentum due to the prevalence of political and economic instability and bureaucracy. Since the beginning of the new millennium, Turkey's privatisation record has not been seen at a satisfactory level because of prevailing short-term policy orientation towards budgetary gratifications.

Turkey has been in involved in a modernisation and restructuring process since it became a republic in 1923; however, the historic ties with the Ottoman Empire still reflect upon Turkish business values, work ethics and management style. Contrary to the secularist administrations of the past, the current government’s neo-Ottoman geo-political view has been influential in emphasizing business values from the historical base and foreign investors need to adjust to this.

The Literature Review chapter tried to consult all the relevant culture based business studies and to evaluate the selected market Turkey's country profile. The research design and analytical path of any research project should have a specific methodological direction based on its research objective and framework. Therefore, the following Chapter 3-Methodology will provide justifications of the methodology used in this study.
3 Methodology and Research Plan

3.1 Introduction

The consideration of a research methodology is often shaped by the assumption that particular approaches to research are more appropriate to the topic and ought to be followed. It is often suggested that studies of human beings must necessarily employ only qualitative techniques that are true to the nature of their subjects (Ackroyd & Fleetwood, 2005). It has been claimed that a methodology which exclusively recommends quantitative techniques is generally preoccupied with measurement (Marsh, 1988) while a methodology which proposes qualitative techniques is preoccupied by meaning (Silverman, 2000). Hence, the theoretical lens97 adopted for this investigation has an important influence on the choice of the specific research method.

This chapter will discuss the justification of the methodology used in this research. The research design and analytical path of a study should demonstrate a methodological direction based on its research objectives. The proposed research road map98, as the analytical path, shows that this investigation objective is to evaluate the relationships between cross national cultural distances and foreign investing firms’ behaviours and strategies in Turkey. Therefore, the main goals of this chapter are to:

- Identify the research purpose and the unit of analysis
- Justify the selection of the methodology
- Describe the research context and discuss the data analysis, interpretation and presentation techniques. Discuss the ethical issues, the main limitations of the study and summarise the proposed methodological, theoretical and other contributions

The next subsection on the evaluation of the methodology will cover the main philosophical and theoretical assumptions adopted for this research.

97 Trauth (2001) refers theoretical lens as philosophical issues of epistemology and a choice among positive, interpretive and critical studies.

98 Chapter 1: Introduction- Diagram 1.1
3.2 Evaluation of the methodology

The impact of management studies largely depends upon the appropriateness and rigour of the research methods chosen (Mestdagh & Buelens, 2003). As the research road map demonstrates, this research proposes an empirical setting to investigate the relational path drawn from the literature and to evaluate the CD implications through the consecutive phases of market entry, integration and establishment. The research road map seeks to quantify the data for explaining the causal relationships and effects of national CD on the organisational behaviour and strategies of foreign companies wanting to invest in international markets. The approach followed for this investigation comprises qualitative research tools and techniques; however, quantitative information is also gathered for further conceptual validation. Hence, the proposed study incorporates both quantitative and qualitative triangulation of data where empirical findings show the level of significance of the national CD effects, and qualitative information is used towards a deeper understanding and interpretation of the phenomena under investigation.

Diagram 3.1 Evaluation of the research methodology diagram for the research paper

Source: Author
3.2.1 Research Purpose

This thesis follows the analytical research principles aiming to understand phenomena by discovering and measuring causal relations among them. In this study, the focus is on applying a conceptual analysis relating to when and how national cultural distance affects organisational strategies, activities, control and decision-making mechanisms in the different forms of participation of multinationals in international markets (specifically in Turkey). Based on this research purpose, multiple and longitudinal case study design has been employed in order to seek out generalisability of perceived causal relationships and/or common patterns among multiple cases via empirical generalisation and falsification of the existing literature.

3.2.2 Research Logic

Parkhe (1993) suggested that there are two major approaches to theory development: deductive theory testing and inductive theory building. The main difference between them was expressed as the deductive approach following the positivist paradigm while the inductive approach expressing the phenomenological one (Easterby-Smith et al. 1991).

In more detail, inductive approaches are intended to aid an understanding of the meaning in problems characterised by rich and complex data based on the development of categories from the raw data where the analysis is guided by specific objectives (Thomas, 2006). Hence, inductive research establishes clear links between the research objectives and the summary findings derived from the raw data to ensure that these links are both transparent and defensible. While the two processes of induction and deduction are clearly conceptually different, it is unlikely that any researcher could genuinely fully separate them in their research. Studies conclude, “Induction and deduction are linked research approaches” (Miles & Huberman, 1994, p.17) and more importantly “fact and theory are each necessary for the other to be of value” (Emory and Cooper, 1991, p.62). In this research, it is also true that the literature review based on culture studies has shaped the main structure of the research road map and quantitative research designs. The multiple & longitudinal case study design of this research seeking the crucial aspects of empirical generalisation and falsification is a further testimony that theory building and theory testing are interlinked.
In this research, the data analysis is determined by both the research objectives\(^99\) (obtained from a deductive approach) and the multiple readings and interpretations of the raw data (inductive) obtained through the interviews. Thus, the main findings are derived from both the research objectives outlined by the researcher and directly from the analysis of the raw data gathered through in-depth interviews. Inevitably, though, the findings are shaped by the assumptions of the researcher conducting the research and carrying out the data analysis.

3.2.3 Researcher’s Views

A research paradigm, an essential part of research design, aims to describe a researcher’s ontology, epistemology and methodology.

(i) Ontological view of the research

An ontological view is about the clarification of the researcher’s position about the nature of existence in science, the implicit and/or explicit presuppositions from which the research would be undertaken (Watkins & Mohr, 2001). This research takes a phenomenologist view where reality is a social construction and it is subjective as seen by the participants in a study. In a qualitative piece of research, the researcher is seen as an instrument that filters data through its own paradigms; consequently, this may well increase the possibility of the research becoming more intuitive and value laden.

This research is based on 12 case companies\(^100\), and is inspired by the critical realism paradigm; thereby, it is essentially inductive research. Realism, as proposed in the phenomenologist view, is the preferred paradigm for case study research as case study research areas are usually contemporary and pre-paradigmatic (Perry, 1998). The cultural distance concept itself has been evaluated in different quantitative studies as discussed in the Literature Review-Part I & II; however, its implications for MNEs’ behaviours and strategies have been inadequately explained within the cross-cultural studies. Therefore, a

\(^99\) The research objectives of this research have been defined as “to identify the modalities by which national cultural differences influence social interactions and strategies within a business organisation during the entry, integration and establishment phases of foreign investing firms in an emerging market?”

\(^100\) Initially the qualitative data were collected from 15 case companies, however after further assessments, the total number of case companies were reduced to 12 companies.
case study based research in this area could offer a better understanding of the culture implications for these strategies.

(ii) **Epistemological view of the research**

Epistemology, having knowledge as its object of study, is relevant for the clarification of the researcher's approach about knowledge creation. The researcher can take a view either building on the foundations of an accepted and rationally defensible theory of confirmation and inference; or by setting aside existing knowledge and approaching discovery from internal coherence. This dissertation's epistemological approach to knowledge creation adheres to the first of these views as its foundation is built upon the existing knowledge rather than ignoring previous studies on the national cultural distance concept. Nevertheless, the shortcomings of the existing knowledge in national CD implications for the international business strategies formed part of the motivation for this research and the chosen longitudinal case study design.

A case study approach nested within the *phenomenologist approach* is considered appropriate for this research as this view attempts to minimize the distance between the researcher and the object of the research. The phenomenological study, however, may be challenging to use because the participants in the study need to be carefully chosen individuals who have experienced the phenomenon; hence, filtering their personal experiences by the researcher may be difficult.

The research issues presented in the ‘Introduction’ and in the ‘Literature Review’ were ignored at the start of the semi-structured interviews. After the preliminaries, the starting question invited the participant to tell the story of their employment and job role regardless of the research topics of this thesis. By doing that, initial questions aimed to capture the participants' position within the company and how they describe their employers. Based on the realism paradigm of case study research, firstly, the interviews started as induction by the participant; then the analysis of their data, an effort of deduction, was carried out in line with the research objectives. Eventually, the findings were built upon the existing theoretical issues explored in the Literature Review.
(iii) Process of the research

The conceptual framework proposed in the ‘research road map’, is processed through qualitative research\(^\text{101}\) principles. Qualitative study is ‘an umbrella to cover an array of interpretive techniques which can describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world’ (Van Maanen, 1979, p.520). One of the greatest strengths of the qualitative approach is the richness and depth of explorations and descriptions (Myers, 2002). Richness within detailed data is gathered through open-ended questions that provide direct quotations and the interviewer is an integral part of the investigation (Jacob, 1988).

A qualitative study is a useful tool used in understanding and describing the world of human experience. By its nature, it emphasizes the importance of looking at variables in their natural settings and understanding by looking closely at people's words, actions and records. As a result, qualitative research examines the patterns of meaning which emerge from the data and these are often presented in the participants' own words. Overall, the ultimate aim of qualitative research is to offer a perspective of a situation and provide well-written research reports that reflect the researcher’s ability to illustrate the corresponding phenomenon. Qualitative research brings some advantages such as producing more in-depth and comprehensive information as it seeks a wide understanding of the situation under investigation. At the same time, this implies some limitations to the scope of qualitative research. One of the main criticisms against qualitative research is, in fact, that the subjectivity of the inquiry leads to difficulties in establishing the reality and validity of the approaches and of the collected information. Furthermore, it is very difficult to avoid the researcher seen as biased.

Qualitative research may well be interpretive\(^\text{102}\) depending upon the philosophical assumptions of the researcher (Klein & Myers, 2001). In addition to the emphasis on the socially constructed nature of reality, interpretive research acknowledges the intimate relationship between the researcher and what is being explored as well as the situational constraints shaping this process (Rowlands, 2003). The hermeneutic tradition of interpretive

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101 It is defined as ‘a qualitative study is defined as an inquiry process of understanding a social or human problem, based on building a holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting’ (Creswell, 1994, p.1).

102 The main assumption of the interpretive research is that “our knowledge of reality is gained only through social constructions such as language, consciousness, shared meanings, documents, tools and other artifacts” (Klein & Myers, 2001, p.69).
research suggests that all human understanding is achieved by iterating between considering the shared meaning of participants (Buker & Pinch, 1987). In this research, the participants have helped the researcher to understand the real-life experience of participants gained from working for, or with, foreign firms who have invested in Turkey. Furthermore, the very principle of *abstractions and generalisation* requires that insights should be derived by a particular theoretical lens acting as a sensitising device to view the world in a certain way (Buker & Pinch, 1987). This principle was attained through the researcher’s continuation of the analytic generalisation process by combining the findings with the existing cultural distance and FDI performance studies. In order to comply with this principle, this PhD thesis has been put under a comprehensive review by the supervisory team by completing three circles of revision. The *multiple interpretations* principle asks the researcher to present possible variations in participants’ interpretations. Multiple interpretations were achieved by a research design based on logical and intentional ways of comparing and contrasting differences in the participants’ narratives and incidents. The views of stakeholders were examined regarding their business interests rather than those of any of the researcher. Finally, the *suspicion* principle was also evaluated. The presence of a possible bias in the narratives collected from the participants and in the findings, was considered. Consequently, alternative explanations to the problem under investigation were taken into account as well.

### 3.2.4 Research Methods

The raw data used in this research, were initially collected from 15 case companies operating in the Turkish market. However, after the completion of the research analysis and during the revision period, the scope of the research was reduced to 12 case companies. Qualitative and quantitative data were both collected from these companies. These data sets have led to valuable insights into the research and practice of CD implications for the corporate strategies and behaviours in the international markets.

Multiple-longitudinal case design is a useful approach for studies capturing new layers of reality and developing new empirically valid theoretical and practical insights. This research follows the definition of a case study presented by Yin (2009) as ‘*an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident*’ (Yin 2009, p. 18). It involves an investigation of a single case or a small number of cases in their naturalistic contexts (Piekkari et al. 2009). Tsang (2014) points outs that unlike quantitative studies, case studies tend to focus on more variables of interest than data points, hence
researchers often rely on ‘multiple sources of evidence, with data needing to converge in a triangulating fashion’ (Yin 2009, p. 18).

Case study approach is rather fitting for this culture based research because case studies could ‘tease out ever-deepening layers of reality in the search for mechanisms and influential contingencies, and to peer into the box of causality to locate the factors lying between some critical cause and its purported effect’ (Gerring, 2007, cited in Tsang, 2014, p. 375). Our research objective was identified as investigation of “how” and “when” cultural differences influence multinational firms’ behaviours and strategies in an emerging market. By employing case study, this crucial research objective was fulfilled as case study approach creates the depth and detail necessary for capturing the ‘hows’ and ‘whys’ rather than only the ‘whats’ (Harrison & Easton 2004). The rationale of using multiple-case design, 12 case companies after a final reduction from total number of 15, is summarised by Yin (2009) as the ‘evidence from multiple cases is often considered more compelling’ (Yin 2009, p. 53). More importantly, a multiple case design provides ‘a stronger basis for generalisation’ (via empirical and falsification aspects in this research) than a single-case design (Tsang, 2014, p.376).

In this research, a combination of qualitative and quantitative approaches was applied as a methodological choice. Mixed method research is “a research design with philosophical assumptions as well as methods of inquiry” (Cresswell & Clark, 2007, p.5). Cresswell and Clark (2007) add that, as a methodology, it involves philosophical assumptions that guide the direction of collection and analysis of data and the mixture of qualitative and quantitative data in a single study. Studies in methodology emphasise the justification of combining both qualitative and quantitative techniques within a research approach (Denzin, 1989, Strauss & Corbin, 1990). This combination is to not only develop or extend theories and test their applications, but also to achieve triangulation between methods through enhancing the interview data with quantitative output. The differences among these two research approaches do not limit studies using one methodology; furthermore, combining these two approaches helps overcoming some inherent limitations in each of the methodologies used alone. The PhD project acknowledges this distinction and the research design is shaped accordingly so that the findings are based upon integrated methods in a single study.

3.3 Justification for the paradigm and methodology

In culture studies, mostly without exception, variables cannot be easily identified, and
theories are not readily available to explain behaviour of participants. By choosing the assumption of subjectivity and interpretive methods for research, this paper claims that the aspects of the phenomena under investigation were too complex to define and measure with standard instruments. By adopting an interpretive approach, it is assumed that the relationship between the national cultural distance concept and market entry, integration performance and market establishment phases of MNEs is not an objective phenomenon with known properties or dimensions. The research approach, accordingly, is consistent and compatible with the epistemological and ontological assumptions that the world and reality are interpreted by people as in the context of cultural distance concept in business practices observed by the participants.

The positivistic paradigm (quantitative research design) underlines the deductive approach by showing hypothesized relationships that are mostly obvious (Aaker et al., 2001). It seeks to quantify observable relations and to predict consequences through statistical observational studies. However, it is not set to reveal rich details of individual phenomena or derive more complex observable situations (Aaker et al., 2001). Furthermore, this technique may not be useful to compile a historical process involving changes (Morgan & Smircich, 1980). Meanwhile within the depth versus breath dilemma in business studies, the aim of a phenomenological paradigm (qualitative research design) is to get depth as it captures the richness of detail and nuance of the phenomena being studied (Hussey & Hussey, 1997).

We believe that positivistic methodologies may not be suitable to either match our research objective or answer the research questions. For instance, the proposed phase approach itself is cross-sectional in nature however positivistic cross-sectional study design only aims to take a snapshot of an ongoing situation. Therefore, its focus is on the existence of a possible correlation rather than on why a correlation exists (Hussey & Hussey, 1997). Positivistic experimental study design that generally seeks controlled environment in artificial settings can easily contradict our research objective, which set out to explore real life situations. A quantitative survey was also added to the mixed method research design allowing a sample of subjects to be drawn and studied in order to make inferences about the population.

Among the phenomenological methodologies, action research design was not chosen, as it is mainly suitable for research objectives that aim to find an effective way of bringing about a conscious change in a partly controlled environment (Hussey & Hussey, 1997). Whereas, a case study is an extensive investigation of a phenomenon of interest focusing on understanding the contextual factors within a selected research setting. Such an approach is
particularly useful in areas where there are existing theories or deficient body of knowledge which need to be challenged. Although a case study can produce stimulating and original results in business studies, accessing suitable organizations and deciding on the limitations for the research can be rather complicated and time-consuming (Hussey & Hussey, 1997).

The case study approach, in a specific form of multiple-longitudinal case study design, can explain complex and dynamic issues such as CD concept and its implications for multinational organisations; moreover, it is suitable for asking “how” and “why” questions by studying an organisation from different perspectives. The data can be collected from a large number of different qualitative and quantitative sources parallel to the proposed mixed methodology. Meanwhile the balance between depth and breadth has been carefully considered and the number of case companies to be investigated was decided to be no more than a maximum of 15. Despite the advantages offered by the case study approach, the time constraints have limited the number of selected case companies and participants from each case company; moreover, this research is conducted with reference to only one developing country, Turkey.

This PhD thesis makes a conscious attempt to combine both qualitative and quantitative techniques within the chosen research approach. Moreover, the proposed qualitative and quantitative combination is not only used to review or extend theories and test their applications but also to achieve triangulation between methods through enhancing rich interview data with the output of the quantitative survey. By combining these two approaches, one overcomes some inherent limitations characterising each of the methodologies when used alone. This combination is simply identified as the quantification of the qualitative measures and the use of quantitative data to strengthen field data/observations.

3.4 Research procedures and methods

3.4.1 Qualitative Research Design

The qualitative research method emphasises the exploration of the real interest in a complex situation and provides the intricate details of phenomena that are sometimes impossible to recompose through quantitative methods (Strauss & Corbin, 1990). Thereby qualitative methods can play a critical role in interpreting and understanding the complex interplay of institutional, cultural, organisational contexts characterising multinational enterprises’
business across international boundaries. The limitation of the qualitative techniques is related to the difficulty of building an elegant theory and theoretical specification when using rich and complex data (Eisenhardt, 1989). As a result, generalisation of the findings is the most difficult aspect of this research approach (Beedles, 2002).

As observed in the literature review, Part II, studies focusing on possible CD influences on MNEs' pre-market entry phase challenges have largely used quantitative methods for their analyses. However, studies with pre-market entry reasoning alone may not necessarily capture the full extension of national CD's business implications due to the relatively limited timings for socio-cultural interactions between people. The lack of a holistic framework in this CD-FDI studies and their heavy reliance on the statistical manipulations of empirical evidence meant that the identified gap in the literature could be better addressed with a qualitative case study design approach.

The analysis of text-based in-depth interviews is the most widely employed methodology for firm-level international business research. A qualitative research interview seeks to describe the meanings of central themes in the living world of the subjects. The main task in interviewing is to understand the meaning of what the interviewees say (Kvale, 1996). In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of informants to explore their perspectives on a particular idea or situation. However, there are a few limitations related to in-depth interviews, as they are prone to be seen biased. Furthermore, interviews can be a time-intensive evaluation activity because it takes time to conduct, transcribe the interviews and analyse the results (Boyce & Neale, 2006). Similar to arguments about the other qualitative techniques, when in-depth interviews are conducted, it is usually difficult to make generalisations because small samples are chosen and generally, non-random sampling methods are used. Nevertheless, in-depth interviews provide valuable information for investigations, particularly when supplemented with other methods of data collection. The following parts will explain the details of the qualitative research design used for this PhD project.

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103 Main stream studies such as market entry decision (e.g. OLI internationalisation model), the sequence of multiple FDI entries (Uppsala Model) and market entry mode selection (such as Jemison & Sitkin, 1986; Kogut & Singh, 1988; Erramilli, 1996; Barkema & Vermeulen, 1997; Tihanyi et al., 2005, Dow & Larimo, 2009).
Unit of Analysis

The unit of analysis refers to the extent to which the level of investigation of collected data focuses specifically on objects. There are no precise guidelines as to the number of cases to be included: “...The literature recommending the use of case studies rarely specifies how many cases should be developed. This decision is left to the researcher...” (Romano, 1989, p.36). Eisenhardt (1989) recommends that cases should be added until theoretical saturation is reached; Patton (1990, p.181) claims, “there are no rules” for sample size in qualitative research. There are however, different views on the ideal number of cases: Some advocate a minimum of two, but the usual view is that “in practice four to six groups probably form a reasonable minimum for a serious project” (Hedges, 1985, pp. 76). For the maximum, Hedges (1985) sets an upper limit of 12 because of the high costs involved in qualitative interviews and the quantity of qualitative data, which can be effectively assimilated. Miles and Huberman (1994, p. 30) suggest that more than 15 cases make a study “unwieldy”. Therefore, in this study, the unit of analysis has been a selection of 12 out of 15 case companies with foreign investors operating in the Turkish market. Moreover, theories related to the implications of cultural distance have been used in examining firm-based situations in a specific market and in the international business context.

Initially, a non-random sample group of case companies was selected from a large number of firms operating in the Turkish market with foreign capital. An accurate list of international companies operating in Turkey has been gathered from creditable sources: YASED (International Investors Association of Turkey) and the Ministry of Economy of the Turkish Republic. The purpose of the selection process was to identify multinationals that would ideally have international experience and whose Turkish subsidiaries would be matching the conditions of the multiple-longitudinal case design and 3-phase approach. Therefore, they were selected based on their length of operational existence in the Turkish market. The average subsidiary age for these 12 case companies was “25 active years” during the collection period; hence, they would present the evidence of all the investment stages, which were highlighted in the research objectives. Thirty companies were approached of which 15 agreed to participate in this research. After the completion of the proposed analysis, the total number of case companies featured in the thesis was reduced to 12, in line with

104 It is also covered in Chapter 2, Sections 2.1 and 2.2.

105 See assigned Appendix section in page J-127: Figure J-7 Number of companies with International Capital by the source of Turkish Under secretariat of the Treasury

106 Respective websites for the consulted sources are as follows: Ministry of Economy of the Turkish Republic, 2016. Available at: <http://www.economy.gov.tr>; YASED, 2016. Available at: <http://www.yased.org.tr>
recommendations on case study approach.

The chosen holistic approach for the investigation and the adapted research design have meant that a purposeful sampling technique was necessary to find case companies that would generate credible empirical evidence. In addition to their global network, all 12 multinational case companies included in this thesis have a significant operational background in the Turkish market. A multinational company can be considered as a type a living company that is very large and stretches across many cultures. A study concerning living companies has revealed that the average life span of a corporation is much shorter than its potential life span. The findings suggest that across the Northern Hemisphere, average corporate life expectancy was well below 20 years (de Geus, 1997). Only the large companies, after surviving infancy, tend to start expanding. This study also claims that living companies are very good at management for change. Hence, the holistic investigation based on phase approach included highly established Turkish subsidiaries of MNEs that have been arguably good at surviving as well as adapting the market related challenges including possible national CD influences. Their internationalisation experience and survival in the Turkish market could potentially become a moderating factor regarding possible national CD implications on their strategy making process. Furthermore, a holistic investigation based on qualitative data sets may face a degree of difficulty reaching historical data particularly for the initial stages of their market entry and integration phases. This, potential presence of a survivor principle, can be taken as one of the limitations of this research.

There were no main restrictions based either on the sector, location or on the home nationality of the investing firm for the selected group. The qualitative case study design in this research is set to cover multinationals operating in different sectors in Turkey (e.g. high-tech manufacturing, food & beverages, finance, tobacco etc.) It has to be taken into consideration that the degree of national CD influences of MNEs’ strategy and behaviours could differ in different sectors. For instance, a multinational corporation in food sector might face additional challenges related to national CD impact on its subsidiaries particularly when they introduce their products in different countries. Multinationals operating in the tobacco sector may have to adjust their international business strategies as different countries have different attitudes towards smoking and tobacco products. Meanwhile MNEs operating in

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107 The study was based on the Fortune 500 lists and the confirming data was from registries in North America, Europe, and Japan.

108 “The Living Company” is defined as a company that survives for more than a century (de Geus, 1997).
high-tech sectors could face different elements of national CD implications on their operations. Although our research acknowledges that sectoral cultural considerations may differ, it is not within the scope of this research to evaluate possible differentiation across sectors regarding the impact of CD on the MNEs’ decision-making. This limitation, however, indicates interesting research areas to be explored in the future.

Firms entering foreign markets may choose from a variety of different entry modes which are broadly classified as non-equity based (e.g. licensing and franchising, and exporting) or equity-based (e.g. equity joint ventures (JVs) and wholly owned subsidiaries (WOSs)) (Tatoglu, Glaister & Erdal, 2003). The researcher’s interest in this thesis is limited to the choice of equity-based entry modes, defined as investment that involves ownership and confers effective management control (Agarwal & Ramaswami, 1992), of which there are three types: wholly owned subsidiaries (WOS)\textsuperscript{109}, equity joint ventures (JVs)\textsuperscript{110} and acquisitions\textsuperscript{111} (Delios & Beamish, 2001; Woodcock, Beamish, & Makino, 1994; Yiu & Makino, 2002). Almost all the Turkish subsidiaries of the case companies had their head office located in Istanbul, in the Marmara Region, whereas their production facilities and service branches were in the Marmara, Central Anatolia, Aegean, Mediterranean and Black Sea regions. The variation created by foreign investing firms’ country of origins in this research has been, in a way, the reflection of the historical FDI inflow trends\textsuperscript{112}. Seven of the case companies had foreign investors from the EU region, four of the case companies had investors from North America and one of the case companies had investors from Asia and the Middle East Regions.

Figure 3.1 General overview of the participating case companies

\textsuperscript{109} A company whose common stock is 100% owned by another company, is called the parent company. A company can become a wholly owned subsidiary through acquisition by the parent company or spin off from the parent company. In contrast, a regular subsidiary is 51 to 99% owned by the parent company. (Investopedia Online Resource, 2016. Available at: <www.investopedia.com>.

\textsuperscript{110} An IJV (International Joint Venture) defined in this research is consistent with the definition of a JV used by the Turkish Commercial Code-6102, issued in 2003: “an affiliate where foreign equity ownership percentage ranges between10% to 50%.”.

\textsuperscript{111} It is defined as ‘a purchase of stock in an already existing company in an amount sufficient to confer control’, (Kogut & Singh 1988, p. 412).

\textsuperscript{112} Table J-4 FDI Inflow to Turkey by Region (2008-2012), Appendix page J-128
The case selection criteria were set according to the main research question and the research objectives: Identifying the modalities by which national cultural differences influence social interactions and strategies within a business organisation during the entry, integration and establishment phases of foreign investing firms in an emerging market. The main objective of the research is to investigate “how” and “when” cultural differences influence multinational firms’ behaviours and strategies in an emerging market. All the included Northern American investing MNEs brought significant contributions to our analysis as that there is a significant geographic distance and claimed national CD between home and host countries. A further valuable contribution was achieved via cross-case comparison as these MNEs differed with the selection of their entry mode and business sectors. Meanwhile, the EU based MNEs have created an analytical setting in which there was a close geographical proximity and varied national CD between home EU countries and hosting Turkey. Turkey’s geographic location in Eurasia and its unique national culture, historically derived from mid-Asia, together with the inclusion of the Asian investing MNEs gave another valuable research setting for the proposed analysis. Manufacturing based MNEs from different origins in Turkey provided a comparative setting to evaluate patterns of strategies and behaviours influenced by the national CD. Finally, MNEs operating in the Turkish tobacco sector from different origins (USA, EU and Asia) have a special research setting for the evaluation of patterns of strategies and behaviours influenced by the national CD.

In social studies, the representativeness of samples is often a practical matter rather than just an outcome of statistical procedures (Gobo et al., 2004). In this research, the social significance of the chosen sample (the selected case companies) is due to this sample’s

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113 See Appendix H for “Hofstede’s (1980) cultural dimension scores for 101 countries” and calculations based on Kogut and Singh’s (1988) Index of cultural distance formula which was based on the deviation along the first four dimensions of Hofstede’s (1980) framework. The calculations related to the national CD between the case company partners have been included in the analysis chapters of Chapter 4, 5 and 6.
compatibility with the research objective, rather than being based on pure statistical logic. The purposeful sampling technique has meant that among the large number of foreign invested MNEs operating in Turkey, 12 case companies with long establishment background in Turkey would fit the adapted holistic approach for the phenomena under investigation. In terms of generalisability of findings, in qualitative research, this concerns general structures rather than single social practices, which are only an example of this structure (Gobo et al., 2004). The researcher does not generalise one case that cannot recur but its main structural aspects that can be noticed in other cases of the same kind. It is also argued that, the goal of most qualitative studies is not to generalise but rather to provide a rich, contextualised understanding of some aspect of human experience through the intensive study of particular cases (Polit & Beck, 2010). Following these arguments, emerging observational patterns within the individual cases or emerging patterns within the cross-case comparisons could be taken as valid contextualised arguments that can be transferable also to other research settings.

In-depth interviews have been structured to cover the cultural distance implications for the foreign investing firms’ behaviour and strategies for all three phases. Firstly, the potential sources have been identified and then the key informants were approached. Additional participants from each case company were sought, when possible, during the data collection stage. The research study took place both in the UK and Turkey.

This research project has followed the international and national ethical research standards, including the initial Research Ethics Approval and periodic reviews by the ARU research ethics committee. Anglia Ruskin University requests researchers to follow its own Ethics Review Procedure for research involving human participants, human tissue/samples or access to sensitive/confidential information. As the qualitative data set was collected from the key participants from each case company and included some degree of sensitive and/or confidential information, the formal research ethics procedure was completed after the Research Proposal Approval stage of the research project. As a part of the process, the Ethics Review Checklist was consulted initially, which indicated that the research needed formal ethics approval from the Faculty Research Ethics Panel (FREP) of LAIBS. All necessary documents, including Ethics Application Form, Ethic Review Checklist, Participant Information Sheet and Participant Consent Form, were prepared and submitted to the Faculty Research Ethics Panel. After the research ethics approval was received in March 2011, the research had fulfilled its ethics requirements and gained momentum for the data collection stage.

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The multinational companies (MNEs) participating in this research are briefly introduced using an ID-Card format in the following section. Numbers presented for the subsidiary age and subsidiary employee numbers were specifically evaluated for the data collection period, financial year 2012. Nevertheless, all the secondary data were subject to availability within the credible corporate data sources.

Case 1: Introduction to FNSS

Table 3.1 - ID card for FNSS

<table>
<thead>
<tr>
<th>Business Line Active Years in Turkey Location(s) in Turkey</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Military Defence)</td>
<td>Joint Venture</td>
<td>850 (approx.)</td>
<td>1: HCN's</td>
<td>Management: PCN's &amp; HCN's</td>
<td>Greenfield</td>
</tr>
<tr>
<td>(25 years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ankara</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

USA Turkey PCNs: Parent Country Nationals HCNs: Host Country Nationals TNCs: Third Country National

Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.

FNSS Savunma Sistemleri A.Ş. (FMC-Nurol Savunma Sanayi A.Ş.) is one of the leading manufacturers of armoured combat vehicles and weapon systems for the Turkish Armed Forces (TSK). FNSS is a joint venture company owned 51% by Nurol Holding of Turkey and 49% by BAE Systems Inc. with facilities located in Ankara, Turkey. The initial joint venture agreement was signed on 1 July 1987 between the American FMC Corporation and the Turkish company FNSS. The joint venture was a significant step in the development of the Turkish defence industry, and it is still one of the major players in the sector.

Appendices A1-A15 present more detailed background information on the case companies.

BAE Systems was formed on 30 November 1999 by the £7.7 billion merger of British Aerospace (BAe) and Marconi Electronic Systems (MES) (BAE Systems, 2016, Available at: <http://www.baesystems.com/>).

There have been some organisational structure changes in the partnership, particularly the foreign investors. FMC Corporation has merged its activities in the field of Defense Industry with BMY – Harsco and the newly formed company is called as United Defense LP (UDLP). In 1997, United Defense LP is acquired by Carlyle Group and FMC Corporation is withdrawn from the field of defense. In October 2005, the capital structure of the company has changed.
Nurol Holding for the length of 10 year fixed. However, in 1997, the joint venture partnership was extended, the partnership structure was changed and FNSS has realized its first export\textsuperscript{117} to the Middle East region and Asian markets. FNSS employs approximately 850 recruits\textsuperscript{118} (as of March 2011) in the local and international production facilities. The FNSS joint venture partners have chosen a *Greenfield investment* for the production facilities, located in Ankara and the management of the subsidiary is shared\textsuperscript{119} between foreign expatriates and an increasing number of local managers.

Investing multinational, *BAE Systems Inc.* operates as a semi-autonomous business unit within one of the world’s largest defence contractors BAE Systems plc, a British defence and aerospace company, controlled at a local level by American management. BAE Systems Inc. employs 88,200 employees\textsuperscript{120} worldwide. The headquarters of BAE Systems Inc. located in Arlington/ Virginia-USA, whereas the headquarters of BAE Systems plc. is in London-UK.

**Case 2: Introduction to DANONE**

*Table 3.2- ID card for DANONE*

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Active Years in Turkey</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Waters, Fresh Dairy Product, Baby Nutrition)</td>
<td>15 years</td>
<td>Danone Venture</td>
<td>1200 (approx.)</td>
<td>1: HCN’s</td>
<td>Management: HCN’s &amp; PCN’s</td>
<td>Greenfield + Brownfield Acquisitions</td>
</tr>
<tr>
<td>Istanbul, Adana, Ankara, Izmir, Antalya</td>
<td></td>
<td>Danone Tikveshi</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sabanci Holding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

\textsuperscript{117} FNSS’s export markets, starting from 1997, include Saudi Arabia, United Arab Emirates, Philippines and Malaysia (FNSS Ltd., 2016, Available at: <www.fnss.com.tr>).

\textsuperscript{118} FNSS total number of workforce in listed in, Nurol Holdings, 2016. Available at: <www.nurol.com.tr/ >

\textsuperscript{119} The managerial positions have been filled with more host country nationals in recent years however the executive management positions are still being filled with assigned expatriates (See the related transcript sections in the appendix B-12).

\textsuperscript{120} BAE System’s Plc. employee numbers are as of 31 Dec 2012. The company has 34,800 employees in the UK and 37,300 employees in the USA (BAE System Plc., 2016,. Available at: <www.baesystems.com>)
Groupe Danone has entered the Turkish market as the dairy products and bottled water producer with a Turkish industrial conglomerate Sabanci Holding, consequently DanoneSA was established in March 1997 as a joint venture. During its integration period, DanoneSA made a significant number of acquisitions as well as some Greenfield investments in the Turkish market. Despite the initial joint venture establishment in Turkey, investing Groupe Danone has become the sole owner of the Turkish subsidiary in 2003 by a mutual agreement with its Turkish partner\textsuperscript{121}. The Turkish subsidiary hires, approximately, up to 1000 workers in the production and sales facilities in various parts of Turkey, however the subsidiary headquarters is in Istanbul-Turkey\textsuperscript{122}. The management of the subsidiary is shared between home and host country nationals following a strategy of expatriation of the key executive managerial positions\textsuperscript{123}.

The Groupe Danone is a French food-products multinational corporation focusing on dairy, beverage and cereals. It was initially founded in Barcelona, Spain in 1919, and then the business was carried to France in 1929. Groupe DANONE’s headquarters is based in Paris; this French multinational operates in five continents, 120 countries with 160 production facilities and recruits around 80 000 employees in worldwide\textsuperscript{124}.

Case 3: Introduction to BAT

Table 3.3 ID card for BAT

\textsuperscript{121} See Appendix A-4 for more detailed information on Danone and the related transcript sections in the B-15-18.

\textsuperscript{122} See Appendix A-4 for more detailed information and the subsidiary’s official website on (Danone Turkey, 2016. Available at: <www.danone.com.tr>)

\textsuperscript{123} See the related transcript sections in the B-15-18.

\textsuperscript{124} See Appendix A-4 for more detailed information and parent company’s official website on (Danone Group Ltd., 2016, Available at: <www.danone.com>)
**British American Tobacco (BAT)** entered the Turkish market in 1987 through exporting its principal brands via the local distributors; however, its first Turkish factory was built in Tire-Izmir in 2002. In June 2008, BAT completed its acquisition of the cigarette business assets of **TEKEL** (the Turkish state-owned tobacco company). The head office of the Turkish subsidiary has been in Istanbul since the entry period; nevertheless, BAT has moved its production facilities to the recently modernized TEKEL’s factory in Samsun, focusing on a production range of Tekel and BAT brands in 2010 and it closed its own factory in Izmir. The subsidiary employs around 2000 staff members and the subsidiary management team includes home, host and third country nationals.

**BAT** was formed in 1902, as a joint venture between the UK’s Imperial Tobacco Company and the American Tobacco Company. Despite its name, BAT was established to trade outside both the UK and the USA. It grew from its roots in dozens of countries across Africa, Asia, Latin America and continental Europe. BAT has 46 cigarette factories in 39 countries and it employs more than 55,000 people worldwide with brands sold in around 180 markets.

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125 The acquisition has meant that BAT has owned the Tekel’s cigarette brands with market share of 29% measured in 2007, its 6 factories. See Appendix A- 3 for more details on the BAT’s operations in Turkey and the related transcript sections in the B-20-24.

126 Objectif Haber Magazine, 2010. *BAT is closing its Tire factory*, 22 Jan., Available at: [www.objektifhaber.com](http://www.objektifhaber.com)

127 See Appendix A-4 for more details on the BAT’s operations in Turkey and the related transcript sections in the B-20-24. See also BAT’s Turkish subsidiary official web site (BAT Ltd, 2016, Available at: [www.bat.com.tr](http://www.bat.com.tr))
BAT applies a regional management strategy for its international subsidiary network however; its main headquarters is in London, UK.

**Case 4: Introduction to TOFAS**

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Manufacturing</td>
<td>Joint Venture (Licensed)</td>
<td>8200</td>
<td>1: (HCN)</td>
<td>Management: PCN's &amp; HCN's</td>
<td>Greenfield</td>
</tr>
<tr>
<td>(Active Years in Turkey) (Car Manufacturing) (45 years) (Bursa)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FIAT 37.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>KOC H. 37.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 3.4 ID Card for TOFAS**

<table>
<thead>
<tr>
<th>Country</th>
<th>Identification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.</td>
</tr>
<tr>
<td>Turkey</td>
<td>PCNs: Parent Country Nationals HCNs: Host Country Nationals TNCs: Third Country National</td>
</tr>
</tbody>
</table>

**TOFAS** (acronym for *Turk Otomobil Fabrikası Anonym Şirketi*) is a Turkish car producing company based in Bursa, Turkey; the partners built its production plant as a Greenfield investment and head office is in Istanbul. TOFAS was founded as a joint venture in 1968. As a joint stock company, TOFAS is jointly owned by Fiat and Koc Holding. TOFAS is one of the main manufacturers of the Turkish automotive industry today with its production capacity of 400,000 units per year; additionally, it has also become an exporter by manufacturing for five brands in its factory in Bursa. TOFAS employs around 8200 staff and the management team includes home and host country nationals with the strategy of expatriation of executive managerial positions.

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128 See Appendix A-4 for more details on the BAT’s operations in Turkey and the related transcript sections in the B-21, 22, 23. The given informative numbers are taken from BAT’s own official website (BAT Plc., 2016. Available at: <www.bat.com>) and the Turkish subsidiary’s official website (BAT Ltd, 2016. Available at: <www.bat.com.tr>)

129 37.8% of TOFAS’s shares belong to Fiat Group Automobiles; 37.8% to Koc Holding; and 24.3% to others. The given informative numbers are taken from TOFAS’s own official website (TOFAS, 2016. Available at: <www.tofas.com.tr>)

130 See Appendix A-4 for more details on the TOFAS’s operations and the related transcript sections in the B-24, 25. The given informative numbers are taken from TOFAS’s own official website (TOFAS, 2016. Available at: <www.tofas.com.tr>)
The investing firm Fiat, based in Turin, Italy, is an international auto group that designs, produces and sells vehicles for the mass market under the Fiat, Alfa Romeo, Lancia, Abarth and Fiat Professional brands. It was founded in 1899 in Italy and it has expanded its presence with numerous acquisitions\(^\text{131}\) during its long history: FIAT employs around 215,000 employees (as of 2012) locally and internationally\(^\text{132}\).

**Case 5: Introduction to FAURECIA**

### Table 3.5 - ID card for FAURECIA

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Car Component Manufacturing)</td>
<td>Wholly Owned Subsidiary</td>
<td>300-400</td>
<td>1: HCNs</td>
<td>Management: HCNs</td>
<td>Greenfield</td>
</tr>
<tr>
<td>(13 years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bursa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.*

_Faurecia_ entered the Turkish automotive sector in 2000 with a Brownfield investment, located at the heart of the Turkish automotive centre in Bursa, Turkey. Being a supplier to Renault and Ford car manufacturers, Faurecia has also invested in building a new factory in Golcuk in 2012, specifically for Ford's new transit production investment in the Turkish market. Faurecia recruits around 400 workers in its Turkish subsidiaries and its head office is

---


\(^{132}\) The given informative numbers are taken from FIAT's own official website (FIAT S.p.a., 2016. Available at: <www.fiatspa.com>).
in Istanbul\textsuperscript{133}. The management of the Turkish subsidiary has been shared by the host country nationals with strategy of periodic inspections by the parent company\textsuperscript{134}.

Faurecia, one of the largest international automotive parts manufacturers, was founded in 1997 and produces vehicle interiors and emission control technology. Faurecia’s headquarters is in Nanterre, France; it employs 94,000 people over 320 production sites and 30 R&D centers in 34 countries worldwide\textsuperscript{135}.

Case 6: Introduction to JTI

Table 3.6 ID card for JTI

<table>
<thead>
<tr>
<th>Business Line Active Years in Turkey Location(s) in Turkey</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Tobacco) (14 years) Izmir</td>
<td>Wholly Owned Subsidiary</td>
<td>2000</td>
<td>1: HCN’s</td>
<td>HCN’s and TNC’s</td>
<td>Acquisitions</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PCNs: Parent Country Nationals  
HCNs: Host Country Nationals  
TNCs: Third Country National

Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.

The acquired American R.J. Reynolds’ trade relations started in 1990 in Turkey through export entry mode. R.J. Reynolds’ first Greenfield investment, Izmir Torbali factory, started its operations in 1993. In 1999, due to the organisational change, JTI (Japan Tobacco International) has become the whole owner of the Izmir factory that is one of the five biggest plants of the 32 factories of JTI, employing around 2000 people. The management of the

\textsuperscript{133} See Appendix A-6 for more details on Faurecia’s operations in Turkey and the related transcript sections in the B-36, 37.

\textsuperscript{134} See the related transcript sections in the B-35.

\textsuperscript{135} The given information is taken from Faurecia’s own official website (FAURECIA, 2016. Available at: \texttt{<www.faurecia.com>})
Turkish subsidiary is shared between host and third country nationals and the head office of the subsidiary is in Istanbul\textsuperscript{136}.

JTI was formed in 1999 when JT (Japan Tobacco Inc.) acquired the non-US operations of tobacco company R.J. Reynolds. JTI is the international division of the Japan Tobacco Inc\textsuperscript{137} and it handles the international production, marketing and sales of the group's cigarette brands, particularly R.J. Reynolds brands outside the USA. Through additional cross-border acquisitions, the parent company and its international division have over 48,000 employees\textsuperscript{138} and operations in 120 countries. JTI's headquarters are in Geneva, Switzerland.

**Case 7: Introduction to MERCEDES BENZ TURK**

Table 3.7 ID card for MERCEDES-BENZ TURK

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Vehicle Manufacturing</td>
<td>Wholly Owned Subsidiary</td>
<td>2800</td>
<td>1; (HCN's)</td>
<td>Management:</td>
<td>Greenfield</td>
</tr>
<tr>
<td>Location(s) in Turkey:</td>
<td>Daimler AG, Germany</td>
<td></td>
<td></td>
<td>HCN's + PCN's</td>
<td></td>
</tr>
<tr>
<td>[27 years]</td>
<td>Menger &amp; Has Holding, Turkey</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Istanbul, Turkey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.

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\textsuperscript{136} The given information is taken from JTI's own official website (JTI Ltd., 2016. Available at: <www.jti.com>). See Appendix A-6 and the related transcript sections in the B-39.

\textsuperscript{137} Japan Tobacco is the successor entity to a nationalized tobacco monopoly first established by the Japanese government of Japan in 1898 (JTI Ltd., 2016. Available at: <www.jti.com>).

\textsuperscript{138} The parent company JT employs over 48,000 people, as of 2012, which covers the international division JTI's number of employees around 25,000, as of 2012, (JTI Ltd., 2016. Available at: <www.jti.com>).
Mercedes-Benz Turk was established in Istanbul in 1967 under the name of Otomarsan; this joint venture had three major investors: Daimler Benz AG (36%), HAS Otomotiv A.S. (32%) and Mengerler A.S. (32%). In 1986, parallel to the growth potential of Turkey, the truck plant started production in Aksaray, Ankara. In November 1990, the company name Otomarsan was changed to Mercedes-Benz Turk and in 1999, Daimler AG has purchased the shares of its local partner Mengerler A.S. Due to increasing export activities Mercedes-Benz Turk established a new bus plant in Hosdere/Istanbul in 1994 and announced further investment plans in 2016. Mercedes-Benz Turk employs around 2,800 personnel in Turkey and the head office is in Istanbul, Turkey. The management of the subsidiary is shared between home and host country nationals however due to the international network of the parent company third country national managers were also involved in Turkey over the long establishment phase of the subsidiary.

The German multinational automotive corporation, Daimler AG is headquartered in Stuttgart, Germany, and produces large trucks, buses and automobiles. It was founded in 1926 as a merged company under the name of Daimler-Benz-AG. The long history of the corporation saw, the merger deal with American Chrysler Corporation in 1998 and the sale of Chrysler in 2007 and the purchase by Italian FIAT in 2009, therefore the company name was changed to Daimler AG in 2007. It employs, as of 2012, over 275,000 people in the world.

Case 8: Introduction to PHILSA

Table 3.8 ID card for PHILIP MORRIS SABANCI Cigarette and Tobacco Inc.

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139 The Turkish division of Mercedes-Benz announced plans to significantly upgrade its truck plant in the Central Anatolian province of Aksaray. The EUR 113 million-investment in the plant will nearly double the production capacity and create 1,200 new jobs over the next three years. The company's Aksaray plant produced a total of 19,866 trucks in 2015, its highest annual figure to date. The production will rise to 34,000 vehicles over the next three years. Mercedes-Benz Türk exports trucks of various size and capacities to 58 countries from the Aksaray plant. Active in Turkey since 1967, Mercedes-Benz Türk also has a bus production plant in Hoşdere, Istanbul, which houses an R&D center and an IT service center. (Invest in Turkey, The Republic of Turkey Prime Ministry Investment Support and Promotion Agency, 2016. Mercedes-Benz doubling capacity at Turkish truckplant, 16 Feb. Available at: <http://www.invest.gov.tr/en-US/infcen/news/Pages/160216-mercedes-benz-doubling-capacity-turkish-truck-plant.aspx>)

140 The given information is taken from Mercedes Benz Turk’s official website: (Mercedes-Benz Turk, 2016. Available at: <www.mercedes-benz.com.tr>) and see the related transcript sections in the B-46, 47.

141 See the related transcript sections in the B-46, 47.

142 The given information is taken from Daimler AG’s official website: (Daimler AG, 2016. Available at: <www.daimler.com>)
Philip Morris International has two operational subsidiaries in Turkey: PHILSA (Philip Morris Sabanci Cigarette and Tobacco Inc.) is established to produce the PMI brands and Philip MorrisSA is established for the sales and distributions. PhilSA, manufacturing joint venture between Philip Morris International (75%) and Sabancı Holding (25%), was established in 1991 and the production facility in Izmir-Torbali started to produce Philip Morris brands. Philsa claims to be the market leader in the Turkish cigarette market with a market share of 42.4% in 2011. PMI’s Turkish subsidiary is headquartered in Istanbul and employs approximately 2000 people in Turkey. The management team is shared between host and third country nationals.

Philip Morris International (PMI) is one of the leading international tobacco companies in the world with products sold in approximately 180 countries. It was founded in London in 1847 and in 1902, the company’s ownership was shared between British and American partners. From 1919, the company has established itself in the USA market and became an American

---

143 Torbali factory is the 4th biggest production facilities of PMI in terms of capacity and was selected the best production factory in 2012. With approximately 750 employees the factory manufactures 123 different cigarette products for the Turkish market and for export markets. Led initially by Marlboro, but with a portfolio that was extended step by step to all the price categories in the blended segment, PMI gradually improved its position in the Turkish cigarette market and overtook Tekel to become the market leader in 2005. Its distribution network serves around 143 thousand sales outlets in approximately 81 cities throughout the country (Philip Morris Plc., 2016. Available at: <www.pmi.com>).

144 The given information is taken from the Turkish subsidiary’s own official website: (Philip Morris, Philip Morris Cariyer, 2016. Available at: <www.pmkariyer.com>)

145 Talu., T., 2009, Philip Morris International, Presentation by the Managing Director, June, Available at: <http://www.pmi.com/eng/media_center>
brand despite its roots in the UK. PMI recruits around 87,000 people worldwide and it is headquartered in New York City, USA.\footnote{The given information is taken from the parent company Philip Morris International’s own official website: (Philip Morris Plc., 2016. Available at: \(<www.pmi.com>\)).}

### Case 9: Introduction to EXPEDITORS

#### Table 3.9 ID card for EXPEDITORS

<table>
<thead>
<tr>
<th>Business Line Active Years in Turkey Location(s) in Turkey</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Logistic) (\cdots) (10 years) (\cdots) (\cdots) Ankara, Istanbul, Izmir, Mersin</td>
<td>Wholly Owned Subsidiary</td>
<td>Approx. 250</td>
<td>1: (Dual National)</td>
<td>Management: HCNs</td>
<td>Greenfield</td>
</tr>
<tr>
<td>Expeditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOPAK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.

Expeditors International entered Turkey in 2003 by acquiring the local business TOPAK; it has opened six branches in four different cities in Turkey and employs around 250\footnote{The total number of employees in the Turkish subsidiary is as of 2012.} local staff in the Turkish subsidiary. The management of the subsidiary is shared by the host country national\footnote{See the related transcript sections in the B-51-531}.

Expeditors International is a global logistics company whose services include air and ocean freight consolidation and forwarding, vendor consolidation, customs clearance, cargo insurance, distribution and other value-added logistics services. Expeditors International, headquartered in Seattle, Washington, employs over 13,000 trained professionals in a worldwide network of over 250 locations across six continents\footnote{The given information is taken from Expeditors’ own official website: (Expeditors Plc., 2016. Available at: \(<www.expeditors.com>\))}. 

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146 The given information is taken from the parent company Philip Morris International’s own official website: (Philip Morris Plc., 2016. Available at: \(<www.pmi.com>\)).

147 The total number of employees in the Turkish subsidiary is as of 2012.

148 See the related transcript sections in the B-51-531

149 The given information is taken from Expeditors’ own official website: (Expeditors Plc., 2016. Available at: \(<www.expeditors.com>\))
Case 10: Introduction to AMYLUM NISASTA

Table 3.10 ID card for AMYLUM NISASTA

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Food &amp; Beverages)</td>
<td>Wholly Owned Subsidiary</td>
<td>250 (approx.)</td>
<td>1: (HCN1)</td>
<td>Management: HCN1</td>
<td>Brownfield acquisition</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Business Location</th>
<th>Parent Companies</th>
<th>Host Country Nationals</th>
<th>Third Country Nationals</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td>Amylum Group</td>
<td>Host Country Nationals</td>
<td>Third Country Nationals</td>
</tr>
</tbody>
</table>

Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.

Based in Adana, Turkey, Amylum Nisasta is a Turkish subsidiary of the joint venture between British Tate & Lyle PLC and American Archer Daniels Midland Company (ADM). Amylum Nisasta was established in 1989 and began producing starch and glucose syrup in 1992. Initially the Belgian investing firm Amylum Group entered Turkey with local partner Paksoy Group and modernized their production facilities eventually this group became the sole owner of the business.\footnote{150} In 1994, the company joined Eaststarch\footnote{151} ((a joint venture between the Amylum Group, at that time a part-owned subsidiary of Tate & Lyle PLC, and Archer Daniels Midland Company (ADM))\footnote{152}. Amylum Nisasta’s head office is also located in Adana, it employs approximately 250 people and the host country nationals control the management of the subsidiary. During the integration period with the Belgian Amylum Group, however, the management also included expatriates from Belgium and other third country nationals.\footnote{153}

\footnote{150} See the related transcript sections in the B-53, 54.  
\footnote{151} Eaststarch is headquartered in the Netherlands and operates wet corn mills in Bulgaria, Hungary, Slovakia and Turkey.  
\footnote{152} The given information is taken from Amylum Nisasta Turkey’s official website: (Amylum Nisasta Turkey, 2016, Available at: <http://amylumnisasta.com/>).  
\footnote{153} See the related transcript sections in the B-54, 55.
Prior to being acquired, Amylum Group had over 125 years of experience in the production of starches and starch derivatives in 12 plants throughout Europe\textsuperscript{154}. In 2000, the British company Tate & Lyle acquired full ownership of the Amylum Group. Consequently, at the time of writing, Amylum Nisasta is under the joint ownership of Tate & Lyle and ADM. \textit{Tate & Lyle PLC} is one of the global leaders in carbohydrates since 1921. As a result of the acquisition of the minorities of the Amylum Group in August 2000, Amylum Nisasta has also become a part of the Tate & Lyle family. \textit{Tate & Lyle PLC} is headquartered in London and employs over 5000 people\textsuperscript{155}. Archer Daniels Midland (ADM) Company is one of the largest agricultural processors in the world; it was founded in 1902 and incorporated in 1923. ADM is headquartered in Decatur, Illinois, USA; recruits around 30,000 people and operates processing and manufacturing facilities across the United States and worldwide\textsuperscript{156}.

**Case 11: Introduction to OLMUKSAN IP**

Table 3.11 ID card for OLMUKSAN IP

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Active Years in Turkey</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Paper Packaging, manufacturing)</td>
<td>14 years</td>
<td>Joint Venture</td>
<td>1000 (approx.)</td>
<td>1 (HCN's)</td>
<td>Management: HCN's</td>
<td>Acquisitions</td>
</tr>
<tr>
<td>Edime, Corum, Bolu, g微博, Izmir, Adana, Bursa, Corum, Manisa, Antalya</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USA</th>
<th>Turkey</th>
<th>PCNs: Parent Country Nationals</th>
<th>HCNs: Host Country Nationals</th>
<th>TNCs: Third Country National</th>
</tr>
</thead>
</table>

Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.

\textsuperscript{154} In Western Europe, Amylum is present in Belgium (headquarters of the Amylum Group in Aalst), the Netherlands, France, United Kingdom, Spain, Italy and Greece; in Eastern Europe, Amylum has joint ventures in Slovak Republic, Romania, Hungary, Bulgaria and Turkey. The given information is taken from Amylum Nisasta Turkey’s official website: (Amylum Nisasta Turkey, 2016, Available at: \texttt{<http://amylumnisasta.com>}).

\textsuperscript{155} The given information is taken from the Tate&Lyle’s own official website: (Tate & Lyle Plc. 2016. Available at: \texttt{<www.tateandlyle.com>}). The number of work force is as of 2012.

\textsuperscript{156} The given information is taken from the ADM’s own official website: (ADM Plc., 2016, Available at: \texttt{<www.adm.com>}). The number of work force is as of June 2012.
International Paper (IP) entered Turkey through a joint venture that manufactures corrugated packaging products and operates under the name of Olmuksa-International Paper in 1998. In 2010, Olmuksan IP acquired British DS-Smith’s operations in Turkey. In 2013, IP finalised the acquisition of a 43.7% stake in the Turkish joint venture company Olmuksa owned by the JV partner Sabanci Holding\(^{157}\). Olmuksa production facilities are in Edirne, Adana, Bursa, Manisa, Izmir, Antalya, Corlu and Corum. IP’s Turkish subsidiary, headquartered in Istanbul, employs around 1000 people and the management is shared mostly between the local managers\(^{158}\).

International Paper (IP) is a global paper and packaging company with manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Its businesses include uncoated papers, industrial, and consumer packaging. IP is headquartered in Memphis, Tennessee, USA and employs over 61,000\(^{159}\) workers.

Case 12: Introduction to HSBC BANK

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Mode of Entry &amp; Ownership</th>
<th>Number of employees in Turkey</th>
<th>Participants</th>
<th>Management Profile</th>
<th>Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Years in Turkey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location(s) in Turkey</td>
<td>Wholly Owned Subsidiary</td>
<td>6000</td>
<td>1:</td>
<td>Directors:</td>
<td>Greenfield &amp; Acquisitions</td>
</tr>
<tr>
<td>(Business Finance)</td>
<td></td>
<td></td>
<td>(HCN’s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(23 years)</td>
<td>HSBC Pk.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3.12 ID card for HSBC Bank

UK

PCNs: Parent Country Nationals
HCNs: Host Country Nationals
TNCs: Third Country National

Source: Information is collected from the official websites of the companies involved and the qualitative primary data by the author.

\(^{157}\) The transaction sees International Paper become the majority shareholder, holding approximately 87.5 percent of Olmuksa-IP partnership. After the shareholders meeting in 2013, the company has changed its name to “Olmuksan International Paper”.

\(^{158}\) The given information is taken from Olmuksa-IP’s official website (www.olmuksan-ipaper.com) the number of work force is as of Dec 2012.

\(^{159}\) The given information is taken from IP’s official website (http://internationalpaper.com/); the number of work force is as of 2011.
HSBC Bank (The Hong Kong and Shanghai Banking Corporation) has been established in Istanbul as Midland Bank Inc. with 100% foreign capital in 1990; it was renamed HSBC Bank A.S. in 1999. In October 2001, HSBC Bank A.Ş. acquired Demirbank A.S. of Turkey from the Turkish financial regulator. In 2006, HSBC Bank A.Ş. started its organic growth based on investments in Turkey by opening new branches and employing over 6000 people. The Turkish subsidiary is headquartered in Istanbul and the management team includes home and host country nationals.

HSBC Limited was founded in 1865 in Hong Kong and developed within the Asian markets; however, it is headquartered in London, UK. The HSBC group was founded in London in 1991, has around 7,200 offices in 85 countries and territories across Africa, Asia, Europe, North America and South America. It employs over 260,000 people worldwide.

(ii) Selection of Key Informants

As emphasised in the previous section, it was imperative to select an appropriate and knowledgeable key informant(s)/participant(s) who held a relevant position allowing this informant to observe and assess the cultural distance features affecting social interactions, organisational behaviours and the business strategies in the foreign invested case companies in the Turkish market. The selection criterion is that such key informant(s) should have certain qualities (e.g. language skills, higher education etc.) and observational opportunities provided by their specific job role. Their job role would allow their direct involvement in communicating and in dealing with the assigned expatriates, so that these key

Prior to 2000 financial crisis Demirbank was the 5th biggest bank in the Turkish financial market. During the crisis in 2000, Demirbank’s high level of government bond stock with low interest rate was reported as the main reason for its downfall in the market. Demirbank’s administrative control was taken over by the financial regulator TMFS (Tasarruf Mevduati Sigorta Fonu) in October 2000. Demirbank was sold to HSBC Bank Plc. by TMFS for 350 million dollars in October 2001. (Hurriyet Daily News, 2002. Devlet kağıdına yattı iki bankasını kaybetti, 31 Oct, Available at: <http://www.hurriyet.com.tr/devlet-kagidina-yatti-iki-bankasini-kaybetti-38426641> )

In 2010 has had 333 branches in Turkey with 3.5 million customers and employed 6483 staff (HSBC Turkey, 2016,. Available at: <www.hsbc.com.tr>)

See the related transcript sections in the B-66

The given information is taken from HSBC Group’s own official website: (HSBC Holding Plc., 2016. Available at: <www.hsbc.com>) and HSBC Holdings Plc publications, 2012 Results.

Each informant job role is explained in the transcripts in details, See appendix section for the interview transcripts pg B11-B71
informants would be able to discuss from an informed point of view, the foreign investors' decision making and strategies in the Turkish market. Keeping these qualification criteria in mind, the key informants selected for this study were the executive managers or any other responsible person within the firm who was actively involved in the managerial decision-making process. These high-ranking informants were considered more reliable and their selection enabled standardisation of information across the firms. Since the in-depth interviews with the key respondent were centred on assessing the cultural distance implications, it was necessary to choose an informant qualified enough to assess the possible national CD effects on the organisational behaviour and strategies with a high degree of accuracy and reliability because of their work experience. While conducting the interviews, informants were instructed to keep in mind their experience regarding dealing with the foreign investors or assigned expatriates. Overall, interviews were conducted with the qualified local managers who had specialised knowledge regarding the information sought and of key interest for the study.

(iii) Measurement of Construct

An interview protocol\textsuperscript{165}, the rules that guide the administration and implementation of the interviews, was developed to prevent the interviewees from drying up. These instructions were followed for each interview to ensure consistency between them, and thus to increase the reliability of the findings. An informal, conversational interview type was considered appropriate for the research. Therefore, the interviews were conducted in a semi-structured way as much as the respondents would allow and interactive questions were grouped under three phases as illustrated in the research road map\textsuperscript{166}: Market Entry, Market Integration, and Market Establishment. Every interview had the potential to develop in different ways, which the researchers tried to encourage, aiming to impose minimum constraints on potential topics of interest (Miles & Huberman, 1994; Vaara, 2002; Yin, 1994). The types of topics in questions were:

- **Opinions**: what a person thinks about the concept/topic,

\textsuperscript{165} See Appendix section in pages F-84 for the General Framework for the in-dept interviews

\textsuperscript{166} See the research road map in the Introduction Chapter, Section 1.5
• **Knowledge**: to get facts about the relevant concept/topic. Some of the questions traditionally used in the international business literature were pursued (motives for market entry, motives for specific market entry mode, problems, organisational and national cultural issues), but the available time given to these answers was determined by the interviewees.

Some *open probe questions* related to culture were asked to ensure in case the participant addressed these in each stage, namely market entry, integration and establishment phases. The probe questions were initiated with “How...?” or “Would you tell me...?” so that they would not be answered with a yes or a no type of short answer. Moreover, probe questions were mostly inserted into the words used by participant. The probe questions formed the major part of the prepared interview protocol, which provided a reliable framework for cross-case analysis of data.

• **Introduction**: According to the interview protocol, a warm-up section was prepared to inform the participants about the research subject, confidentiality rules, expected duration of the interview, and the modalities according to which it was going to be conducted. As a part of the *Research Ethics Procedure*, the participants were presented with the "Participant Information Sheet" and "Participant Consent Forms" prior to the interviews. Furthermore, oral consent was sought and recorded from the participants at the beginning of the introduction session in order to proceed to the interview questions grouped under the three main phases. Some of the participants expressed their concern over some sensitive issues and requested to remain anonymous.

• **Phase I-Market Entry**: A set of questions was asked regarding the case company from the key informants about the business sector, age and size of the Turkish subsidiary, ownership structure and informant's job role. Key informants were then prompted to share their knowledge on why they thought the foreign investors in their companies had chosen Turkey and the entry modality into the Turkish market. In this section, the key informants were also asked to give their opinion regarding possible cultural distance related implications and to reason on how and why the foreign investing firms had entered the Turkish market.

• **Phase II-Market Integration (Performance)**: In this phase, the interview questions focussed on the informants’ view on the subsidiary performance and on the potential cultural difference implications for the integration performance of the subsidiaries in the Turkish market. The informants were also asked about their general view on the
financial performance of the subsidiary, yet their financial performance analysis did not have to be based on numeric values. The questions’ emphasis was on non-financial performance indicators, particularly focusing on human resource productivity, knowledge and technology transfer, the imposed organisational culture, management and internal communication styles. This phase’s questions also aimed at gathering data on expatriate-local staff relations, particularly on possible strains caused by the cultural clashes.

- **Phase III-Market Establishment**: This third part of the interview focused on the themes of subsidiary control systems and on the acculturation strategies employed by the foreign investors. The interviewee was asked to assess the headquarter-subsidiary relationship. The specific questions, in each interview, were to assess Turkish subsidiaries’ level of functional autonomy, standardisation of the procedures in the subsidiaries and to compare the business cultures between the partners.

(iv) **Data Collection Procedure**

The modalities of the data collection procedures were mostly guided by the research question and by the interview design. The case study approach typically combines data collection methods such as archives, interviews, questionnaires and observations (Yin 1989). This triangulation methodology provides stronger substantiation of constructs. Therefore, appropriate data collection methods for this research project were evaluated subject to constraints on time, financial resources and access. After a careful consideration, secondary data from corporate archives, primary data from interview data and culture survey were included within our case study design.

When relying on interviews as the primary data collection method, the issue of building trust between the researcher and the participant becomes of crucial importance. This issue has been addressed in several ways in this dissertation. First, the researcher established a procedure of how to approach the participant. In most cases, the key participants were initially approached by phone or e-mail and presented with an invitation form seeking their involvement in the research; then the researcher sent out a letter by e-mail explaining the key features of the study and outlining the broad issues to be addressed in the interview. In this letter, rules of engagement and anonymity were included, and the proposed usage and storage of the information were clarified.
The qualitative data collection procedure was completed, mostly in 2012. It was done, as written in the interview protocol, either via telephone interviewing or face to face interviewing techniques. In rare cases, due to key informant’s requested, the Q&A (Questions and Answer) format was accepted. As a part of the protocol, written or documented oral consent of the interviewee was sought each time. Every effort was made to create an atmosphere of co-operation with the interviewees to encourage them to answer truthfully the questions of the study (e.g., by assuring their confidentiality and anonymity). Some of the participants had sought approval from their employers before the actual interview took place. Interview data recordings and the back-up files have been stored within a secure electronic format for further use during the data analysis part of the research project.

The interviews were conducted varied (largely in Turkish, depending on the nationality of the participants). Not operating in one's mother tongue during an interview could potentially restrict the momentum of the responses of the interviewees (Chapman et al., 2004); therefore, almost all the interviews were carried out in Turkish, as it was the first language of both the interviewer and most of the key informants.

(v) Transcription and Translation Process

As indicated earlier, almost all the interviews were conducted in Turkish. After the data collection process, stored interview recordings were firstly transcribed and then translated into English by the author; the translated transcripts were read and re-read. It is true that qualitative research seeks to study meanings in participants’ subjective experiences. Language is used to express meaning. At the same time, it influences how meaning is constructed. Narratives and language-specific metaphors used by the participants could easily vary from culture to culture (Nes et al., 2010). Hence, methodological and epistemological challenges arise from the recognition that translation can lead to loss of meaning. Regarding losing meaning in translation, many writers have argued that there is no single correct translation of a text (Temple& Young, 2004). To reduce the loss of meaning and thereby to enhance the validity of the research, the thinking and reflection processes were followed. Firstly, the researcher had positioned herself to be an objective transmitter of messages in order to eliminate possible biases. The translation task was carried out by the researcher. Due to the socio-cultural positioning as a bilingual professional, the researcher was aware of the language specific metaphors. Special attention was given when metaphors were translated in quotes.
Following the transcription and translation process of the interview recordings, the key data were summarized and any necessary parts of given specific information within the interviews were also verified. This was achieved by multiple readings of the transcripts. Written up data were compared across interviews and across the companies and analysed for common themes, stories and issues parallel to the research road map. The main emerging themes were the issues related to the cultural distance implications repeatedly mentioned by the interviewees, discussed by many of them, or pointed out by participants as important. The attention of the researcher was also directed to ‘important absences’, and the reasons behind them.

(vi) Analysis of Data

While there are specialist software packages available on the market (e.g., NVIVO), these solutions do not support data in more than one language; furthermore, they are designed to group data accordingly to the assigned themes to aid data analysis rather than to do the analysis. Presented with these limitations of the software packages on the multilingual data analysis, the researcher has translated the interviews into English. Once the transcripts were prepared, the raw text was read in detail so that the researcher became familiar with the content and gained an understanding of the themes and details in the text. The interview transcripts were scrutinised for patterns. The upper level categories were derived from the research road map, whereas the lower level specific categories were derived from multiple readings of the raw data at the previous stage. Within each category, subtopics including contradictory points of view and new insights were searched for and carefully investigated. Furthermore, appropriate quotations that convey the core theme or essence of a category were selected.

The findings of the project were planned to be comprehensive, holistic and expansive. Hence, the verifying process focussed on ascertaining the validity of the interview findings. Several considerations were taken to assure the internal validity and reliability of the findings:

167 Market Entry Phase upper level categories: (i) Market entry decision, (ii) Market entry mode selection; Market Integration Phase upper level categories: (i) Market Integration performance, (ii) Market integration/exit strategies; Market Establishment upper level categories: (i) International HRM strategies, (ii) Subsidiary control mechanisms; CD implications for all the phases- upper level categories: (i) Culture clashes between the foreign investors and local work force, (ii) Negative / Positive implications of the cultural differences
(i) Adaptation of clear rationale for using qualitative approach by clarifying the data collection, analysis and interpretation procedures,

(ii) Seeking multiple sources of evidence to achieve triangulation (Yin, 1994) in which the primary data were complemented by various other sources (e.g., annual reports and leaflets of companies, press cuttings, internet sources and historical sources).

(iii) Evaluation of data on the characteristics of the key informants (e.g., age, education, length of experience in the company, international exposure, etc.), types of the internationalisation strategy used by the companies (e.g., M&As, Greenfield or equity JVs), and different industries.

(iv) Comparing the findings of this study with conflicting and similar literature.

Within the data analysis chapters, an analytical structure was used in order to categorize the interviews into subsections. Quotations from interviews were also used to justify conclusions about differences between cases, in order to escape the "mindless" description of many case study researches (Adams & White, 1994, p.573).

The first required step in the analysis was to establish business chronology of the cases (Meyer, 2001) such as their market entry year, ownership structure, and their further merger/acquisitions in the Turkish market. In order to achieve this initial step, interview data and external documents were used. The next step was to pinpoint the data into phases and themes reflecting the contextual factors and business challenges for each phase. For the interviews, this implied marking the text with a specific phase and a theme, and grouping the paragraphs on the same theme and phase together.

The cases were then written up by the author, using three market investment phases as outlined in the research roadmap and themes to structure the business challenges for each phase. To make each case more analytical, the three phases of MNEs market activity and cross-country cultural comparisons were introduced into the analysis. This helped to develop a framework that could be used to compare the cases. The cases were thus structured according to phases, the nature of ownership, the cross-cultural country pairs and themes reflecting the factors and features in the study. Before writing up the cases, the information on each business challenge was scanned, and the facts were expanded and filled in with perceptions and reactions that were illustrative and representative of the data. The documents were primarily useful in establishing the facts, but they also provided the author with perceptions and reactions that were validated in the interviews. The documents used
included newsletters and articles from the press and attached to the respective appendices.

All these steps were taken to become more familiar with each case as an individual entity. According to Eisenhardt (1989, p.540), this is a process that "allows the unique patterns of each case to emerge before the investigators push to generalise patterns across cases. In addition, it gives investigators a rich familiarity with each case which, in turn, accelerates cross-case comparison." The comparison between the cases constituted the next step in the phase analysis approach of this thesis. The idea behind cross-case searching tactics is to force investigators to go beyond their initial impressions, especially using structural and diverse lenses on the data (Meyer, 2001). Consequently, several overall themes, concepts, and relationships had emerged from both the within-case analysis and the cross-case comparisons.

The next step, the analytical generalisation168, was to compare these emergent findings with the theories on the CD implications for the organisational behaviours and strategies in foreign markets, as well as with other relevant perspectives. Yin (1989) suggests that by this method of generalisation, previously developed theories (e.g. culture models, studies focusing on CD implications on MNEs' market entry decision, market integration performance, subsidiary control mechanisms, acculturation strategies as outlined in the research roadmap) are used as useful templates with which to compare the empirical results of the case study. Overall, linking emergent theory to existent literature enhances the internal validity, generalisability, and theoretical level of theory building from case research (Meyer, 2001). Examining the conflicts between existing and emerging literature is important due to the improved possibility that researchers would not neglect conflicting findings. Conflicting findings could "force researchers into a more creative, frame-breaking mode of thinking than they might otherwise be able to achieve" (Eisenhardt, 1989, p.544). The analytical generalisation in this research included exploring and developing the concepts and examining the relationships between the constructs, hence followed Eisenhardt’s (1989) recommendation to use a broad range of theories. First, the findings with the organisational stream on CD implication for the market entry, market integration and establishment literature were compared. Then other relevant literatures such as the performance measurement, subsidiary control mechanisms, and international HRM techniques were discussed to explore how these perspectives could contribute to the understanding of the

168 Schwandt’s (1997, p. 57, cited in Tsang, 2014, p.369) definition of generalization as a ‘general statement or proposition made by drawing an inference from observation of the particular. In empirical research, generalization is an act of inferring from specific, observed instances, such as those in a case setting, to general statements.
findings.

3.4.2 Quantitative Research Design

Quantitative techniques can measure specific characteristics through structured data collection procedures from preferably a large representative sample, so that the result can be extrapolated to the entire population (Davis, 2000). Data triangulation has been proposed in this study by corroborating qualitative and quantitative data to achieve improved understanding and credibility. In order to enhance and complement the qualitative research design, a quantitative research design has been introduced through an e-survey, aiming at widening the number of participants from the different case companies, in addition to the key informants consulted in the interviews.

According to the proposed research road map, the e-survey’s focus has been on “Phase 2: Integration Performance” where the perceived cultural distance (psychic distance, PD) and possible implications for the organisational behaviour and strategies were investigated. Particularly for the home and host country pairs, the perception of each other’s culture within a multinational working environment needed to be tested with a quantitative tool in addition to the in-depth interviews. E-survey questions were prepared in English and Turkish then a pilot test was sent to the key informants used in the interviews first for trial. After any necessary alteration, the survey was sent to Turkish employees of the participating case companies.

(i) Unit of Analysis

The unit of analysis remains the same as described in the qualitative research design. The e-survey was distributed to the Turkish employees of the 12 case companies used in this research rather than seeking for external analysis units.

(ii) Population and Sample Size for the E-Survey

The rationale for selecting a single country context, the Turkish market, rather than a multi-country study was to eliminate the macro-environmental diversity that exists among countries.

169 Reduction of the cases was decided after all the data collection and analysis period.
and to collect data in a fairly homogeneous environment. The rationale for selecting Turkey as a context has facilitated easy access to data sources and the study provides new data on a developing country that could help in future extensions of this work on different developing countries.

A sophisticated quantitative analysis usually recommends sampling of 200 for a fair and 300 for a good standard to be archived (Tabachnick & Fidell, 1996) so that it can be used in any common estimation procedure for valid results with satisfactory level of reliability. However, the response rates in organisational studies in a developing country are often relatively low, therefore this study attempted to yield approximately 100 or above usable samples, from the e-survey, that would be sufficient to satisfy the statistical analysis required to support the qualitative data analysis.

(iii) Selection of Participants

As Turkish subsidiaries of the case companies employ, between them, approximately 35,000 employees there was, potentially, a strong pool of sources to explore the perceived CD implications for firm-based situations and integration performance in the Turkish market. Since the participants were assessing the relationship between cultural distance implications and the integration performance, it was assumed that their experience of working for foreign invested firms in Turkey would qualify them to assess these relationships with a high degree of accuracy and reliability. Participants were instructed to keep their observations regarding national cultural differences between the foreign investing partners and the local work force in mind while filling in the survey. Furthermore, the informants were instructed to consider and rate cultural differences in business values between the partners as well as in national cultures. This was to incorporate a more meaningful representation of data in terms of culture-performance relationship.

(iv) Measurement of Construct

The e-survey questions were grouped under five themes: Communication, networking, information flow, time management and cultural difference. Participants were given specific questions related to those themes and asked to rate their foreign partners. A 1-5 scale was used in many of the questions under those themes. Edwards Halls' work on cultural
dimensions, particularly his extended addition of time and communication concepts has provided the constructive base for the e-survey. More in detail:

- **Communication** is conceptualised as perceived cross-cultural communication between the foreign investors and their local employees in terms of communication type, the speed with which a relationship is created and the need for background information that differ in high and low context cultures (Hall & Hall, 1990). The three question items included a 1-5 scale with specifically assigned values for this construct: *Communication type* (1-Distant..., 5-Close), *Relationship built-up period* (1-Slow, ..., 5-Fast), *Need for background information* (1-Low..., 5-High)

- **Networking** is conceptualised and presented as gathering enough information before making decision and the participants were asked to assess the foreign partners' attitude within this context. A single question is listed in this part and it included a 1-5 scale with assigned values: *Information needed before decision making* (1-Low..., 5-High)

- The concept of **time** is conceptualised and linked with communication and structure by Edward Hall (1990) under the two monochronic and polychronic time systems. This survey’s section aimed to introduce a measure of time to assess foreign partners’ attitudes in terms of multitasking, punctuality, time commitments and concentration level. All question items for this construct were again assessed with a 1-5 scale with assigned values: *Multitasking* (1-Low..., 5-High), *Concentration level during the task* (1-Low..., 5-High), *Following plans strictly* (1-Low..., 5-High), *Persistence on time commitments* (1-Low..., 5-High)

- **Information flow:** It has been argued by Hall’s culture model that different attitudes towards time and personal relationships often influence the flow of the information sharing. All question items for this construct were assessed with a 1-5 scale with assigned values: The speed of information sharing (1-Slow..., 5-Fast), The flow of information (1-Controlled..., 5-Freely)

- **CD evaluation** section of the survey has aimed to assess the level of perceived cultural distance between the investors and local work force and the possible implications for the Turkish subsidiary’s overall performance as well as the integration performance in the Turkish market. The question items for the cultural distance construct were assessed with a 1-5 scale with assigned values: *Business Culture* (1-Low..., 5-High). *National Culture* (1-Low..., 5-High)
• Participants were also asked to assess cultural distance implications for the Turkish subsidiary’s overall performance without any scale but in a simple Yes/No/Maybe format. Whereas, perceived CD implications for the subsidiary integration performance was assessed under the categorisation of their effects (positively, negatively, no effect).

• In the final part, participating local employees were asked to associate a selection of listed cultural values and characteristics with the investing partners’ perceived national culture. The same listed values have been given to the participants to choose under two sections, asking them to select the values/characteristics that they associate most with their partners and later asking them to eliminate which characteristics/values their partners lacked within the business transactions.

To control for the method bias, this study carefully considered some key concerns with respect to measurement of predictor and criterion variables as the dependent, independent variables were causally related, and using the same type of measurement scales in the survey could cause a common method bias. To overcome the use of similar measurement problems and reduce the common method bias, some of the parts were measured differently. Consequently, the present e-survey used 5-point scales as well as the worded items in the same questionnaire. Specifically, the respondents were asked to rate their perception regarding the survey constructs based on a 5-point scale, ranging from 1 to 5 “assigned value”; in some parts, however, worded choices (Yes/No, positive effect/negative effect etc) were also included.

(v) Translation of Instrument and Pre-testing

The initial supervisory team170 reviewed the original English version of the questionnaire before pre-testing. Accordingly, to their comments, the questionnaire was revised with minor modifications. In order to facilitate responses, the questionnaire was translated into Turkish, the native language of the respondents. While English is widely used in the business community in Turkey, the use of the Turkish version of the questionnaire was expected to ensure clear communication for the respondents. Although conducting studies in a different nation, it was required to ensure that the translated question was equivalent in both versions;

170 The initially assigned supervisory team members were replaced with a new set of supervisory team due to their personal circumstances after RD4 stage.
therefore, direct translation method was employed. This version was pre-tested for its clarity and scale reliability on a small scale\textsuperscript{171}. Based on the pre-test feedback, the wording of the questionnaire items in the Turkish version\textsuperscript{172} was subject to minor modifications.

\textbf{(vi) Data Collection Procedure and Response Rate}

Past researchers’ experience suggests that quantitative research methods may suffer from low response rate for a variety of reasons including survey fatigue due to conventional survey styles. Survey measures and survey type were chosen to increase the response rate towards reducing response bias and increasing validity of the statistical inference. To achieve this objective, the key informants who had been interviewed were contacted with an invitation letter\textsuperscript{173} and asked to distribute the e-survey among their colleagues within the case companies. It was stressed to the key informants as distributors that the study was being conducted only for academic purposes, and the participation in this study would be voluntary, anonymous and confidential. This strategy has yielded 48 responses, almost half of the targeted response total. These responses were completed online by the participants therefore the results were stored automatically by the survey software’s database\textsuperscript{174}.

In order to reach the targeted response total, an additional strategy has been employed. As almost all the case companies located the head offices of their Turkish subsidiaries in Istanbul, an experienced surveyor was hired to conduct the survey in face-to-face questionnaire format with the employees within the head offices. The assigned surveyor under this strategy collected 45 additional late responses\textsuperscript{175}. These paper format responses were copied within PDF format and the results were entered into the survey software’s database within electronic format by the assigned surveyor.

\textsuperscript{171} It has been done by choosing one of the case companies. The small group of employees from IP’s Turkish subsidiary have done the Turkish version of the survey and send their respective comments.

\textsuperscript{172} See Appendix section F-90-94

\textsuperscript{173} E-survey invitation letter is included in Appendix section F-86.

\textsuperscript{174} E-survey was designed and the final version was distributed via a web link for the participants (\textit{eSurveysPro Online Source, 2016. Available at: <http://www.esurveyspro.com>})

\textsuperscript{175} See Appendix F-93 for the illustrated distribution of the survey responses by case companies and its percentages.
(vii) **Analysis of Data**

The survey results and the collected data were grouped within the survey software used as well within MS Excel. E-surveys professional software has provided overall statistical results\(^{176}\) for each questionnaire conduct whereas MS Excel provided further data analysis grouped by case company\(^{177}\) and investing firms’ country of origin\(^{178}\). After the final reduction of the case companies, reduced from 15 to 12, the related 15 survey results were eliminated, and the survey analysis was redone based on the same principles.

### 3.4.3 Secondary Data Sources

Secondary data, collected by someone other than the researcher from the primary sources, were also used in this study. The first major advantage of working with secondary data is economy as someone else has already collected the data; the researcher does not have to devote resources to this phase of research. The second major advantage of using secondary data is the breadth of data available. Despite the list of advantages, one major disadvantage attached to using secondary data is that it is unlikely to match a researcher’s specific research question or the period the researcher would have chosen (Boslaugh, 2007). For these reasons, all secondary data used in this research were examined carefully to confirm that they included the necessary data, which were defined and coded in a manner that allowed for the desired analysis. The secondary data sources used in this research are:

- **Internal secondary data** (officially published) are gathered through selected multinationals in Turkey.

- **External secondary data** can be found among published materials (guides, directories, indexes, statistical data, census data, other government publications), computerized databases (online bibliographic, numeric, full-text, directory, and special purpose databases\(^{179}\)).

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\(^{176}\) See Appendix pages F-94-108.

\(^{177}\) See Appendix pages F-104

\(^{178}\) See Appendix pages F-106

\(^{179}\) International secondary data was gathered via international organisations in Turkey, trade associations, government sources and non-government sources such as TUSIAD (Turkish Industry & Business Association), TIM (Turkish Exporters Assembly), YOIKK (The Coordination Council for the Improvement of the Investment Environment). International agencies such as World Bank, IMF, IFAD, UNDP, ITC, FAO and ILO produce a plethora of secondary data which can prove extremely useful to the IM researchers. Data gathered from Osiris Database and Yahoo Finance Online were used for the calculations regarding the account and stock-market based performance analysis for the MNEs.
3.5 Trustworthiness of the Study

In general, the trustworthiness of a study is associated with the dimensions such as reliability, validity, generalizability and objectivity.

Reliability concept focuses on consistency and stability of the study over time and across researchers and methods (Miles & Huberman 1994). Reliability concept in qualitative research may suffer by the fact that replicated studies tend to use different researchers. Thereby, it is expected that different researchers generate different findings and reach different conclusions. However, controlling for reliability may still be relevant (Meyer, 2001). For reliability to be achieved particularly for the qualitative part of the research design, qualitative research preparation, data collection and analysis procedures were well defined and documented.

The validity concept refers to whether there is substantial evidence that the theoretical paradigm correctly corresponds to observation (Kirk & Miller 1986). The application of qualitative research design for the research objective enabled a flexible and responsive interaction between the interviewer and the respondents (Sykes 1990). Consequently, in this research, meanings were probed, and questions were made clear for respondents. The construct validity was strengthened by applying a multi-case approach and triangulation. Moreover, the use of multiple sources of evidence to build construct measures, has improved the construct validity of this study.

Generalization concept in qualitative research design is to provide assumptions based on empirical evidence, which could be useful in making sense of similar persons or situations (Maxwell 1992). Empirical generalization is generally about a statistical generalization by the researcher as an attempt of inference made about a population based on empirical data collected from its sample (Tsung, 2014). Empirical generalization in case studies, however, is 'to seek out (original) common patterns among diverse cases, so that context can be discounted' (Burawoy 1998, p. 19). The general aim of empirical generalization is to establish some sort of empirical regularity in the population concerned, rather than providing a theoretical explanation of the regularity, hence, a multiple-case design provides a stronger basis for empirical generalisation than a single-case design (Tsung, 2014). For theoretical generalization, once a theory is developed based on an empirical study or studies, its scope is determined by the populations and settings that the theory can be applied to explain the phenomenon concerned (Tsung, 2012). Meanwhile, falsification is about theory testing and concerns the rejection of hypotheses based on case evidence, regardless of whether the
theory in question is modified as a result (Tsung, 2014). It argues that ‘if a theory is not falsifiable, its scientific status is in jeopardy’ (Tsung, 2014, p.375). Our research objective created certain conditions that were influential factor in choosing a multiple-longitudinal case study design to secure empirical generalisation and falsification of the existing literature. Multi-case approach could increase the generalization criteria (Leonard-Barton 1990), by applying multi-case design; one can replicate the findings from one case study to another (Meyer, 2001). This replication logic is similar to that used on one case study to another (Yin 1993). Given the choice of 12 case studies, the generalization criterion has been supported in this study.

The issue of objectivity can be associated with the concept of relative neutrality (Meyer, 2001). According to King (1994), qualitative research, in seeking to describe and make sense of the world, does not require researchers to strive for objectivity and distance themselves from research participants. Nevertheless, the issue of possible research bias cannot be ignored. Multiple-longitudinal case study approach create guard against observer biases adds confidence to findings (Leonard-Barton 1990).

Some of the dimensions associated with the trustworthiness of research may not be represented in the qualitative research design; instead, other dimensions such as credibility\textsuperscript{180}, dependability\textsuperscript{181}, transferability\textsuperscript{182} and confirmability\textsuperscript{183} are suggested and therefore need to be established for the trustworthiness of the qualitative research design (Krefting, 1991). In order to strengthen credibility, triangulation methodology, structural coherence and semi-structured interview technique were applied. Concerning conformability,

\textsuperscript{180} Credibility (Truth Value) focuses on establishing a match between the constructed realities of respondents and those realities represented by the researcher(s). Assessment of the trustworthiness can be done in various ways such as prolonged and varied field experience, time sampling, reflexivity (field journal), triangulation, peer examination, interview technique, establishing authority of researcher, structural coherence, referential adequacy. (Source: Krefting, L, 1991. Rigor in qualitative research: The assessment of trustworthiness, The American Journal of Occupational Therapy, 45(3), pp 214-222)

\textsuperscript{181} Dependability (Consistency) is a criterion which is considered equivalent to reliability and similarly concerned with the stability of the results over time. Assessment of the trustworthiness can be done in various ways such as dependability audit, dense description of research methods, stepwise replication, triangulation, peer examination, code-recode procedure. (Source: Krefting, L, 1991. Rigor in qualitative research: The assessment of trustworthiness, The American Journal of Occupational Therapy, 45(3), pp 214-222)

\textsuperscript{182} Transferability (Applicability) is considered parallel to external validity or generalisability in quantitative research. Assessment of the trustworthiness can be done in various ways such as nominated sample, comparison of sample to demographic data, time sample, dense description. (Source: Krefting, L, 1991. Rigor in qualitative research: The assessment of trustworthiness, The American Journal of Occupational Therapy, 45(3), pp 214-222)

\textsuperscript{183} Confirmability (Neutrality): Researchers need to demonstrate that their data and the interpretations are rooted in circumstances and conditions outside from researchers’ own imagination and are coherent and logically assembled (Ghauri 2004). Assessment of the trustworthiness can be done in various ways such as confirmability audit, triangulation, reflexivity. (Source: Krefting, L, 1991. Rigor in qualitative research: The assessment of trustworthiness, The American Journal of Occupational Therapy, 45(3), pp 214-222)
as extensively discussed in the previous sections, 12 case companies were selected, studied and textual data were collected through semi-structured interviews from the key informants. To ensure functional and conceptual equivalence, the researcher had to find out whether the internationalisation process served the same function in the case companies. Therefore, information about the target companies (e.g., from their websites, their international subsidiaries, media releases etc.) was collected and analysed. Overall, phases were defined similarly for the key informants; however, slight differences were present due to the responsibilities of the respective managers and their field of expertise. With respect to the data collection, the researcher used standardised process in such a way that equivalence of research methods, units and administration were ensured. To guarantee dependability (repeatability), an interview protocol (Sinkovics, Penz & Ghauri, 2009) was designed then followed; later, the data were digitized, tape recorded and transcribed in English.

3.6 Conclusions

The previous chapter, Literature Review, tried to develop a closer understanding of existing scholarly research in the management field to facilitate analysis that is more thorough and contextualize the contribution of this study. This chapter described the philosophical approach, proposed research designs and the data analysis methods. In line with the other respectable multi-longitudinal case studies within culture studies, a qualitative method was utilised to acquire the opinions of the 12 local managers in 12 MNEs’ Turkish subsidiaries. As described in this chapter, both quantitative and qualitative research methods were employed for these 12 case companies and respective analysis plans were established for the data sets. This methodological framework is actualized to analyse the data sets in analysis chapters (Chapter 4, 5 and 6). The following part of the thesis, Chapter 4 will present our analysis of the possible national CD implications for MNEs’ entry stage.

\footnote{See Appendix section B-84 for the general framework for the semi-structured interviews.}
4 Phase I: Market Entry

4.1 Introduction

This chapter investigates the potential implications of national CD during the market entry phase of the multinational case companies operating in Turkey. The very dimensions of “why” and “how” to enter into the Turkish market in our research questions need to be answered for each investment stage as stated in the research road map. Therefore, Chapter IV will look at the CD implications on the challenges facing selected MNEs during their market entry phase in line with the “three-phase approach”.

The literature review, discussed in Chapter 2, suggested that when developing expansion strategies, foreign investors are presented with two major challenges prior to entering a new market: The market entry decision and the selection of the market entry mode. The initial part of the analysis aims to evaluate the possible national CD effects on the entry decision into Turkey based on available qualitative data used through the theoretical framework of two main models: the OLI (Dunning, 1980, 1988) and Uppsala (Johanson & Vahlne 1977) (Part 4.2). The second part of the analysis looks at MNEs’ chosen entry modes and further evaluates the relation between these entry modes choices and the national CD implications via their impact on corporate decision makers (Part 4.3).

The evaluation of the market entry period for the case companies has acknowledged the limitation due to their long existence in Turkey; thereby it was done with great caution. Moreover, the participating local managers did not take part in the actual market entry decision-making. Nevertheless, their insights together with the corporate background search and the consultation of the related literature provided much needed high-quality material for this chapter.

4.2 Role of CD for the Market Entry Decision

Despite the differences and the logic behind the foreign market evaluation and entry process, most models view the market selection process as composed of a few stages such as ‘screening, identification, selection’ (e.g. Cavusgil. 1985; Kumar, 1994; Root, 1994, Johansson,1997, cited in Koch, 2001, p.67). These models suggest that the evaluation process is based on MNEs’ corporate objectives. It uses macro-level indicators, industry specific factors and firm specific factors across these stages.
The Literature Review chapter has mainly focused on the mainstream studies regarding the internationalisation process. Two of these internationalisation models on the market entry, OLI Model (Dunning, 1980, 1988) and Uppsala Model (Johanson & Vahlne 1977), are relevant to this research due to their inclusion of the cultural differences as one of the entry decision determining factors. The Uppsala model promoted a strategy of gradual internationalisation as the company enters one country at a time and during this process is gathering information to be able to enter more markets. The company first enters geographically close markets and then advances progressively to the ones that are more distant; meanwhile the market entry decision is made in a rational manner, based on the analysis of the overall cost of the transaction (Whitelock, 2002). In the initial part of this chapter, these two models will be consulted in the evaluation of the specific case companies’ internationalisation process into the Turkish market.

The Eclectic paradigm, a.k.a. OLI model, has been one of the dominant analytical frameworks for investigating the determinants of the cross-border investments by the multinational corporations. As outlined in the Literature Review-Part II, Dunning’s Eclectic model (1980, 1988) presented three main determinants for MNEs to engage in internationalisation business strategy: ownership advantages (O), location advantages (L) and internalisation advantages (I). Dunning (2001) refers to ownership advantage as a firm’s possession of specific knowledge-related assets.

Three main determinant (O) factors, size of the investing firm, R&D intensity and international experience have been highlighted by Dunning. In this study among the O factors, the international experience of a firm was traced for the case companies. The international experience refers to two key metrics: the number of years that a multinational firm has been involved in international operations and the number of host countries where it operates. More importantly, Table 4.1 also includes MNEs’ international experience at the time of their entry to the Turkish market.

Table 4.1 Evaluation of the international experience (O) factor for the case companies

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185 Dunning’s initial researches (1980, 1988) have been generic and descriptive on the determinants; however in his later paper, Dunning (2001) has tried to exemplify some factors that can be applied to the location-specific advantages. (Dunning, “The Eclectic (OLI) Paradigm of International Production: Past Present and Future”, 2001)

186 Only the ‘international experience’ data were available for all the case companies.
### Table: Number of Years that the MNE has been active overseas

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of MNEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>7</td>
</tr>
<tr>
<td>1981</td>
<td>10</td>
</tr>
<tr>
<td>1982</td>
<td>69</td>
</tr>
<tr>
<td>1983</td>
<td>190</td>
</tr>
<tr>
<td>1984</td>
<td>80</td>
</tr>
<tr>
<td>1985</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>193</td>
</tr>
<tr>
<td>1987</td>
<td>37</td>
</tr>
<tr>
<td>1988</td>
<td>13</td>
</tr>
<tr>
<td>1989</td>
<td>57</td>
</tr>
<tr>
<td>1990</td>
<td>196</td>
</tr>
<tr>
<td>1991</td>
<td>10</td>
</tr>
<tr>
<td>1992</td>
<td>12</td>
</tr>
</tbody>
</table>

187 The General Electric Company or GEC was a major British-based industrial conglomerate, involved in consumer and defense electronics, communications and engineering. In December 1999, GEC was renamed to Marconi plc and became a telecommunications focused company; when its defense arm, Marconi Electronic Systems was amalgamated with British Aerospace to form BAE Systems. In 1889, the business was incorporated as a private company known as General Electric Company Ltd. The company was expanding rapidly, opening new branches and factories and trading in ‘Everything Electrical’, a phrase that was to become synonymous with GEC. In April 1981 GEC acquired Cincinnati Electronics (CE), in Cincinnati, Ohio and Picker Corporation, an American manufacturer of medical imaging equipment. FNSS was established as a joint venture between MEC (Later called BAE North America) and Nurol Holding in 1988.

188 International Paper Company is an American pulp and paper company, the largest such company in the world. The company was incorporated January 31, 1898, upon the merger of 18 pulp and paper mills in the northeastern United States. In 1986, the company acquired the Hammermill Paper Company; in 1988, the Masonite Corporation; and in 1989, the German paper company Zanders Feinpapiere AG and the French paper manufacturer Aussedat Rey. Olmuksa has become partners with International Paper Company in 1998.

189 Fiat S.p.A. is an Italian automobile manufacturer based in Turin (Fabbrica Italiana Automobili Torino) and was founded in 1899 by a group of investors, including Giovanni Agnelli. Tofas’s foundations were laid by the founder of the KOC Holding in 1986 and FIAT.

190 On December 11, 1997, BFG launched a takeover bid which was intended to increase its direct and indirect shares in ECIA to 99 percent. This marked the birth of the Faurecia Group. In 1999, Faurecia acquired the American company AP Automotive Systems. The main factory of Faurecia was built in 1975, near the Turkish automotive centre, Bursa, Turkey and the factory has continued its production under the name of Faurecia since 2000. The factory had 300 employees in 2010.

191 Daimler-Motoren-Gesellschaft (DMG) (Daimler Motors Corporation) was a German engine and later automobile manufacturer, in operation from 1890 until 1926. Armand Peugeot acquired Daimler's licence from them in 1887. Historians consider that the automobile was "a German invention, while France expanded it commercially", mainly by publicity from car-racing since in January 1886 Karl Benz was granted the first patent for an automobile he designed and built in 1885. Mercedes-Benz Türk was established in Istanbul in 1967 under the name of Otomarsan; Otomarsan had three major investors: Daimler Benz AG, HAS Otomotiv A.S and Mengerler A.S.

192 Japan Tobacco is the successor entity to a nationalized tobacco monopoly first established by the Government of Japan in 1898 to secure tax revenue collections from tobacco leaf sales. In 1904, the government's leaf monopoly was extended to a complete takeover of all tobacco business operations in the nation, including all manufactured tobacco products such as cigarettes. JT International (JTI), acquired in 1999 from R.J. Reynolds, is an operating division of Japan Tobacco Inc., handling the international production, marketing and sales of the group's cigarette brands including Turkey.

193 The company was formed in 1902, when the United Kingdom's Imperial Tobacco Company and the American Tobacco Company of the USA agreed to form a joint venture, the British-American Tobacco Company Ltd. In China, BAT inherited a factory in Shanghai from W.D. & H.O. Wills, one of the precursor companies of Imperial Tobacco in 1919. Initially, British American Tobacco entered the Turkish market in 2002 with its principal brands such as Viceroy, Pall Mall and Kent.

194 PM USA is an operating company of Altria Group, Inc, and PM USA is more than 160 years old., Philip Morris & Co., Ltd. incorporated as a small tobacco company in New York City in 1902. Philip Morris (Australia) becomes the first affiliate of Philip Morris Companies Inc. outside of the U.S in 1954. After the Tekel has lifted its monopoly restrictions, PHILSA, a 75/25 manufacturing joint venture between Philip Morris and Sabanci Holding, was established in 1991.
Table 4.1 shows that all the multinational case companies, apart from Faurecia and JTI, present high level of international experience and their multinational title was gained in advance of their entry into Turkey. In the case of JTI, the parent company Japan Tobacco’s international experience started with the acquisition of American AG Reynolds’ international business division which included its Turkish subsidiary. Overall, the possible influence of the international experience on the decision-making process to enter Turkey appears to be positive; however, a major international takeover opportunity may influence the corporate behaviour in an unusual way.

Amylum Nisasta was established in 1989. We began producing starch and glucose syrup in 1992. In 1994 it joined Eaststarch (a joint venture between the Amylum Group (at that time a part-owned subsidiary of Tate & Lyle PLC) and Archer Daniels Midland Company (ADM)). In 2000, Tate & Lyle acquired full ownership of the Amylum Group, so today we are under the joint ownership of Tate & Lyle and ADM. Tate & Lyle PLC formed in 1921 from a merger of two rival sugar refiners, Henry Tate & Sons and Abram Lyle & Sons. In 1976 the Company acquired a 33% stake (increased to 63% in 1988) in Amylum, a European starch-based manufacturing business.

The original company bearing the corporate name was founded in 1919; Ten years later, the company moved from Spain to neighboring France, and the first French factory was built. During the German occupation of France during World War II (1940), Daniel moved the company to New York to avoid persecution as a result of his Jewish faith. In 1951, Daniel Carasso returned to Paris to manage the family's businesses in France and Spain. Danone has entered to Turkish market as the dairy products and bottled water producer with a local business partner. DanoneSA established in March 1997 as a joint venture Turkish industrial conglomerate Sabanci Holding and Danone.

HSBC Holdings plc is a British multinational banking and financial services company was founded in London in 1991 by The Hong Kong and Shanghai Banking Corporation. The corporation was founded in the then British colony of Hong Kong on 3 March 1865. In 1980, HSBC acquired a 51% shareholding in US-based Marine Midland Bank, which it extended to full ownership in 1987. HSBC Bank entered the Turkish market in 1990 under the name of Midland Bank.

EXPEDITORS was founded in 1981 in the USA. Brussels becomes the first office in continental Europe in 1990. Expeditors entered Turkey after millennium around 2003.

Daimler AG has production facilities only in 43 different countries nevertheless it claims that it has sales and service facilities in almost all the countries in the world. Bearing in mind the number can be considered much higher in terms of business activities.

Owners of Amylum Nisasta, Tate & Lyle and ADM operate worldwide. With sourcing, transportation, storage and processing assets in more than 75 countries, ADM converts corn, oilseeds, wheat and cocoa into food ingredients, animal feed ingredients, renewable fuels and industrial products.
The second component of the OLI approach (L) refers to location specific factors. These factors, as outlined in the Literature Review chapter, describe different features of the country in which the investing firm could benefit in relation also to its ownership advantages (Dunning, 1980; Agarwal & Ramaswami, 1992; Tahir & Larimo, 2002). The CD concept is a relevant location-specific factor that is connected to the social behaviour characterising the host market where a MNE operates. The existing cultural differences of the home-host country pairs were evaluated based on Hofstede’s dimensional model\(^\text{201}\). This model suggests the presence of significant dimensional differences between home countries such as Germany, Japan, USA and UK and host country Turkey as illustrated in Figure 4.1. These suggested significant differences are further presented through the Kogut & Singh’s CD index (Table 4.2, second column). Despite the high CD between home and host countries, 8 of all cases MNEs did indeed enter the Turkish market; therefore, the possible negative CD effect on the FDI decision was evidently dismissed or probably moderated by other factors. There is a possibility that MNEs’ international experience, as presented in Table 4.1, may have moderated the potential negative CD effects on the entry decisions.

![Figure 4.1 Cultural Profiles based on Hofstede's Dimensions](source.png)

Source: Hofstede (1980) culture model scores were collected from the researcher’s official website: [http://geert-hofstede.com/](http://geert-hofstede.com/)

\(^{201}\) See Appendices J section.
Table 4.2 Presentation of CD values and the case companies

<table>
<thead>
<tr>
<th>Home-Host Country</th>
<th>CD Index</th>
<th>Number of cases</th>
<th>Case Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>France-Turkey</td>
<td>0.56</td>
<td>2</td>
<td>Danone &amp; Faurecia</td>
</tr>
<tr>
<td>Belgium-Turkey</td>
<td>0.87</td>
<td>1</td>
<td>Amylum</td>
</tr>
<tr>
<td>Italy-Turkey</td>
<td>1.51</td>
<td>1</td>
<td>TOFAS</td>
</tr>
<tr>
<td>Germany-Turkey</td>
<td>1.60</td>
<td>1</td>
<td>Mercedes Benz Turk</td>
</tr>
<tr>
<td>Japan-Turkey</td>
<td>2.15</td>
<td>1</td>
<td>JTI</td>
</tr>
<tr>
<td>USA-Turkey</td>
<td>2.74</td>
<td>4</td>
<td>PHILSA, FNSS, Olmuksan IP, Expeditors</td>
</tr>
<tr>
<td>UK-Turkey</td>
<td>3.69</td>
<td>2</td>
<td>BAT &amp; HSBC Bank</td>
</tr>
</tbody>
</table>


Geographic proximity is another (L) factor often claimed to be positively related with FDI (Grosse & Trevino, 1996; Terpstra & Yu, 1988), mostly because it is assumed that the closer geographically two countries are, the higher the possibility is for them to share a similar culture (Terpstra & Yu, 1988). Despite being on the eastern edge of the European continent, the cultural similarity between the hosting country, Turkey, and its European neighbours shows mixed results (see Table 4.3). This may well be linked to its geographic location, as suggested in the Literature Review-Part III, since Turkey’s geographic proximity cannot always be translated into low CD between its close European, Asian and Middle Eastern neighbours. For the MNE case companies from Europe, it is possible that the geographical proximity together with the logistic and cost related implications was an influential motivator for the decision makers.

Table 4.3 Presentation of the Home-Host Country Values
**Infrastructure** is another location-specific factor mentioned by Dunning (2001). Turkey’s infrastructure level is considered in terms of transportation (air, land and sea) and in terms of telecommunications (fax, landline telephone, mobile telephone network and Internet). The infrastructural advantages of Turkey, which have been improved over the years, were praised in evidence gathered in the interviews from the TOFAS case:

"...The infrastructure for commercial and financial activities as well as telecommunication and transportation are also highly developed (in Turkey) ..."\(^{202}\) (TOFAS--Appendices B-27)

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\(^{202}\) This general statement of the participant is rather associated with the current state of the country rather than 1960’s infrastructural level of Turkey.
Dunning (1998, 2001) argues that agglomeration benefits and FDI are positively related. Agglomeration benefits for Turkey were observed for the automotive sector as discussed in the extracts of interviews reported below:

["...The automotive culture of Turkey has evolved in the last 50+ years. It has established strong roots in the sector more than any other country in the region. The strength of entrepreneurship led to partnerships with world's leading manufacturers. Manufacturing facilities are equipped with the state-of-the-art technology and Turkey has been successful in attracting most up-to-date models for production. ...There is a well-developed component industry / local supplier base...." (TOFAS~Appendices- B27)]

["...If you look at the location of Corum, you can see it is right in the middle of Turkey. The consumer segmentation was based on valuable goods and automotive sectors. The market was developing as they bought this factory in 1999 and in 2002 they bought another one in Borlu- Turkey...." (OLMUKSAN IP~Appendices-B64)]

Evidence collected for the manufacturing cases such as FNSS, Mercedes Benz Turk, and TOFAS shows that, in addition to entering the Turkish market, foreign investors have also actively taken part in establishing the local supply chain around them to control and minimize their production costs. In FAURECIA’s case, one of the leading suppliers of the main automotive producers, their entry period has seen a matured automotive sector, and its related sub-sectors, in Turkey. This leads to believe that FAURECIA was exposed to the agglomeration benefits of the Turkish automotive sector, providing a ‘pull factor’ for the investment decision of this French company. The qualitative data also indicate the existence of the agglomeration benefits and it can be presumed that they were taken into consideration by the executives of FAURECIA prior to their entry to Turkey:

["...Renault was the main customer so both being of French origin, I do think it affected the choice on the location if nothing else...." (FAURECIA~ Appendices-B36)]

*Market potential*, another L factor, comprises several factors, such as market size, market growth, country GDP and customer buying power, related to the target market where the multinational has business intentions to invest. Agarwal & Ramaswami’s (1992) study claim that market potential may offer a long-term profitability to the firm. The steady increase of the population in Turkey (see Figure 4.4) arguably makes this country potentially an attractive emerging market. This evidence has been repeatedly stated for the case companies where the product/service targets the end user.

["...Turkey has a big population and it is a developing country. We are the only and main
"...Turkey is a big market and has a big population for the food manufacturing companies..." (DANONE~ Appendices-B17)

"...It has a growing local market with young population, hence it has a high potential...” (TOFAS~ Appendices-B28)

"...Turkey was a big and profitable market for the tobacco companies...", (PHILSA~ Appendices-B69)

"...Why Belgian entered the Turkish market was because of the fact that the corn based sugar production was relatively new in Turkey. They wanted to establish themselves and take their share in this sector. By all means, it was a smart move....", (AMYLUM~ Appendices-B54)

"...Well, the corn production has started in Turkey since late 1970's and it is one of the main ingredients of the sugar/sweetener production. Prior to that period, the sugar manufacturing was made mainly from sugar beets and the corn production was relatively new in Turkey. There was no production facility to process corn to sugar anyway at that time. Then in late 1980's, the very first factory was established in Samsun if I remember correctly. However, that factory could not develop as such and was closed. Then in Adana, sorry in Burdur there was another factory for processing corn to sugar, but its faith was the same unfortunately. Then Paksoy Group and Cinar Misir firms in the early 1990s started their production facilities in this sector. Cinar Misir has brought all the technical knowledge and knowhow from abroad. Whereas Paksoy Group employed the main staff including technical members of the staff etc and opened a plant here, but they could not run the business as they would have liked as it was revealed let’s say. As they could not succeed in the sector properly after a while, the business could only run its costs, more-less break-even point and no profit stand. Then the management team has decided that they would not get any better at this sector as their main production line was on the liquid cooking oil and similar products, they sold their main shares around 70% to foreign Amylum Group and left it for good....", (AMYLUM~ Appendices-B54)

Figure 4.4 Turkey’s population (millions of people)

Source: Data taken from Turkish Statistical Institute, available at: <http://www.tradingeconomics.com/turkey>
In business terms, Turkey’s market potential indicators show a positive increase in population and in GDP since 1960 (see Figure 4.5). As pointed out in the qualitative data above, it is highly likely that the market potential of the host country had a positive influence on the FDI decision makers’ entry evaluation prior to the actual market entry period.

Tahir & Larimo (2002) have considered labour cost as another relevant location-specific factor in the OLI model and Dunning (2001) suggested that availability of highly educated personnel at lower costs is a location-specific factor. Local governments’ policies influence the labour costs, which may differentiate greatly between different countries; thereby they could be an influential factor in the international business decisions due to their direct impact on the cost of production. Overall, the access of highly educated personnel together with the level of labour cost could affect a firm’s decision to invest abroad as any MNE would have to evaluate the additional management costs related to finding high-skilled local labour and/or sending expatriates from its domestic or other regional locations. In Turkey, 31% of adults aged 25-64 have earned the equivalent of a high-school degree, much lower than the OECD average of 74%. However, the primary data collected in our interviews seem to highlight an alternative picture of the educational level of the Turkish workers than these OECD

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Figure 4.5 Turkey’s GDP

![Graph showing Turkey's GDP from 1966 to 2012](chart.png)

Source: World Bank Data, Available at: <http://www.tradingeconomics.com/turkey/>

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203 The Gross Domestic Product (GDP) in Turkey was worth 789.30 billion US dollars in 2012. The GDP value of Turkey represents 1.27 percent of the world economy. Turkey GDP averaged 185.52 USD Billion from 1960 until 2012, reaching an all time high of 789.30 USD Billion in December of 2012.
employment records:

["...The local work force is well-educated, motivated and competitive. Cost structure is competitive based on high productivity....", (TOFAS (external)~Appendices-B28)]

["...We plan Turkey to become a production centre for the neighbouring countries. Turkey is in a great position due to its human resources...." (DANONE~Appendices-B20)]

OLI model and supporting studies added corporate tax rates, trade agreements, laws and regulations as additional location-specific factors shaping the country’s business climate. These factors are included since MNEs must consider them when starting up their businesses in the host country:

["...The Automotive sector in Turkey has had long term relations with the European Union. Since the ‘accession to EU’ talks have started in 2005, Turkey has even better prospects for the future. When all these factors are combined, it is obvious that it is advantageous to produce vehicles in Turkey... Turkey has the longest practice of global market economy and is the only country in the region where international capital movements are liberalised...." (TOFAS (external) ~ Appendices-B28)]

The internalisation (I) advantages in OLI model imply that it must be in the best interests of the firms possessing ownership advantages to transfer them across to foreign firms (Dunning, 1988, 2001). High transport and logistic cost factors have been considered in order to explain the internalisation advantages. These factors, however, have not emerged distinctively in the interviews with the case companies. Strategic control of the internal forces such as image, know-how and technology can explain why some of the technology based multinationals have entered Turkey with controlled technology transfer. It has been indicated that foreign investors applied strategic control on their expertise and technology. FIAT, Daimler AG, BAE Systems, IP, AMYLUM GROUP and DANONE have entered the Turkish market in joint venture entry mode with the local partners and through licence agreements.

Meanwhile, the Uppsala Model by Johanson & Vahine (1990) suggests that the choice of which market a firm enters depends on both the “psychic distance” and the “physical distance”, beginning with countries closer to its home market (Johanson & Vahlne 1977).

\[204\] Data is taken from OECD website, available at: [http://www.oecdbetterlifeindex.org/countries/turkey/]
Table 4.4 The Comparison of Home-Host Country CD values

Figure 4.6 Survey Results - Perception of National & Business CD

Survey Results: Perception of National & Business CD by Country Pairs

<table>
<thead>
<tr>
<th>Country Pair</th>
<th>National Culture</th>
<th>Business Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>France - Turkey</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Belgium - Turkey</td>
<td>2.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Italy - Turkey</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Germany - Turkey</td>
<td>2.5</td>
<td>3.5</td>
</tr>
<tr>
<td>USA - Turkey</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>UK - Turkey</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Japan - Turkey</td>
<td>3.5</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Perception of CD (1=Low ... 5= High)

Figure 4.7 Physical Distance between Home-Host Country Capitals (in miles)

<table>
<thead>
<tr>
<th>Country Pair</th>
<th>Distance (in miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK - Turkey</td>
<td>2104</td>
</tr>
<tr>
<td>USA - Turkey</td>
<td>6334</td>
</tr>
<tr>
<td>Japan - Turkey</td>
<td>5305</td>
</tr>
<tr>
<td>Germany - Turkey</td>
<td>1465</td>
</tr>
<tr>
<td>Italy - Turkey</td>
<td>1207</td>
</tr>
<tr>
<td>Belgium - Turkey</td>
<td>1681</td>
</tr>
<tr>
<td>France - Turkey</td>
<td>1741</td>
</tr>
</tbody>
</table>

Source: 1) Figure 4.6 → Survey was conducted among the local employees of the case companies and the results were analysed by the author 2) Figure 4.7 → Distance from To Online Source, 2016, Available at: <http://www.distancefromto.net/>
This thesis addressed the theme of the perception of both national and business cultural distances through a research survey. This was conducted among the local employees of the case companies, asking them specifically to rate the “perceived” cultural differences (psychic distance) concerning both their national and business dimensions. When separated into concepts of national and business differences affecting the business and social interactions, the perceived psychic distance between the home-host country pairs has shown greater distance on the business culture side (see Figure 4.6).

“...I can say there is a resistance towards something new or lack of open-mindedness (on Turkish business culture). Whereas in FNSS, it is the opposite...” (FNSS~ Appendices-B14) (USA-Turkey)

“...it would be unfair to separate Turkish work ethics or business culture from Mediterranean countries. I think, the working culture of the Mediterranean countries is quite different from the one of the Northern American countries such as the USA and Canada... Of course, Americans have their own applications but also, we have our own characteristics from our business culture. I mean wherever you work you need to adapt to that...If you work in Mediterranean countries then you must adapt too...I see Turkey is in a group alongside with Greece and Italy. Americans have said it before: among the Mediterranean countries Turkey is the one that they felt, they could integrate their system the easiest. Furthermore, the subsidiaries in Turkey do tend to manage self-autonomy quickly. I can say this with confidence that Turkey is at the top of the list of European countries that Americans do not experience problem to do business with.” (EXPEDITORS~ Appendices-B52-53) (USA-Turkey)

“... French culture is not the best match for Turkish culture. For instance, they send a person for a key role in the Turkish subsidiary without a second thought. This person does not know Turkish culture or the behaviour patterns of Turkish customer base...” (Danone~ Appendices-B16-17) (France-Turkey)

“...The French were not being very helpful or easy going...” (FAURECIA~ Appendices-B38) (France-Turkey)

“...I worked with French before and French are very relaxed people in general...In contrary, English people seemed to have more serious approach....” (BAT~ Appendices-B21) (UK-Turkey)

“...I mean we never had any problems with the Italians. I worked with French people at another company and it was very different there. They would not understand us; we could not make our points. Even after, we made our points clearly still they would not understand us. But with Italians we never really had the same problem....” (TOFAS~ Appendices-B25) (Italy-Turkey)

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The research survey has been distributed to the local employees of case companies’ Turkish subsidiaries. The survey questions were incorporated with Hall’s (1990) national culture model dimensions and aimed to assess the perceived CD, cultural attitudes and characteristics of the foreign investors as well as the culture-performance evaluation (see Appendix F, sections). Based on Hall's culture theory, the research survey has concentrated on the perceived cultural differences in attitudes shown regarding “communication” and “time perception.”
"...The name of JTI suggests it is Japanese company but in fact there is not much of a Japanese influence. For instance, the headquarters of Japan Tobacco International is in Geneva. JTI is the name for the global operational part of Japan Tobacco which means that in JTI there are many people from different nationalities...." (JTI~ Appendices-B40) (Japan-Turkey)

"...the decision-making approach or taking an initiative was different but Germans gave autonomy to the Turkish subsidiary so there was not a conflict on that terms. Germans take their time when it comes to taking an initiative, so they are rather slow compared to Turkish people.... Although Germans do things slowly they are very much task masters like Turks so the result and completing tasks are essential. I think it is an important similarity. German investors were very careful with their budget control, quite possibly Turks are a bit less careful in general. For example, Germans plan 20 years ahead regarding expansion and setting future targets whereas Turks are more into 'live the moment' or let's say pass the day mode so less future oriented...." (Mercedes Benz Turk~ Appendices-B47) (Germany-Turkey)

"...Actually, there were a lot of differences... When we started to work with the Belgian Company, they gave special importance to regulate health and safety rules and reducing the number of work-based accidents, increasing the awareness, investing in protective measures against accidents in work place etc. The idea was the human health had to be put ahead of anything else. Previously, there was the old fashion Turkish mentality about health and safety: “nothing can happen to us, carry on working” ...The second thing was valuing sensible thinking rather than sensitivity or logical thinking over emotional reactions let's say. 'Do what your job descriptions tell you to do', type of mentality started thanks to them. Boss and subordinate relationships were made slightly different. Old fashion despotic managerial approach, I would not say is common anywhere in Turkey now anyway, was replaced with the idea that every worker is encouraged for their involvement towards making the company better..." (AMYLUM~ Appendices-B56) (Belgium-Turkey)

These qualitative data indicate ‘doing things differently’ in term of business mentality and practices. These differences may well be directly linked to the organisational culture of the MNEs. Nevertheless, the influence of the national cultural values (e.g. power distance distributions and uncertainty avoidance tendencies) on the managers was emphasized by the Hofstede’s model and our qualitative data are evidence to support the premise that some of these model’s insights were observed within the multicultural business environments analysed in this research. These differences, however, were observed only once the social interactions took place in the Turkish market, therefore the actual CD implication on the market entry decision is not conclusive.

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206 In large PD countries (e.g. France, Belgium, Turkey) managers enjoy a much higher level of power than subordinates, so that the latter lack autonomy to make decisions. Managers’ discretion to make decisions is high: they do not consult with subordinates and they are not questioned by them. In turn, they totally assume the responsibility for their decisions. In high UA societies (e.g. Japan, Belgium, France), people perceive new situations as dangerous and are more risk adverse. They show a low degree of tolerance to ambiguity and seek to reduce uncertainty and limit risk by imposing rules and systems to bring about order and coherence; in other words, they have a need for structure (Hofstede, 1980, 1991)
The Uppsala Model’s prediction on the “psychic distance” and “physical distance” relation is supported for the continental EU countries’ MNEs (see Figure 4.7). Their internationalisation history suggests a certain level of similarity regarding their chosen path of entering other EU markets before their expansion into the rest of the world. Nevertheless, this evidence is not always consistent for the US and UK based MNE case companies as, despite the physical distance between these two countries entry to the UK for the American multinationals or entry to the USA for the British multinationals, appears to be a primary corporate objective before entering the geographically closer neighbouring markets (see Table 4.6). Meanwhile, for almost all the MNE cases, entry into the EU markets appears to be taking place before their entrance to the Turkish market. Together with the other major considerations such as their corporate objectives, country pull factors and industry specific elements, the MNE cases provide supporting evidence for the Uppsala Model’s argument on the CD implications on market selection process. When focusing on the CD implications on the entry decision alone, such influence was not conclusive enough to form a confident opinion based on evidence from the case companies.

<table>
<thead>
<tr>
<th>Table 4.5 Internationalisation Directions for the MNE Case Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ <strong>BAE (MRC):</strong> UK → USA → EUROPE → Middle East → Australia</td>
</tr>
<tr>
<td>➢ <strong>BAT:</strong> UK → USA → Western EUROPE → AFRICA → AMERICAS → ASIA</td>
</tr>
<tr>
<td>➢ <strong>PHILIP MORRIS:</strong> UK → USA → AUSTRALIA → EUROPE → ASIA → AMERICAS → CANADA</td>
</tr>
<tr>
<td>➢ <strong>EXPEDITORS:</strong> N. AMERICA → ASIA → EUROPE → Rest of the WORLD</td>
</tr>
<tr>
<td>➢ <strong>IP:</strong> EUROPE → NORTH AMERICA → SOUTH AMERICA → MIDDLE EAST → ASIA</td>
</tr>
<tr>
<td>➢ <strong>HSBC:</strong> (ASIA first) → UK → EU → AMERICAS → Asia-Pacific → Middle East and Africa</td>
</tr>
<tr>
<td>➢ <strong>FAURECIA:</strong> EUROPE → NORTH AMERICA → AMERICAS → AFRICA → ASIA</td>
</tr>
<tr>
<td>➢ <strong>FIAT:</strong> EUROPE → USA → AFRICA → AMERICAS → ASIA</td>
</tr>
<tr>
<td>➢ <strong>DAIMLER AG:</strong> EUROPE &amp; ASIA → USA (merger with Chrysler 1998) → AMERICAS</td>
</tr>
<tr>
<td>➢ <strong>DANONE:</strong> EUROPE → USA → ASIA → AMERICAS</td>
</tr>
<tr>
<td>➢ <strong>AMYLUM Group:</strong> EUROPE &amp; USA → ASIA</td>
</tr>
<tr>
<td>➢ <strong>JT:</strong> Acquisition of RJ Reynolds non-US assets (in Americas, Asia, Europe, Middle East) → AFRICA → EUROPE</td>
</tr>
</tbody>
</table>

Source: Author (The categorization information is collected from the official websites of the companies involved as well as the qualitative data)
4.3 Role of CD for the Entry Mode Selection Process

The Literature Review (Part 2.1.1) indicated that there is a vast body of literature dealing with the role exerted by the cultural distance (CD) on the entry mode for the FDI processes without reaching definitive conclusions. With regards to the empirical relationships between the CD and the entry mode, Hofstede’s cultural approach has been most widely used in the entry literature (Tihanyi et al. 2005, Dow & Larimo, 2009) (see the synthesis in Table 2.1). Some papers focused on methodological differentiation by proposing alternative metrics for the CD measurement based on Schwartz or GLOBE projects (e.g. Kim & Gray, 2009; Morschett, et al., 2008). Wang and Schaan’s (2008) focused, instead, on the structure of this relationship claiming the presence of an inverted U-shape relationship between CD and the choice of JVs as an entry mode. There have been attempts to enhance the arguments by considering additional CD related factors such as language, religion, and degree of economic development (e.g. Davis et al., 2000; Delios & Beamish, 1999; Demirbag et al., 2009; Dow & Kuranaratna, 2006; Lu, 2002; Meyer, 2001 and Tatoglu et al., 2003). Finally, another stream of literature focused on the existence and role of moderating variables which may influence the effect played by the CD in the choice of entry mode such as the target’s country risk (Brouthers & Brouthers, 2001; López-Duarte & Vidal-Suárez, 2012), the host country’s governance quality (Chang et al., 2012) and the foreign investor’s experience (Cho & Padmanabhan, 2005).

This variety of results, emerging from the empirical studies analysing the contingent effect of CD on the internationalisation decisions, enhances our justification that qualitative studies should be used as a suitable approach for the analysis of contextual issues when studying MNEs’ internationalisation stages. The entry mode literature also refined the rationale of our analysis as it indicated the relevance and impact of the different dimensions of national culture, which are otherwise traditionally synthesized within the unique numerical value expressed by the CD index. Indeed, an analytical approach that relies solely on the CD index may lead to relevant loss of information and assumptions that are not necessarily suitable for the analysis.

The main purpose of this section is to explore the role that differences relative to individual culture dimensions play on the entry mode strategies and their implications for the ensuing ownership structures and to analyse the empirical evidence gathered from our qualitative interviews through a detailed comparative analysis. Before evaluating the case companies’ entry mode selection, the national CD measurements and the individual culture dimensional
values are presented in Table 4.6 for the home-host country pairs of the case companies. It is important to note, again, that our data sets were not gathered from the actual internationalisation decision makers of the MNEs but rather from the local manager of their Turkish subsidiaries. Hence, this section will investigate whether the national CD can be considered among the determinants of the choice of market entry modes (merger/acquisition, joint venture or Greenfield investment).

Table 4.6 Individual culture dimensional values based on Hofstede’s Model

<table>
<thead>
<tr>
<th>Country</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>USA</td>
<td>40</td>
<td>91</td>
<td>62</td>
<td>46</td>
</tr>
<tr>
<td>UK</td>
<td>35</td>
<td>89</td>
<td>66</td>
<td>35</td>
</tr>
<tr>
<td>Japan</td>
<td>54</td>
<td>46</td>
<td>95</td>
<td>92</td>
</tr>
<tr>
<td>Belgium</td>
<td>65</td>
<td>75</td>
<td>54</td>
<td>94</td>
</tr>
<tr>
<td>France</td>
<td>68</td>
<td>71</td>
<td>43</td>
<td>86</td>
</tr>
<tr>
<td>Germany</td>
<td>35</td>
<td>67</td>
<td>66</td>
<td>65</td>
</tr>
<tr>
<td>Italy</td>
<td>50</td>
<td>76</td>
<td>70</td>
<td>75</td>
</tr>
</tbody>
</table>


Based on the entry mode literature focusing only on the “CD concept”, when investing into Turkey it should be presumed that MNE decision makers, particularly those from UK, USA and Japan, would choose JV or Greenfield over acquisition as higher CD implies higher integration costs (e.g. Jemison & Sitkin, 1986). Most of our case companies where there is a high CD between home-host countries are in line with this conclusion except for two cases: The Japanese JTI and American Expeditors’ market entry mode into Turkey were via acquisition (see Table 4.7). Meanwhile, low CD should influence the MNE decision makers from France, Belgium and Italy towards choosing acquisition as a favourable entry mode. However, the case analysis revealed that, other than for the case of Faurecia, the presence of low CD, between home and host countries, did not result in acquisition as the expected entry mode into the Turkish market (see Table 4.7).
Table 4.7 Categorization of the case companies based on their ‘initial’ market entry mode

<table>
<thead>
<tr>
<th>Joint Venture Partnership</th>
<th>(Wholly Owned Subsidiaries)</th>
<th>(Wholly Owned Subsidiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Greenfield Investment</td>
<td>Acquisition</td>
</tr>
<tr>
<td></td>
<td>CD</td>
<td>CD</td>
</tr>
<tr>
<td>FNSS</td>
<td>2.74</td>
<td>HSBC Bank&lt;sup&gt;207&lt;/sup&gt; 3.69</td>
</tr>
<tr>
<td>OLMUKSAN-IP&lt;sup&gt;208&lt;/sup&gt;</td>
<td>2.74</td>
<td>BAT 3.69</td>
</tr>
<tr>
<td>PHILSA</td>
<td>2.74</td>
<td></td>
</tr>
<tr>
<td>MERCEDES-BENZ TURK</td>
<td>1.60</td>
<td></td>
</tr>
<tr>
<td>TOFAS</td>
<td>1.51</td>
<td></td>
</tr>
<tr>
<td>AMYLUM NISASTA</td>
<td>0.87</td>
<td></td>
</tr>
<tr>
<td>DANONE-SA</td>
<td>0.56</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (The categorization information is collected from the official websites of the companies involved as well as the qualitative data)

Looking at the “individual culture characteristics based on Hofstede Model”, the literature suggests (e.g. Erramilli, 1996) that decision makers from high PD (power distance) countries (Belgium, France, Japan and Italy) might show a tendency towards whole/majority oriented entry modes. Whereas, MNE strategists from low PD countries (USA, UK, Germany) would be more open to retain lower levels of equity ownership in foreign subsidiaries (see Table 4.6 far above). The case companies in this research do not show any pattern to support this argument (see Table 4.7 above) indicating the need for alternative explanations and showing the limitations of utilising the PD metrics for interpreting preferences on the entry mode. Concerning the UA (uncertainty avoidance) dimension, it may be expected that case companies from high UA countries (Japan, Belgium, France, Germany and Italy) would prefer JV in order to share risks. Japanese JTI and French Faurecia have entered Turkey via acquisition irrespective of the high UA score of their national cultures; furthermore, JV cases also have foreign partners with low uncertainty avoidance scores.

<sup>207</sup> When HSBC Bank entered the Turkish market, it used Midlands Bank name initially.

<sup>208</sup> “[...It is sold to Olmuksa-IP corporations. IP is an American firm and Olmuksa belongs to Sabanci Holding. Now Olmuksa and IP have 43% of the shares each and 14 % of the shares belong to Bolsa Ekti. .....Olmuksa has been in this sector since 1960. The company I work for was launched in 1970s. In 1999 it was sold to the English (DS Smith Holding). Since 2010, it is sold to IP + Olmuksa partnership. ...”., (OLMUKSAN IP~Appendices-B59)]
Moving to the IC (individualism-collectivism) dimension, it is claimed (e.g. Barkema & Vermeulen, 1997) that MNEs from high individualistic societies (USA, Italy, UK, Belgium, France and Germany) would prefer to follow whole ownership entry modes. The evidence from many JV cases obtained in this research contradicts this expected relation between IC and entry mode (see Table 4.5). Meanwhile, apart from Japan, collectivist Turkey has a significant IC distance with all the countries covered in this research. The literature (e.g. Barkema & Vermeulen, 1997) also suggests that, due to this distance and to the costs related to the managing of human resources, firms may prefer investing through a JV rather than through a WOS. This statement could be true by looking at the JV cases alone; thus, our research coverage of all the FDI modes reveals that the IC related evidence would contradict the five WOS cases (See Table 4.7).

It has also been claimed (e.g. Barkema & Vermeulen, 1997) that the joint ventures are the suitable entry mode when investing in countries characterised by a high distance along the MF (masculinity-femininity) dimension of culture. Turkey shows a significant MF distance with Japan as well as with Italy, Germany, USA and UK. When looking across the cases once again no clear pattern of entry mode seems to emerge according to MF distance, casting doubts about the empirical relevance of the influence of this dimension of culture on entry mode strategy (see Table 4.6 and 4.7).

When looking at the cases through FDI entry mode clusters, it would be essential to consider the potential moderating role of third variables within CD-entry mode relation. Entry mode via acquisition was followed by Japanese JTI, French Faurecia209 and US based Expeditors to their related core industries that were relatively mature, yet competitive at the point of entry. Buckley & Casson’s (1998) suggest that the existence of high competition would be likely to make acquisitions favourable, and evidence about this association can be found with these three case companies, as they were ‘late entrants’ into the respective sectors. Late entrants, employing a “wait and see” strategy, can gain advantages over early movers if they can possess the same capabilities at lower cost and produce better or cheaper products by making more intensive investments (Lieberman & Montgomery, 1998). On the other hand,

209 Faurecia’s entry mode via acquisition can be categorized as brownfield investment as the French multinational establish a medium sized automotive supplier despite higher management costs suggested by the participant. Due to the need of fast entry to the already established automotive industry in the region and close geographical distance to the main customer Renault production facilities in Bursa were linked to the possible motivators for the entry mode selection of acquisition of a local production facilities and major restructuring project, a.k.a. brownfield investment type (See Appendix B-35).
early movers can gain profits by influencing customers' attitudes and perceptions Buckley & Casson's (1998):

["...Furthermore, the other big foreign brands were not in the Turkish market yet when the company entered Turkey..." (PHILSA~Appendices-B69)]

["...Expeditors operates in “logistics” sector. It is a “forwarding” company and work as Expeditors (under its own name) in Turkey and we have 6-7 offices around Turkey on regional base. 10-12 years ago, they have entered the Turkish market as Expeditors. We had another partner, a local company, at that time. Then the Americans bought the local partner Tupak. Approximately, for 12 years they have been active within international logistic field. These types of firms in logistics tend to control the local firms abroad. They are supposed to be homogenous so all the inputs and outputs, the profits/loss margin can be seen, and they look at in which sector they operate within the market. Because of the partnership, the local firms must share these data with the foreign investors anyway. ...." (EXPEDITORS-Appendices-B40)] ... In case of Expeditors, acquisition of a local logistic company provided them a fast entry to Turkey and a possible expansion to the Middle East region, supported by its existing international experience and global brand name (EXPEDITORS- Appendix A-8)]

Overall, the acquisition of functional businesses in Turkey benefited the MNEs with fast market entry and penetration despite the risk of higher management costs claimed by Kogut & Singh (1988). Meanwhile, despite the high values of the national CD measurements suggested by the Kogut & Singh (1988) formula, HSBC Bank and BAT have entered the highly competitive Turkish market via WOS (in the form of Greenfield investment).

["... In 1990s, I believe. ...It entered the Turkish market but acquisition of Demirbank was a big step for HSBC to establish in Turkey...." (HSBC Bank~ Appendices-B66)]

["...Since 2000. Yes, but they were only doing import business in Turkish market at the beginning. The company had only Marketing and Human Resource units and 35 people working for a start. Then in 2004 the first manufacturing plant opened in Izmit/ Turkey...Yes sure as I said until 2004 it was a small company, they did not have many employees. They just imported goods and sold in Turkey...." (BAT~Appendices-B3)]

Balakrishnan & Koza’s (1991, 1993) hypothesis of reduced transaction costs being an influential factor in choosing the joint ventures over other entry modes, particularly when the partners operate in different sectors, was supported by the evidence emerging from the
FNSS, TOFAS, PHILSA, Mercedes Benz-Turk and Danone\textsuperscript{210} SA JV cases. The common ground for these JV cases was that local firms’ technology and knowledge gap in a new industry have prompted them to seek foreign partners that had credible assets in the chosen industry:

[“...FNSS in Ankara/Turkey, the company ownership belonged to %51 to the American owners and %49 to Nurol Holding. According to this new legislation much of the ownership has to be with Turkish Companies therefore the ownership percentage has been switched...Turkish partner gives the capital investment whereas the American partner gives their technology (know-how) into this partnership ....” (FNSS~ Appendices-B11-12)]

[“...Foreign direct investment partnerships can create great opportunities for the partners: The international partner can bring product and brand excellence and provide entry to international markets. The local partner can bring innovative flexibility, low cost base and market dominance in growth markets. When both partners share the same values, and are of the same mindset regarding growth, the joint venture partnership can take advantage of the opportunities...” (TOFAS (external)~ Appendices-B28)]

[“...As a result, Mr. Vehbi Koc founded the factory "Otosan" himself in 1959. Legendary "Anadol", the first mass-produced car of Turkey, produced out of fibreglass was the first major accomplishment in Turkish Auto Industry. After this success, Koc contacted Ford first, for a bigger investment, but could not convince Ford. Instead, Koc made an agreement with Fiat. In 1968 TOFA$, Turkish Automobile Factory, Inc. was founded...” (TOFAS (external) ~Appendices-B27)]

[“...Firstly, Danone entered the bottled water market in Turkey...Then they went into dairy business and built a dairy factory...” (DANONE~Appendices-B16)]

[“...Sabanci Holding’s JV partnership with DANONE was mainly about entering in to the food and beverages sector and penetrating the Turkish market with a knowledgeable partner...” (DANONE~Appendices-B19)]

Lightfoot’s (1992) argument on government’s administrative interventions by putting legal restrictions on some sectors did indeed play a part in some of the case companies’ entry mode selection such as FNSS\textsuperscript{211}, Phil-SA, TOFAS\textsuperscript{212}, AMYLUM and Mercedes Turk\textsuperscript{213} in

\textsuperscript{210} In Danone’s entry to the Turkish market has been actualized through a joint venture partnership with a highly diversified Sabanci Group in food and beverages sector which is not strictly controlled with regards to ownership structure by the government’s administrative FDI legislation compared to other high-tech sectors. In a highly competitive food and beverages sector, joint venture partnership presented opportunities for both of the partners to establish new product range under an international brand with a support of local partner’s distribution channels and network (Appendices A-4).

\textsuperscript{211} In case of FNSS the entry mode format of joint venture was obligatory entry mode due to the government legislation in the defence sector. Turkish government wanted to control the contract based investments where the foreign capital is involved by forcing foreign investing companies to work with Turkish partner. Consequently BAE Systems of USA had to have a local partner in order to do production activity in Turkey whereas local partner Nurol Holding lacked technical knowledge and expertise in this field at the time of establishment. The prolonged contract between the
Turkey. When the legislative restrictions on sectors were lifted, the MNE strategists did indeed choose alternative entry modes as observed in tobacco case companies BAT and JTI:

"...In 1993...It was a joint venture. ...It was the government condition that foreign investor had to have a local partner..." (PHILSA~ Appendices- B69)

"...Amylum Group’s headquarters were in Belgium at the time...They had 14 production plants in the West and East of Europe. What they were doing was to produce sugar and sugar related products by using starch and wheat. In some plants, they were producing some sort of alcohol too. However, the main productions were crystal syrup and glucose, the main ingredients for sweeteners and such. They entered the Turkish market with 50:50 JV partnerships with the American ADM Group....around 1997 it was 70% Amylum Group and 30% Paksoy Group. Before I started, Paksoy Group sold its share completely to the Americans...." (AMYLUM~ Appendices-B55)

"...The partnership was between Otomarsan and Mercedes and I think it was late Turgut Ozal's premier (the former Turkish prime minister). Mercedes was the first major foreign investor in the automotive sector. In this partnership, there was (still is) a small share which belonged to the Turkish government. The Mercedes-Benz Turk produces big vehicles for the Military Defence sector which are rather important for the military transport and logistics etc. ..., (MERCEDES BENZ TURK~ Appendices-B45)]

All the MNEs used in this research had high level of international experience prior to their entry to Turkey (Table 5.6) therefore this analysis could not conclude the relevance of the international experience as a moderating factor (e.g. Cho & Padmanabhan, 2005) for the CD impact on entry mode argument. Nevertheless, the average international experience observed on the JV cases is far greater than the WOS cases (see Table 4.11), because of which the researcher is inclined to suggest that there could be a significant pattern.

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partners and expansion to Middle East suggests that entry format of joint venture has been beneficial for both parties.

212 As it stated above apart from a few late entrants, all the major car manufacturers have entered Turkish market under joint venture entry mode. The data on corporate history of TOFAS underlines that initially FIAT was approached by the local partner for the licence agreement. FIAT has taken high risks with entering an immature market however joint venture entry mode has been the less risky option for them. Despite some conflicts and power struggle in the partnership over the years this partnership has played an important role of establishing an automotive sector on mass production purposes. However, quite similar to other car manufacturers in Turkey, FIAT also has been reluctant to put more emphasis on R&D activities in Turkey. R&D activities have been kept limited to some modification allowance on their mature or outdated models and marketing them under Turkish name.

213 The joint venture, a.k.a. Otomarsan, between German Daimler Benz and its local partners was initiated by the local partners yet the ownership structure was controlled by the local government’s FDI legislation similar to other automotive sector related multinationals’ entry to the Turkish market. The initial non-equity based joint venture structure was replaced with establishment of the manufacturing facilities in Turkey as the automotive sector and its supplier chain have matured since the initial entry date. It was speculated in the interview that that the main motivation behind the entry mode of joint venture was related to sharing market risks and rewards through shared ownership.
Table 4.8 Time gap (in years) between the first FDI and investment in Turkey by entry mode

<table>
<thead>
<tr>
<th>JV Cases</th>
<th>WOS Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>DANONE of DANONE-SA</td>
<td>JTI</td>
</tr>
<tr>
<td>FIAT TOFAS</td>
<td>HSBC</td>
</tr>
<tr>
<td>IP of OLMUKSA –IP</td>
<td>BAT</td>
</tr>
<tr>
<td>DAIMLER AG of Mercedes Benz Turk</td>
<td>FAURECIA</td>
</tr>
<tr>
<td>Tate &amp;Lyle of AMYLUM Nisasta</td>
<td>EXPEDITORS</td>
</tr>
<tr>
<td>MEC of FNSS</td>
<td></td>
</tr>
<tr>
<td>Philip Morris of Philsa</td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>Average</strong></td>
</tr>
<tr>
<td>39</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Related data were collected from case companies’ official websites

4.4 Results

The main results on the role of CD on the market entry decisions emerging from the study of the research’s case companies are summarised below:

- American MRC, acquired by the BAE Systems of USA, entered the Turkish military defence sector to win the bid for the military tank production project. Forming FNSS within the format of joint venture was mandatory for the American firm due to the government’s FDI legislation\(^{214}\) imposing restrictions within the military defence sector. Meanwhile the local partner Nurol Holding lacked the required level of technical knowledge and expertise\(^{215}\) in the defence sector at the time of establishment. The cultural and geographic distance between the JV partners’ country of origin does not appear to have had a significant influence on their entry mode or on the partnership decision.

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\(^{214}\) FDI legislation (Foreign Direct Investment Law No. 4875 (hereafter Law No. 4875, released in 2003)

\(^{215}\) The participant view from FNSS case company regarding the JV partnership and each partner’s commitments in the JV company: “...Turkish partner gives the capital investment whereas the American partner gives their technology (know-how) into this partnership...”, (FNSS-Appendices-B12)].
The potential of the populous Turkish market was given as the main motivation for French DANONE’s entry into Turkey. Without having a restrictive FDI legislation in the food & beverages sector, Danone decision makers’ main consideration for selecting the JV entry mode can be associated with minimizing the potential risks associated with entering the highly competitive Turkish market. The suggested cultural proximity between France and Turkey was not perceived by the local workforce and more importantly, this case contradicts the findings from previous market entry and entry mode studies using CD as a determining factor.

The long-standing corporate history of TOFAS underlines that Italian FIAT was initially approached by the Turkish Koc Holding for the licence agreement, which led to the JV partnership and to the establishment of the production facilities in Turkey. Despite some conflicts and power struggle in the JV partnership due to the restricted R&D rights given to TOFAS over the years, this JV partnership has managed to maintain its existence in Turkey. The low CD between Italy and Turkey has been suggested in different culture studies and the collected empirical evidence confirmed certain cultural similarities. Nevertheless, low CD did not emerge as a motivating factor for the Turkish partner’s search among the car manufacturers for the pre-entry period.

The main consideration behind IP’s entry into Turkey with an experienced local partner such as Olmuksa of Sabanci Holding through a JV was related to the risk sharing advantage of this entry mode in a competitive market. The market potential and geographic proximity of Turkey to the other target markets were given as main factors for the investment decision.

German Daimler AG has entered Turkey to produce truck and bus models under the Otomarsan corporate name, which has been a successful business over the years for all the partners involved. The main motivation behind the entry mode through a joint venture was related to sharing market risks and rewards via shared ownership in

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216 The participant view from Danone case company: “...Turkey is a big market, has a big population for food manufacturing companies. That could justify their motive perhaps...”, (Danone-Appendices-B19).

217 The participant view from IP case company: “…Olmuksa has been in this sector since 1960…” See the interview transcript Appendices section B-59.

218 The participant view from IP case company: “…IP is an American firm and Olmuksa belongs to Sabanci Holding. Now Olmuksa and IP have 43% of the shares each and 14 % of the shares belong to Bolsa Ekotı...” See the interview transcript Appendices section B-59.

219 Initially, Mercedes-Benz Türk was established in Istanbul in 1967 under the name of Otomarsan; it started the production of O 302 type buses in 1968. Otomarsan had three major investors: Daimler Benz AG (36%), HAS Otomotiv A.S. (32%) and Mengerler A.S. (32%). See Appendix A-7 for the corporate file of Mercedes Benz Turk.
an underdeveloped market in the late 1960s as well as to the FDI legislative restrictions. Similar to other automotive sector related joint ventures, the local partners needed the technology and tacit knowledge transfers from the German producer. The high level of CD between the home and the host countries was not found as being influential for the market entry decisions in the evidence collected for this case.

- The Belgian Amylum Group has seen the joint venture partnership as an opportunity to enter into a market by offering the raw material whereas for the Turkish partner Paksoy Group, the joint venture formed a key component of their exit strategy from a developing sector with limited production experience away from their core business. Business opportunities in the market were given as the main motivation behind the existing market entry challenges. Whereas the small CD level between the partners’ countries of origin was not considered, in the interviews, as a significant factor for those challenges.

- Faurecia, one of the major automotive component manufacturers, has entered the Turkish automotive sector through the acquisition of a local manufacturer near the heartland of the automotive manufacturing hub. This entry mode selection also matches their aggressive global expansion strategy since 1997; their market entry decision was related to the “following the industry” motive. Significantly, the small cultural distance existing between France and Turkey, calculated through the Kogut & Singh’s (1988) index, was not directly linked to the market entry challenges.

- JTI has entered Turkey indirectly after the acquisition of R.J. Reynolds international, which included their production facilities and brands in Turkey. In this case, the main motivation was not a decision of entering a profitable market but a corporate strategy of global expansion via acquisition. Hence, the suggested moderate level of CD between Japan and Turkey and its possible implications on the entry period would not have been central in the analysis of this entry case.

- The market potential of Turkey regarding its large customer base has been given as the main reason behind Philip Morris’s entry to Turkey; meanwhile, the entry mode


221 Producing glucose and starch from corn has proven to be unsuccessful experience for some of the local businesses, whereas this has provided opportunity for Amylum Groupe to extend their Eastern European operations to Turkey. See the interview transcript Appendices section B-54.

222 See Appendix A-6 for the corporate file of Philip Morris.
through a JV with the politically influential Sabanci Holding was considered as facilitating in dealing with the bureaucratic setbacks and governmental control of the tobacco sector. The cultural and geographic distances between the two countries, however, again did not appear to be influential factors in choosing the entry modalities during this phase for the investing firm.

- The shrinking set of opportunities in the developed countries and the anti-smoking campaigns were influential factors for BAT, as entry into Turkey would give BAT access to the tobacco raw material and further development opportunities. The Turkish government’s more liberal FDI legislation\(^{223}\) and plans for privatisation of the state-owned tobacco facilities were motivating factors for the market entry via WOS decision. Similar to other tobacco case companies in this research, the high CD score between the home and host countries has not emerged in the interviews as an influential element of the entry phase challenges.

- Turkey’s market potential\(^{224}\) together with HSBC’s expansion strategies in the emerging markets have been the driving factors for this MNE’s entry decision into Turkey. The national cultural differences between Turkey and the UK were associated with the differences in attitudes and expectations of the customer base in Turkey, yet there was no direct reference either to the market entry decision or to the Greenfield investment committed by HSBC in Turkey.

- Turkey’s geographic location\(^{225}\) and the access to the neighbouring region have created logistic advantages that were given, in the interviews, as the main motivation behind American Expeditors’ establishment in Turkey. Furthermore, the acquisitions of the local company in the same sector and the access to its wider network have been linked to Expeditors’ speedy market penetration together with its international brand name. Despite the high CD between home and host country, the participants’ interviews indicated that the MNE decision makers saw working in Turkey as preferable with respect to other EU markets.

\(^{223}\) The “Law of “Free Trade Zones” no. 3218” enacted in 1985 allowing 100% foreign ownership in FDI projects which allowed investors like BAT to be able to opt for Greenfield investment in the Turkish market.

\(^{224}\) The participant view from HSBC Bank case company: [“...Turkey has a big population and a developing country. It is the only and main British banking brand in Turkey...”], (HSBC~ Appendices section B-66)].

\(^{225}\) The participant view from case company: [“...Domestic companies in Turkey were providing a service to the certain sectors however under the wings of a global company like Expeditors the local companies can expand locally and internationally quickly. So it is a big advantage for the local partner...”], (Expeditors~ Appendices B-51)]
4.5 Conclusions

The initial part of the market entry phase analysis looked at the role played by CD in the internationalisation decision within the FDI processes of MNEs. All the participating case companies have a long operational background in the Turkish market (ranges between 13 to 45+ years to the time when the study was undertaken). This was as one of the main criteria for our holistic investigation. The potential limitation of this kind of investigation is that qualitative data sets may fell short on historical data regarding very early stages of case companies’ entry to the market. In order to mitigate this potential limitation, macro-economic models (such as Dunning and Uppsala models) were also included to evaluate whether participants’ expressed meaning for the initial phases were supported.

Contradicting results, as discussed in the literature review, emerging from the internationalisation models that utilised the national CD construct (such as theory of familiarity, the theory of transactional costs by Yoshino, 1976; Ozawa, 1979, Davidson, 1980; Dunning, 1988) were not supported by the empirical findings that emerged from the individual case companies. MNEs must coordinate and consider a vast number of variables226 and influencing factors, when assessing alternative strategies relevant to their market entry decision. These require market-screening methods to implement their overall business strategy. The role of the national CD, as argued in the OLI Framework on the market entry decision was often found to be quite inconclusive. It seems that each theory was developed within a particular environmental context to explain a specific set of observed firm behaviours. Furthermore, these models may well be outdated due to the significant environmental changes within the business world (e.g. formation of regional and cross-regional trade unions, the internet phenomena and complex knowledge networks among the companies). Meanwhile, the application of the Uppsala model has revealed that national CD might well be an influential factor to their expansion strategies; hence, there is a moderate support to the stated relationship between the national CD and FDI sequence of MNEs (e.g. Johanson & Vahlne, 1977, Thurnbull, 1987; Engwall and Wallenstal, 1988).

226 These variables could be market specific factors (market attractiveness, psychic distance, accessibility, informal barriers), the competition within their sector, cost related factors or firm specific factors (international trading history, size, export orientation and commitment). (Whitelock, J., 2002, “Theories of internationalisation and their impact on market entry”, International Marketing Review, Vol 19, No 4.)
This chapter also tried to explore the role of cultural differences between the home and the host country (Turkey) in the “choice of entry mode” within the FDI processes. Our analysis has taken into consideration the potential moderating factors such as host country variables (Turkey’s FDI legislation, market competition at the point of entry), constitutional variables (foreign investors’ international experience), language and or economic differences.

This analysis provided interesting results showing that causal configurations deriving from full, majority or shared entry modes are different within each case company and depend on the context in which the FDI is carried out. Additionally, the empirical evidence shows that both the presence and the absence of differences regarding an individual cultural dimension may lead to the same outcome, depending on the influential role played by moderating third variables. Concerning the moderating factors, the presence of linguistic distance in all cases did not seem to play a relevant role in determining ownership structure to handle the CD differences. Macroeconomic factors such as host country main economic indicators and microeconomic factors such as management and integration costs were all considered as influential moderating factors for the selection of the entry mode.

The research objective of identifying junctures covering the national CD is influential on the MNEs’ socio-business interactions and the initial research question of possible CD implications on the market entry phase have been addressed in this analysis chapter.

Overall, the case study findings relative to the contingent role of cultural differences on MNEs’ entry mode strategy and behaviours were not supporting the prevailing models discussed earlier in this chapter. This is in line with the argument presented by Tihanyi et al., (2005) and Dow & Larimo (2009) that the predicted effect of cultural distance between home country and host country on the entry mode choice is ‘ambiguous’.

The following chapter will evaluate the role of CD on the next FDI stage, namely “market integration period” with the subsidiary performance emphases.

227 The main arguments are based on Hofstede’s model of national cultural dimensions (Power Distance, Uncertainty Avoidance, Individualism/Collectivism and Masculinity/Femininity) and Kogut and Singh’s CD Index.
5 Phase II: Market Integration

5.1 Introduction

Following the market entry phase, this chapter will investigate the possible implications of the national CD according to the evidence on the market integration phase collected for the case companies. Based on the qualitative evidence presented, the previous analysis on market entry could not make any conclusive claim about the CD impact on the MNE’s strategies and behaviours during the initial entry stage. This finding supports Shenkar’s statement, that, “how different one culture is from another has little meaning until those cultures are brought into contact with one another” (Shenkar, 2001, p.527). Hence, the market integration period could provide a more fertile research setting for our research question.

During the market integration period, foreign investing firms face the challenge of realising their short and medium-term goals in a new territory. Therefore, this period would eventually take them to the crossroads where the market establishment strategies for the long-term goals or the market exit strategies are decided. Within the first few years of entering a new market, investing foreign firms rely heavily on their performance measurement systems to evaluate their long-term interests and commitments for that specific market. The literature review suggests that MNEs’ strategies and behaviours are influenced by the performance implications of CD between home-host countries during the integration period. Despite the agreement on the performance implications of CD, the culture-performance literature also revealed conflicting results about the nature of these claimed CD effects. This research’s adapted qualitative case approach, positioning in the much-discussed culture-performance phenomenon, aims to bring new evidence enhancing the current literature findings. The following section will introduce further details of the analysis (Sections 5.1.1; 5.1.2; 5.1.3).

5.1.1 Market Integration Phase: Role of CD on the FDI Performance

International business studies have evaluated CD metrics to quantify the composite, vague and intricate degree of cultural differences between home-hosting countries for MNEs and to explain possible implications on the MNEs’ affiliate performance. The conclusions drawn across these various studies provided some contradictory findings (presented in Literature Review, Chapter 2 ~ Table 2.3). The literature review (Part II, section 2.2.2) displayed that only a few researchers have applied multiple approaches in the same study and more importantly, the rationale between CD and the FDI performance remains unclear. This strengthens the approach taken by this research that a comprehensive investigation, based
on qualitative case study approach together with multiple CD metrics, is necessary to understand the complex relationship between culture and performance during the integration period.

Table 5.1 (below) demonstrates the key elements behind the stage analysis for this chapter and these elements will be explained further before the analysis. The analysis will separate the case companies under seven different home-host country categories and the performance implications of CD & PD during the integration period will be evaluated within each category based on a range of performance indicators.

Table 5.1 Proposed research analysis of the CD and the Affiliate Performance during market integration period

<table>
<thead>
<tr>
<th>Unit of Analysis</th>
<th>Sample</th>
<th>Cross-Cultural Interactions</th>
<th>Independent CD Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various FDI modes (IJV&amp;WOS)</td>
<td>12 MNE case companies established in Turkey (b/w 1960s - 2005)</td>
<td>7 other countries to Turkey [UK → Turkey] [USA → Turkey] [France → Turkey] [Japan → Turkey] [Belgium → Turkey] [Italy → Turkey] [Germany → Turkey]</td>
<td>(i) CD calculated with Hofstede data using Kogut &amp; Singh Index between home-host country (ii) Perceived CD (psychic distance ~PD) between home-host country</td>
<td>(Integration Performance) Criteria (i) Perceived subsidiary performance (ii) Financial performance evaluation (iii) Human resource productivity (iv) Knowledge &amp; Technology Transfer</td>
</tr>
</tbody>
</table>

5.1.2 Market Integration Phase: Independent CD Variable

In line with the previous chapter on entry decision's approach, this chapter on integration will also evaluate the cultural differences between MNEs' home-host countries through the Kogut & Singh (1988) CD index and the perceived CD (psychic distance-PD) elaborated from the survey data. The additional use of Hofstede's scores within the CD index may avoid the problem of retrospective evaluation of national culture in which the survey participants could answer questions about firm performance in the same way as answering questions about national culture. Hence, the analysis chapters will use and refer to the Kogut & Singh (1988) formula as an independent external indicator. Meanwhile, the perceived national CD includes differences in the business values, work ethics, conflict management, power distance...
attributes on managerial influence and control, internal communication etc. This analysis is in line with the argument developed by Hofstede (1980) that the possible cultural differences may affect how employees perceive and react to the cultural elements. Perceived cultural differences of the participants have been gathered around these themes during the interviews to analyse their possible implications on the corporate performance. Following the mixed methodology employed for the data collection, the perceived national cultural distance elements have emerged as relevant both at the individual level from the interviews and at group level from the e-survey. Hence, the cultural distance measurement gained from the qualitative data is most likely to be observational, perceptual and arguably subjective.

As a part of the applied research methodology, the survey has been distributed to the local employees of the Turkish subsidiaries of the analysed case companies. The survey questions were incorporated with Hall’s (1990) national culture model dimensions and aimed at assessing the perceived CD, cultural attitudes and characteristics of the foreign investors as well as the culture-performance evaluation (Appendix F).

Hall’s theory categorizes national cultures into dimensional groups: either in “high-context / low-context culture” or “monochronic / polychronic” culture. Based on Hall’s culture theory, the research survey has concentrated on the perceived cultural differences in attitudes shown regarding “communication” and “time perception” (see the scores given to the foreign investors’ observed time and communication attitudes in Figures 5.2, 5.3, 5.4). Although each national culture has its unique identification, according to Hall’s research Turkey is regarded as a high-context and polychronic culture due its close ties with the Middle East and Mediterranean cultures. Hall’s model (1990) suggested that like Turkish culture, Japan, France and Italy are also high context countries whereas UK, USA, Belgium and Germany

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228 Anthropologist Edward T. Hall’s (1990) concept of polychronic versus monochronic time orientation describes how cultures structure their time. The monochronic time concept follows the notion of “one thing at a time”, while the polychronic concept focuses on multiple tasks being handled at one time, and time is subordinate to interpersonal relations. While Hall's publications indicated countries or societies in each group, he did not conduct systematic research to provide scores for individual countries or regions on a 'dimension' similar to Hofstede's work. Direct observation of behaviour in a society will readily identify the time orientation that is likely to predominate in an organisation. Hall and Hall (1990), categorized cultures, in terms of communication context, in two groups: high and low context cultures. “A high context (HC) communication or message is one in which most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message. A low context (LC) communication is just the opposite; i.e. doing one thing at a time... the mass of the information is vested in the explicit code” (Edward T. Hall, 1976). Japanese, Arabs and Mediterranean peoples, who have extensive information networks and who are involved in close personal relationships are high-context. Low context people include Americans, Germans, Swiss, Scandinavians and other Northern Europeans. French are much higher on the context scale than either the Germans and Americans (Hall and Hall, 1990). Hall (1990) analyzed variances in perception of timing among culture systems and developed two types of time systems: monochronic and polychronic. Monochronic time means paying attention to and doing only one thing at a time therefore in monochronic cultures, time is experienced and used in a linear way. USA, some Western cultures-Switzerland, Germany and Scandinavia are dominated by the monochronic time. Polychronic systems are the antithesis of monochronic systems. There is more emphasis on completing human transactions than on holding to schedules. Latin and mediterranean cultures are dominated by polychronic systems (Hall & Hall, 1990).
are low context countries. Furthermore, Japan, UK, USA, Belgium and Germany are listed as monochronic cultures. Meanwhile, it is suggested that France and Italy show polychronic time attitudes similar to the Turkish national culture. In terms of business implications, the studies based on Hall’s conceptual model found that the occurrence of misunderstandings was highly likely during business communications between the representatives from high-context and low-context cultures, (Mead, 1994). Because different perceptions of time can lead to cultural misunderstandings and conflicts in international business, the dissimilarity between the two-time systems along with its effect on professional communication needs to be recognized. Therefore, the survey aimed at exploring the perceived cultural characteristics with a clear score system. These perceived attitudes of the foreign investors will then be evaluated with the possible implications on the integration performance indicators.

Table 5.2 Survey results using Hall’s Culture Dimensions

Figure 5.1 Survey results on the perceived “Time Management” attitudes of the foreign investors

( grouped by MNEs’ country of origin)

Figure 5.2 Survey results on the perceived “Communication” attitudes of the foreign investors

( grouped by MNEs’ country of origin)

Figure 5.3 Survey results on the perceived “Flow of Information” attitudes of the foreign investors

( grouped by MNEs’ country of origin)
5.1.3  Market Integration Phase: FDI Performance Measures

Measurements of the organisational performance present complications as corporate performance and success include multiple aspects, ranging from financial indicators to the fulfilment of business expectations. Our literature review concluded that since the 1990s, the focus on financial variables in studies regarding post-merger or acquisition performance has begun to shift towards non-financial issues\textsuperscript{229} in the field of international business management. This analysis proposes to use a customized range of performance measures, including financial and non-financial performance measures as listed below, in order to evaluate the performance implications of the cultural differences in the international business literature since cultural barriers might aggravate market integration problems and create internal/external frictions.

(I) Financial Performance Evaluation: Stock market-based measures have been suggested as superior alternatives for performance measurements (Woo et al., 1992), and they have been used frequently in the M&A literature (Chatterjee et al., 1992; Singh &

\textsuperscript{229} A number of frameworks and models were developed for the performance measurement in order to balance limitations caused by using singular approach: the performance measurement matrix (Keegan et al., 1989), the results and determinants framework (Fitzgerald et al., 1991), the balanced scorecard (Kaplan & Norton, 1992, 1996, 2001), the Cambridge performance measurement systems design process, (Neely et al., 1995), the integrated performance measurement system reference model (Büttner et al., 1997) and the performance prism (Neely and Adams, 2001).
Montgomery, 1987). Stock market-based measures are useful as they could reflect the investment communities’ evaluations of the short-term impacts of the investment decision taken by the organisation. For the stock market-based measures, the “cumulative abnormal returns” (CAR’s) are used in an effort to measure how markets perceive the business activities of an organisation (Seth, 1990, Chatterjee et al., 1992); therefore, stock market performance may reflect the actual performance of the organisation with regards to the success or failure of their business activities. Meanwhile, some researchers (e.g. Datta 1991, Very 1997, Zollo 2003) have used a combination of accounting based measures, such as profit margin, ROA (return on assets), ROE (return on equity) or ROSF (return on shareholders’ funds), to measure the achieved level of success. For the financial performance evaluation part of the analysis, it is proposed that the abnormal stock price, profit margin, ROA and ROSF measures are used.

\[ CAR = \frac{Actual Returns - Normal Returns}{Normal Returns} \]

where \( CAR \) is the number of average trading days in a given year, and \( n \) is (event period – 1 day)/2. The number of days in (- \( n \) to \( n + 1 \)) is called “estimation period” and provides to the normal return estimations. Also, the (- \( n \) to \( n \)) is a relatively short period of days and called “event period,” and the CARs are calculated for the event period. The addition of estimation and event periods should yield the total trading days in a given year. (Santos, M.R., Victorio, A., 2009, Journal of Finance and Accountancy)

A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. Profit margin is an indicator of a company’s pricing strategies and how well it controls costs. Net profit margin is calculated by subtracting total cost from total sales and then dividing the result by total sales. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. A low profit margin indicates a low margin of safety; higher risk that a decline in sales will erase profits and result in a net loss, or a negative margin (Jones, J. et al., 2009, Cornerstones of Financial and Managerial Accounting, Current Trends Update, 1st Edition, Cengage Learning).

The return on assets ratio, often called the return on total assets, is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. The return on assets ratio formula is calculated by dividing net income by average total assets (ROA=Net Income/ Average Total Assets) (Gibson, C.H., 2010, Financial Reporting and Analysis: Using Financial Accounting Information, South-Western; 12th edition)

The return on equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. ROE is also and indicator of how effective management is at using equity financing to fund operations and grow the company. The return on equity ratio formula is calculated by dividing net income by shareholder’s equity. (ROE=Net Income/ Shareholder’s Equity). (Gibson, C.H., 2010, Financial Reporting and Analysis: Using Financial Accounting Information, South-Western; 12th edition)

Return on shareholders’ investment ratio (ROSF), is also known as return on equity (ROE) ratio, is a measure of overall profitability of the business and is computed by dividing the net income after interest and tax by average stockholders' equity. Return on equity (ROE) is widely used to measure the overall profitability of the company from preference and common stockholders’ view point. The ratio also indicates the efficiency of the management in using the resources of the business. Higher ratio means higher return on shareholders’ investment. Investors always search for the highest return on their investment and a company that has higher ROE ratio than others in the industry attracts more investors. (Gibson, C.H., 2010, Financial Reporting and Analysis: Using Financial Accounting Information, South-Western; 12th edition)

The abnormal stock price is proposed to be measured by taking the difference between the pre-announcement (of the major investments decisions) and the post-announcement stock price of the case companies in Turkey. However, the applicability of this type of approach in largely European and Turkish context of the research is rather limited due to the facts that the Turkish stock market (Borsa Istanbul 100) is considerably small and stock markets in Turkey are also affected by the country’s macroeconomic environment.
(II) Overall Integration Performance: This measure is based on the participants’ personal evaluation of market integration success and overall performance of the affiliate in Turkey. In addition to the qualitative data, the survey that was conducted aimed to provide further evaluation of the possible cultural distance effects on the affiliate performance in Turkey (The possible effects were grouped under “positive”, “negative” and “no effect” in the e-survey).

(III) Human Resource Productivity: Under the resource-based view of the firm, a firm’s human resources can be a source of sustainable competitive advantage (Wright et al., 1994). Applications, which are aiming to develop the skills or human capital of employees, also influence positively on firm outcomes (e.g. Wright et al., 1999; Delaney & Huselid, 1996; Huselid, 1995; MacDuffie, 1995). The common insight within these studies is that human resource enhancing applications, such as training programmes, were positively related to employee productivity and customer alignment; MacDuffie (1995) also concluded in their studies that effective training programmes increase firm performance. Another important factor related to human resource productivity is the job satisfaction that deals with how people feel about different aspects of their jobs. Thus, a HRM system with procedures to identify and improve their human capital resources may have employees with higher job satisfaction236. High job satisfaction is important for organisations as it affects employee outcomes such as job performance and organisational citizenship behaviours (Spector, 1997). Overall, this measure is based on the participants’ evaluation of the factors that affect human resource productivity such as the level of employee resistance, expatriate-local staff relations, voluntary staff turnover, employee job satisfaction, orientation of the organisational culture on employee performance, staff training etc. The implications of CD between home-host county (both measured and perceived) on the human resource productivity and consequently on the performance will be evaluated for the case companies under home-host country pairs.

(IV) Knowledge & Technology Transfer: Knowledge transfer refers to the modalities by which individuals and groups communicate and learn from each other; hence, a firm’s knowledge base is generally seen as one of its most important competitive weapons. The cross-border transfer of knowledge is a complex task due to the possibility that cultural differences may have an impact on the efficiency level of the transfer, particularly of tacit knowledge such as leadership skills, management expertise and the investing firm’s

236 Job satisfaction, “a positive emotional state resulting from the appraisal of one’s job or job experiences”(Locke, 1976, p. 1300). From the economic perspective, job satisfaction is a unitary concept that can be explained in monetary terms (Bonache, 2005). From the psychological perspective, job satisfaction is often described to include task environment, compensation, communication, and social relations at the work place (e.g., Spector, 1997).
organisational culture. For multinational corporations, transferring their organisational culture and core values depends on the expatriation of the managers who ideally have sufficient tacit knowledge and skills to become a transfer channel. Furthermore, the successful transfer of knowledge requires that the target unit assimilate the new knowledge effectively (Gupta & Govindarajan, 1993). In the technology transfer literature, there are two recognized main types of costs for a firm: the costs of transferring technology to its subsidiaries and the learning costs of domestic firms (e.g. training for the local employees). The efficiency rate at which MNEs transfer their technology and tacit knowledge to the new market is likely to influence their short and long-term affiliate performance. It should also be added that technology transfer influences subsidiary performance because of its not only complex and costly nature but also because the transferred technology may not always be successfully commercialised in the targeted local markets (Mitchell, 1991; Teece, 1986). Mitchell’s (1991) findings suggest that a firm's capability to integrate technology into the systems of local production and commercialisation is critical for the commercial success of a foreign market entry. This measure is based on the participants’ evaluation of the related factors such as need for parent involvement, technology and/or knowledge transfer via expatriation of specialized staff, absorption of the tacit knowledge (e.g. corporate culture) and/or technology, integration with the parent system, learning activities for the local employees etc. This process could clearly be affected by the cultural differences between home-host countries regarding communication and time management and the potential frictions as explained above. Qualitative data from the local manager interviews and survey data covering communication, time management and the flow of information elements will be used to evaluate possible CD implications on the knowledge and technology transfer and consequently the integration performance.

5.2 Market Integration Phase Analysis: Performance Implications of Cultural Differences

The qualitative analysis evaluating the CD implications on the integration performance will group the case companies under seven home-host country clusters. After discussing the CD metrics for each group, both the measured and the perceived ones, the analysis will assess the case companies’ performance under four performance indicators and discuss the possible influence of the cultural differences during the market integration phase.

5.2.1 UK-Turkey [Case Companies: BAT, HSBC]
CD metrics between the UK and Turkey, as summarized in Table 5.3, suggest that there could be significant managerial differences, potential frictions, miscommunication between the British investing firms and their Turkish affiliates. However, the cultural differences between these two countries, could also translate into a good working environment for the MNEs’ Turkish subsidiaries. The performance implications of the suggested CD metrics will be evaluated for the integration period in Turkey of two MNEs: BAT and HSBC Bank.

Table 5.3 CD and PD Values for the home-host countries (UK-Turkey)

<table>
<thead>
<tr>
<th>Kogut &amp; Singh CD Index Score</th>
<th>Survey National CD Score</th>
<th>Survey Business CD Score</th>
<th>Communicational CD</th>
<th>Time Management CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.69</td>
<td>3.7</td>
<td>3.1</td>
<td>-Opposite contextual values suggested by Hall’s model</td>
<td>-Opposite chronic values suggested by Hall’s model</td>
</tr>
<tr>
<td>High CD score based on Hofstede’s dimensional scores below</td>
<td>(1=Close, 5=Distant)</td>
<td>(1=Close, 5=Distant)</td>
<td>-Supported by the survey</td>
<td>-Supported by the survey</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hofstede Dimensions</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>UK</td>
<td>35</td>
<td>89</td>
<td>66</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: 1) The scores were collected from the researcher’s official website: http://geert-hofstede.com/ and calculated by using Kogut & Singh formula; 2) Survey was conducted among the local employees of the case companies and the results were analysed by the author.

Financial Performance Evaluation:*

The key business interests of HSBC Holding in Turkey include their entry under Midland Bank in 1990 and the acquisition of Demirbank in 2001; since then, HSBC has pursued organic growth strategies in the Turkish market. Cumulative Abnormal Return (CAR) value has been calculated as 2.83% for the acquisition period of [-5 days, 0, +5 days]. The sharp increase in abnormal returns of HSBC Bank’s stock values immediately after the announcement of the acquisition might be seen an indicator that it was received well by the

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237 See graphs in Appendix I.10 for stock market-based financial performance indicators for investing multinational and Appendix K.14 for accounting-based financial performance indicators (gathered from OSIRIS database) for investing for the case companies

238 The Beta value, used in calculating abnormal stock returns for HSBC Holding, is given as (N.A) in the Yahoo Finance (https://uk.finance.yahoo.com/) therefore taken as β=1.

239 The acquisition announcement date was 30th October 2001.
stock markets. Meanwhile, the key profitability ratios indicate healthy progress for HSBC Bank during their integration phase in the Turkish market (1991-2001). Nonetheless, it would be quite difficult to dissect these positive results on each individual country where HSBC Bank operates. It is also significant that HSBC Bank had managed to escape the global financial crisis in 2009 and onwards without making significant losses.

In June 2008, BAT (British American Tobacco) completed its acquisition of the cigarette business assets of Tekel, Turkey's state-owned tobacco group. The CAR (Cumulative Abnormal Return) value for BAT’s Tekel acquisition, announced on 20th February 2008, has been calculated as 1.75% for the JV agreement period of [-5 days, 0240, +5 days]. The abnormal returns of BAT stock values around the announcement of their high-profile acquisition in Turkey illustrate rather mixed reaction in the stock markets as the CAR value is rather minimal and the daily abnormal returns are varied. On the other hand, the key profitability and financial return ratios indicate healthy progress for BAT considering its significant business moves in the Turkish market in 2002 and 2008 within BAT’s integration period.

**Overall Integration Performance:**

Competing among the strong local brands, HSBC Bank’s market integration process appears to be rather slow under the branding name of Midland Bank. According to the interview data, together with market adaptation strategies, acquisitions of the local financial institutions and offerings of modified financial products and services (e.g. internet banking and mortgage products) may well explain the surge of the British brand in the mainstream banking in the Turkish market. Their integration performance under the establishment of a British financial brand rather than focusing on its Asian origin was at times under strain because of the social media campaigns based on political grounds targeting British and American MNEs.

[^240]: "...It entered the Turkish market earlier but acquisition of Demirbank was a big step for HSBC to establish in Turkey... It must be said that HSBC offers different products in each market under its name. It must be parallel to the regulations of the country that they are in so there are possible differences. HSBC was introduced as a British brand; hence it has received a vicious mail campaign during the Iraqi War due to Britain’s military involvement in the region. Obviously, a political reaction towards a particular country also affects the...

[^240]: The Beta value, used in calculating abnormal stock returns for FMC Corporation, is given as given (N.A) in the Yahoo Finance (https://uk.finance.yahoo.com/) therefore taken as $\beta=1$. 
businesses from that country operating in Turkey regardless of what...” (~Appendices-B66, 67)]

Being in the service sector where customers’ satisfaction and loyalty are the key factors in competitiveness, HSBC’s bureaucratic style may have hindered the pace of their establishment and the perception within the local customer base.

[“...with other Turkish banks, taking an initiative or making decisions on customer requests can be left to the branch manager or the financial advisor with a bit more flexibility. With HSBC though, everything is done within the rules and regulations, meaning less flexibility.... Rules and regulations are very important. So, we follow British mentality on that ground...” (~Appendices-B66, 67)]

The UK based case company BAT has gone through two major market integration processes: The first integration has been done through a Greenfield investment by the establishment of a production facility in 2004. The second integration was done after the acquisition of TEKEL in 2008 through organisational restructuring in the Turkish market. Integrating the existing BAT operations with TEKEL and managing the increased size led to challenging times for BAT. Thus, BAT headquarters have engaged with this integration process after their significant capital investment by assigning a big project team in order to secure a post-acquisition success in the competitive yet profitable Turkish market.

[“...they were only doing import business in the Turkish market at the beginning. The company had only Marketing and Human Resource units and 35 people working for a start. Then in 2004, the first manufacturing plant opened in Izmit/ Turkey. In 2008 after the privatization of TEKEL acquired by BAT, BAT’s Turkish subsidiary has become a company with 2000 employees...we also bought 5 state owned tobacco plants as well as a few more tobacco brands in Turkey. At the time, BAT had 1000 employees and after these acquisitions, the number of employees reached around 2000. That meant that everything within BAT had to be restructured.... Before these acquisitions, we had four big product warehouses then after this major expansion, we have nine in total. Everything multiplied itself and became double in numbers. Hence, there was a chaos at the time of the acquisition period for sure. Although the company came to Turkey in 2000, in 2008 it reinvented itself all over again... Think about all those people including experienced staff, expatriates, inexperienced graduates etc.: Therefore, BAT was trying to bring all these people under one name and make them work for a mission. Therefore, aftermath of TEKEL acquisition, the integration, or restructuring period, was rather challenging....” (~Appendices-B22)]

[“...In Human Resource Department, an assigned female staff worked only for post-acquisition integration activities. She was working on how the company could bring all these people together. The cultural aspects of it too. She apparently had worked on Koc Bank and Yapi Kredi Bank acquisition deal before our project to foresee the staff integration issues. What I mean is that there were people who solely work on this cultural integration part of the BAT’s acquisitions...” (~Appendices-B24)]
**Human Resource Productivity:**

Job satisfaction in HSBC Turkey is regarded as high; however, the demanding and long work schedule with insufficient breaks intended to maintain fluency in customer service and satisfaction, had caused some resentment among the experienced staff, particularly the survivors from the acquired Demirbank units. Notwithstanding, the post-acquisition stress and factors causing dissatisfaction have been addressed by the periodic job satisfaction surveys. Furthermore, the new management team, under the new British national CEO, has introduced the “Open Space” application by which the executive managers have given a direct e-mail access channel to the HSBC employees.

[“...Now, we have an assigned CEO from the UK, replacing the Turkish CEO...The new British CEO made it clear that he is there to listen to staff related problems and solving them as well... There is a new application named “Open Space” with which the staff can reach out and contact the CEO directly. There used to be a lot of bureaucracy...Some of the personnel from Demirbank time said they were valued more in the past as a part of the organisation...The work load can be quite demanding. We used to skip the lunch break, but now this new British executive has addressed that issue.... Staff training facilities and career advising facilities are provided and the career path for staff is planned according to overall performance.... We have a bonus system as well...”, (~Appendices-B67-B70)]

In the BAT case, human capital enhancing practices, particularly for the post-acquisition period, have been applied by the acquisition project team and the assigned expatriates. Training sessions were given to all level of employees in documentation management and quality standards. Job satisfaction among the local employees was linked to the high profitability level of the company and job security. BAT has been a profitable company that has managed to offer good salary deals to its employees therefore the job satisfaction level has been expressed as “high”. Closely linked to the job satisfaction level, the voluntary staff turnover was observed as to be at a low level by the participants. Employee resistance was not observed in both integration processes. The project team notably included a human resource project sub-group to ensure that the human capitals of the acquirer BAT and acquired TEKEL would integrate efficiently.

[“...when I look at BAT, it is a profitable company. The salaries are higher than others within the tobacco sector and fast consumption goods sector. Although the work processes and standards are still progressing, people seem to be happy working here. The staff circulation is low. Because they are mostly satisfied, and they don't want to leave unless they find something much better...” (~Appendices-B22)]
HSBC’s technology transfer has been done via expatriates and the management style is perceived as British. Some of the advanced financial service and products in the home market (e.g. internet banking, credit cards, mortgage products etc.) were introduced to the Turkish customer base due to the changing trends in customer behaviours and buying power in recent years. Strictly following the rules and regulations leading to an increased level of red tape has been perceived as counter-productive in some cases where delayed decision making affects the customers’ service satisfaction towards the bank negatively.

Investing firm BAT’s direct involvement in the Turkish subsidiary has been critical during the initial Greenfield investment, the TEKEL acquisition and the post-acquisition integration projects. In parallel to the regional management system, there has been a close relationship with the London headquarters. Upgrading existing production technology, operations, documentation management and overall productivity of TEKEL, required direct involvement of the parent company to secure post-acquisition success for the Turkish subsidiary. Transferring the expertise efficiently to initially to Turkey and later onto the acquired TEKEL units has been observed closely by BAT headquarters. All the local employees were expected to follow the standards and BAT’s corporate culture; this control policy in return may have increased the absorption of the technology efficiently.

[“...when you look at the international companies they tend to bring the know-how when they enter a new market...Their expertise is applied to everywhere. You can observe it among the production line workers, the administrative staff members, within the managerial departments, even at the very top...I did not observe any situation in which there were restrictions about local workforce bringing their own work principles, work ethics...but there is a certain control mechanism on us. The foreign investor gives a clear message: ‘The way you were working is not acceptable. We are in charge and you will have to work like this from now on”. You can see this in all sorts of levels such as quality standards, documentation standards at management level. Overall, the foreign investors bring certain obligations for local staff to follow. Therefore, I think the obligations are on the business side more than the cultural aspects....” (BAT~Appendices-B21)]

[“...they had a project team of 100 people who planned everything from A to Z. Everything was rewritten in a way. Not only did they work during the integration period, but they also continued after the acquisition about six more months. They looked at what they had done, had not done, what needs to be corrected etc. They had a well-organized team for these tasks for sure...” (BAT~Appendices-B24)
5.2.2 USA-Turkey [Case Companies: Expeditors, PhilSA, FNSS, Olmuksan-IP]

The CD metrics between the USA and Turkey, reported in Table 5.4, show that there may well be differences in managerial attitudes and business approaches between the headquarters and the Turkish subsidiary. Hence, CD related potential frictions and communication problems could indeed affect the integration period for the USA based MNEs operating in Turkey. Despite these CD metrics, the qualitative data suggested that American investors found the Turkish business culture and work ethics\(^{241}\) rather compatible with their own.

“...There are differences between the Eastern and Western business cultures and when they come here we adapt to them and tend to change our way a bit. The lack of flexibility and strict rules mean that Turkish companies would struggle in the West and they tend to go to Eastern European countries instead... Workers’ attitudes differ not only between Americans and Turks but also between Americans and Europeans. American management style tends to be more transparent about information sharing. That is not the same for other countries. In Turkey though, employee loyalty is much higher...” (IP~Appendices-B64)]

“...I have not observed differences between local and foreign partners... I have not seen any conflict between the local staff and foreign staff or partners as an employee and as a manager....” (PhilSA~ Appendices-B71)

Table 5.4 CD and PD Values for the home-host countries (USA-Turkey)

<table>
<thead>
<tr>
<th>Kogut &amp; Singh CD Index Score</th>
<th>Survey National CD Score</th>
<th>Survey Business CD Score</th>
<th>Communicational CD</th>
<th>Time Management CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.74</td>
<td>3.1</td>
<td>3.9</td>
<td>-Opposite contextual values suggested by Hall’s model</td>
<td>-Opposite chronic values suggested by Hall’s model</td>
</tr>
<tr>
<td>High CD score based on Hofstede’s dimensional scores below</td>
<td>(1=Close, 5=Distant)</td>
<td>(1=Close, 5=Distant)</td>
<td>-Supported by the survey</td>
<td>-Supported by the survey</td>
</tr>
</tbody>
</table>

Hofstede Dimensions

<table>
<thead>
<tr>
<th>Hofstede Dimensions</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>USA</td>
<td>40</td>
<td>91</td>
<td>62</td>
<td>46</td>
</tr>
</tbody>
</table>

Source: 1) The scores were collected from the researcher’s official website: http://geert-hofstede.com/ and calculated by using Kogut & Singh formula; 2) Survey was conducted among the local employees of the case companies and the results were analysed by the author

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\(^{241}\) Turkish national culture as explained in Literature Review-Part 3
Financial Performance Evaluation:

The financial performance of FNSS during their market integration phase looked at the period starting from the initial joint venture agreement between the US based FMC Corporation and Turkish Nurol Holding, signed on 1st July 1987. This 10-year fix term contract was extended in 1997, moreover, in 2005 FMC and its international operations, were acquired by the UK based BAE System Plc. CAR value has been calculated as -0.2% for the JV agreement period of [-5 days, 0, +5 days]. The small decrease in abnormal returns of FMC stock values right after the announcement of the joint venture deal might be taken as a tentative reception in the stock markets. The key profitability and financial return ratios indicate a healthy progress for FMC for the period in 1989-1996 and for its Turkish subsidiary FNSS’ market integration term in Turkey. US based FMC’s poor profitability performance in 2004 was followed by more steady results. This could be related to the key event in which FMC was acquired by the UK based BAE Systems operating in the military defence industry. BAE Systems’ key financial results since its acquisition of FMC Corporation illustrate positive impact on the parent company apart from sudden dip in 2009.

The USA based International Paper (IP) has entered Turkey through a joint venture agreement with Sabanci Holding’s Olmuksan division which manufactures corrugated packaging products and has been operating under the name of Olmuksa-IP. Based on the JV agreement signed in 1998, the CAR value has been calculated as 11.33% for the JV agreement period of [-5 months, 0, +5 months]. The mixed results of CAR values in 1998 for IP do not give a clear indication of any market reaction to its operations in Turkey. The joint venture entity Olmuksan IP has acquired British DS-Smith’s Turkish subsidiary in 2010; for this major investment in Turkey, the CAR has been calculated as 5.10% for the year 2010. Another major investment of IP was actualised in January 2013 when IP has finalised the acquisition of its JV partner Olmuksa’s 43.7% share. The CAR value has been calculated as 13.99% for the period around this acquisition [-5 months, 0, +5 months], the negative

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242 See graphs in Appendix I-10 for stock market-based financial performance indicators for investing multinational and Appendix K.14 for accounting-based financial performance indicators, gathered from OSIRIS database, for investing for the case companies

243 The Beta value, used in calculating abnormal stock returns for FMC Corporation, is given as β=1.18 in Yahoo Finance (https://uk.finance.yahoo.com/)

244 1st July 1987

245 The Beta value, used in calculating abnormal stock returns for IP Corporation, is given as β=1.15 in the Yahoo Finance (https://uk.finance.yahoo.com/)
abnormal returns in January 2013 were balanced with positive results for the following two months. At the same time, the key profitability ratios indicating the performance of Olmuksa IP point to a sharp increase in 2010 when full ownership was gained by IP. Whereas parent company IP’s own key ratios, starting from the actual investment activity period in the Turkish market (1998-pre), indicate relatively moderate success during the initial integration time.

**Expeditors International** entered Turkey in 2003 by acquiring the local business TOPAK. Cumulative Abnormal Return (CAR) value has been calculated as -11.56%\(^{246}\) for the year 2003 [-5 months, 0, +5 months] when the acquisition activity took place in the Turkish market. Monthly CAR values were highly volatile for Expeditors during 2003; hence, it is difficult to derive the market reaction from historical data available for an individual business move in a specific market. The key profitability ratios point out to a relatively steady but mostly healthy progress for Expeditors for the period for 2003-2013 in which the integration period for their Turkish subsidiary took place.

**PhilSA’s** CAR stock market value and key profitability ratios for its integration period could not be evaluated due to the limited historical data available\(^{247}\).

**Overall Integration Performance:**

The participants' overall performance perception of FNSS in Turkey was expressed as a "success". It was emphasised that FNSS has played a ‘pioneering’ role among the privately-owned corporations in the military defence sector by applying modern production technology and developing the local supply chain. Despite the initial 10-year project agreement between the partners, FNSS was given further longevity by extending its operations in the Middle East region; this could be seen as an indicator of JV partners’ satisfaction level with FNSS performance. In the interview, the success was attributed to a few factors: human capital enhancing’ practices, developing a local supply chain, reinvention by shifting their future

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\(^{246}\) The Beta value, used in calculating abnormal stock returns for Expeditors, is given as \(\beta=0.89\) in the Yahoo Finance (https://uk.finance.yahoo.com/)

\(^{247}\) The manufacturing joint venture between Philip Morris International (75%) and Sabanci Holding (25%), was established in 1991. Philip Morris Int. is listed at NYSE as (PM) and the historic stock market price data goes as early as March 2008 therefore the Turkey entry data 2004 can not be traced. Local partner Sabanci Holding is listed at Borsa Istanbul 100 as (SAHOL). The key profitability and financial return ratios that were traced for Philip Morris International covers the time period from 2003 and onwards therefore the integration period of their investment in Turkey could not be speculated from historical data available. Meanwhile up to the present times since 2003, the profitability indicators for Philip Morris International appear to be steadily positive with ROSF ratio showing significant leap in 2010.
focus from a production-based company towards a R&D based company.

[“...Bear in mind the company was built for maximum 10 years and the initial idea was to close it down after 10 years. They did not have very long-term vision to start with; the initial plan was to build 1500 vehicles in 10 years. Once this period hence the main contract was over, the partners decided to carry on the production line but with a changed balance of power between them. The idea for future is to extend the market to the Middle East. Of course, it is very difficult to get any project for abroad due to the political issues within defence sector. Therefore, you cannot just produce and sell your product. You must let everybody know where the product is going in such detail and permissions are required. Therefore, the American partners decided that FNSS could control the regional projects in the Middle East area. I mean what Americans use in Iraq were produced in Turkey which was very cost effective. Turkey is being very close to the Middle East is a factor but projects in Saudi Arabia and 10-year project in Malaysia will be coordinated by FNSS...” (FNSS~Appendices-B14)]

[“...R&D has become rather important. In the past, they used to supply the material and do the assembly and then distribute the final vehicle, but it has changed now. In the past 60-70% of the personnel were blue collared but now there are 47 of them and 120 people are R&D engineers. The internal structure has changed completely. R&D centred approach is established.... So, they are now producing and marketing their own products such as a floating bridge product designed by FNSS’ Turkish engineers...They have changed the project based strategy now looking for longevity in the market by designing new products and marketing them...This is the future direction for FNSS...” (FNSS~Appendices-B15)]

The overall performance of Olmuksan IP was regarded as ‘not convincing enough’ in a competitive market. Furthermore, the slow integration pace may well affect its overall performance compared to other big names operating in the same sector in Turkey.

[“...IP’s performance in Turkey cannot be called satisfactory as its competitiveness is rather low. Not focusing too much on the recycled paper production is essential. If IP cannot do that and continue the former Turkish, JV partner’s slow bureaucratic structure then it will not be able to compete in this fast-changing sector. More importantly many more global players get into the Turkish market in this sector....” (~Appendices-B64)]

Philip Morris’s integration performance in Turkey has been very successful due to the strong networking support from its Turkish partner, marketing and branding strategies and producing customized versions of its highly popular global brands in Turkey248.

As a globally recognizable brand name, Expeditors’ entry and establishment in Turkey has been profitable for the investors therefore the overall integration performance could be

248 See Appendix A-9 for more details on the Philip Morris International’s operations in the Turkish market and elated transcript sections in the B-69,70
described as successful.

[“...When we talk about work ethics, it would be unfair to separate Turkish work ethics or business culture from Mediterranean countries. I would say working culture of the Mediterranean countries is quite different from the predominant one in the USA. The way they analyse things and their perspective are different. Of course, there were some problems during the integration period such as responding quickly, searching things quickly etc. Similar problems still can be observed when we have staff turnover, introducing the new staff...Training, training, training! Staff training is the way to minimize the problems...Trainings are related with the system integration, the plans that are set with the American partners, what we need to do, how it needs to be done etc....” (Expeditors~Appendices-B52)]

**Human Resource Productivity**

Human capital enhancing practices in FNSS, such as training in technical knowledge and personal development reviews, have influenced the level of job satisfaction and the sense of loyalty. The participants, due to the created communication platform with effective channels supporting the ‘employee voice’, considered employee resistance towards managerial decisions or organisational changes (e.g. the restructuring period in 2004) in FNSS insignificant.

[“...those who went through these trainings have carried on working for FNSS for many years, so they did not lose their investment on the people if you look at it in that perspective. I think this is quite significant because normally people initially get staff trainings and then leave soon after...This is a plus point for FNSS that has managed to keep their key personnel over the years. I believe the reason behind this low staff turnover has been due to its Human Resource Management applications. Firstly, they had HRM department and this department has introduced training programmes and all the other applications that focussed on personnel satisfaction and the loyalty on the long run...Not only improving the technical knowledge on how to run the production/project based company but also the trainings on personal development were given...” (FNSS~Appendices-B13)]

[“...Getting into FNSS requires a combination of evaluation and elimination steps to start with. The interviews are conducted in English and Turkish as well as the admission test. An experienced applicant or a new graduate, they want to see that the applicants can pass the test first and then demonstrate that they will be loyal to the company. So, they are not after people with work experience as they believe they can train their own people...They started to shift their criteria from employing highly experienced people towards employing graduates with potential...” (FNSS~Appendices-B14)]

[“...FNSS is very open-minded business organisation and I have not worked in any company like it...You could complain about anything that you are not happy about, so you do not have to keep quiet and put up with it. There is a high level of freedom where you can voice your opinion. You do not need to complain about the foreign management as the Human Resource Management team work very hard to run applications for the staff such as you can voice your opinion about your manager without any fear. By that, the top management can
assess the performance of their operational managers...The staff can require any of their needs in personal development, education etc, and every year there is a meeting in the conference room and the managers must sit down for long hours to look at every single problem and requirements of the staff... I have seen this application for the last two years in FNSS...." (FNSS~Appendices-B13)]

The interview data points out that from the very early stages towards the end of the initial 10-year contract period, all the key managerial positions were filled by the assigned foreign expatriates. The relationship between the assigned managers and the local staff has been regarded as positive; however, the initial treatment of the local work force as ‘a group of people who need to be educated’ may have caused some resentment during early years.

[“…The American headquarters treated the local staff as people to be trained. Once the initial project team established the whole system, those expats left, some of them were not very happy to be in Turkey...” (FNSS~Appendices-B12)]

IP’s Turkey operations have seen organisational and ownership structure changes in recent years and that might have affected their human resource management applications. IP has entered the Turkish market with an established Turkish partner; there were minimal changes for the existing employees under this joint venture. After the whole ownership, the transformation of all the Olmuksa units under IP’s corporate HR management has not been achieved for its current employees; therefore, the local employees have felt that the Turkish partner’s hierarchical management style has not been replaced. The ‘slow’ post-acquisition integration process of IP is claimed to exert negative influence on the overall employee job satisfaction and to cause a surge in the voluntary staff turnover.

[“...Yes, it is a totally different structure now. They were pleased with the English owners before Olmuksa IP...they valued building the “trust” more...working with regularity and future orientation were the positives...” (~Appendices-B62)]

[“...It is essential to say this. IP is still following its former partner Sabanci Holding’s footsteps regarding the management of the production facilities; hence, their applications are not fully integrated yet. It sets its targets; however, they cannot be achieved with the seasoned staff members from old times. When we had an American expatriate for the integration project, over 9-month period, I thought it was very productive and useful for us...” (~Appendices-B64)]
*Philip Morris* has standardised HR applications that are used efficiently in all the subsidiaries such as MAP meetings (Managing and Appraising Performance), excellence awards and ABCD award system. Despite human capital performance and productivity are being invested with a range of award systems, the corporate culture still appears to be job oriented. Job satisfaction has been observed to be at high levels, which may well reflect its profitability levels and corporate success in the Turkish market.

["...There is no specific application just for the Turkish staff; they treat all their staff equally.... every year we have “Managing and Appraising Performance-MAP” meetings, according to these meeting the staff get salary increase and promotion scale identification according to their performance during the year. Apart from that, the high performance is awarded with “excellence award” or “ABCD award” system...They do not have any specific application for Turkey. What they do is that, they apply the standardised applications internationally with efficiency and on an equal ground...” (Appendices-B70-71)]

During the integration period, after the acquisition of the local business, *Expeditors* brought high standards into the employment process by giving special importance to the competency level, experience in the sector, language and IT skills. The management of the subsidiary has been given to the local management team after the integration period was completed, which is provided as an example of the American investors’ level of satisfaction with the local management’s performance. The Turkish subsidiaries have been rewarded for their high performance in the region and this was linked to the efficient and productive work done by the local employees. Based on the profitability outcomes in the market and the advanced salary structure, job satisfaction has been high from the very beginning for the local employees.

["...The foreign investors particularly paid their attention towards the personnel, finding the right people. The important recruitment criteria include language skills, particularly English, and the academic background. If they were particularly educated abroad then it was a big plus too. They employed a few people that fit their high standards initially. These initial people played their part in the future recruitment process later as well. I am one of them so to speak. We are actively play our part in the employing new people during the interviews, elimination tests etc. We did not have big problems at all...." (~Appendices-B52)]

["...There are different factors to consider when you answer the question of job satisfaction such as the salary factor. Within the sector, its salary policy can be considered as medium so not high or not low. Apart from that, they follow the rules for health and safety act for its staff. There has not been a breach of the law or anything. Within the rules and regulations, the members of the staff are treated. For all the reasons mentioned Expeditors is one of the best companies to work for in this sector...." (~Appendices-B53)]
Knowledge & Technology Transfer

FNSS had the knowledge and technology transfer with a high dependency level to the American partner; this was regarded as a key element for the competitive advantage and corporate success. Initial knowledge and technology transfer channels included the expatriation of specialized technology, management style and corporate culture, IT system integration (MRP systems), configuration management of the ACV models and technical training sessions for the local work force. The initial transfer channels were then replaced with the localized R&D unit within the Turkish production facilities and consequently the number of design engineers was increased parallel to the partners’ long-term business strategies.

["...When the company was first established, American expatriates as managers or project team achieved technology transfer effectively both in IT systems and the assembly lines. Everybody at the company went through many training sessions. Particularly in 1990, there were not many private manufacturers in the military defence sector. Then there was MRP system to be applied at the time. They thought documentation management, particularly configuration management to the local technical staff. Any changes in the configuration of the model and how to apply them into the IT system can be rather complicated. The Americans gave rather excellent training to the Turkish partners about crucial technical elements of the industry..."] (Appendices-B13)

["...the staff members were all aware of the consequences of their actions and acted accordingly in the project knowing that you are a part of the pulley gear and you are important. Everybody’s job is important, and everybody has to own their responsibilities...."] (Appendices-B14)

IPs investments in the Turkish market have not included any Greenfield investment requiring big scale of technology transfer since their entry; the existing production facilities from the joint venture partnership have been carried forward under single ownership without any major upgrading project. The transferred technology from the foreign investors was observed to be the older version of the operational technology.

["...Going back to the disadvantages of the foreign investment is the transferred technology itself sometimes. There was a tendency to transfer old technology to Turkey. They do not bring the technology they use in their country...it is not a good idea...."] (~Appendices-B63)

Technology and/or knowledge transfer via expatriation of specialized staff and the staff training sessions have been used by IP; however, the American owners have failed to transfer their corporate culture and establish their own identity in the Turkish subsidiary.
Phillip Morris’s Greenfield investment in 1994 has seen the major technology transfer applied by the American Phillip Morris in the Turkish market therefore the technology and knowledge transfer have been established at the very beginning of the market entry in a high integration mode. Knowledge transfer, particularly about the organisational culture, has been done via expatriation of managerial staff and the absorption of the organisational culture has been efficient in the Turkish subsidiary. Philip Morris was credited for its internationally applicable organisational culture and the way it was imposed on its staff successfully.

For Expeditors, as well as achieving high level of human resource productivity, the instalment of the IT system for the Turkish subsidiaries could explain the level of autonomy given by the headquarters. The qualitative data shows that according to the Expeditors headquarters, the Turkish subsidiary managed to absorb the knowledge and that the technology transfer was the easiest and most efficient among the Mediterranean countries.

5.2.3 Japan-Turkey [Case Company: JTI]

CD metrics on the Japan-Turkey pair, summarized in Table 5.5, show contradicting claims regarding the cultural differences between these two countries located on the opposite sides of the Asian continent. Compared to the hierarchical Turkish, Japan is a mildly hierarchical society. In the case of the Turkish business environment, a top-bottom approach is quite common for faster decision-making process that can be linked to the hierarchical and centralized organisational structure. Whereas cross-cultural researches, including Hofstede and Hall’s culture models, argue that within the Japanese business environment the

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decision, making process is painstakingly slow, as all the decisions are subject to the approval of different hierarchical layers. According to Edward Hall, Turkey and Japan are both high context cultures and heavily relying on networking, whereas both societies differ in terms of their attitudes towards time. The measured CD index, based on Hofstede’s dimensional scores, claims a moderate level of CD with possible business implications, whereas Hall’s model suggestion of similar communicational attitudes for both cultures was not supported by our attempt to measure such similarity. In line with Halls’ model, the empirical evidence collected in research survey, however, supported the differences on the time management attitudes.

Table 5.5 CD and PD Values for the home-host countries (Japan-Turkey)

<table>
<thead>
<tr>
<th>Kogut &amp; Singh CD Index Score</th>
<th>Survey National CD Score</th>
<th>Survey Business CD Score</th>
<th>Communicational CD</th>
<th>Time Management CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.15</td>
<td>3.5 (1=Close, 5=Distant)</td>
<td>4.0 (1=Close, 5=Distant)</td>
<td>-Similar contextual values suggested by Hall’s model</td>
<td>-Opposite chronic values suggested by Hall’s model</td>
</tr>
<tr>
<td>High CD score based on Hofstede’s dimensional scores below</td>
<td></td>
<td></td>
<td>-Similarity is NOT supported by the survey</td>
<td>-Supported by the survey</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>Japan</td>
<td>54</td>
<td>46</td>
<td>95</td>
<td>92</td>
</tr>
</tbody>
</table>

Despite some of the contradictions emerging from the different CD metrics, the research focus remains to be on the possible business interpretations of these measured and perceived CD values between Japan and Turkey. The qualitative data suggest that Japanese national culture may not be as dominant as JTI’s (Japanese Tobacco International) name suggests:

[“... The name of JTI suggests it is Japanese company but in fact, there is not much of a Japanese influence. For instance, the headquarters of the Japan Tobacco International is in Geneva. JTI is the name for the global operational part of Japan Tobacco, which means that

Edward T. Hall and Mildred R. Hall (1990), “Understanding Cultural Differences”, pg 22. E-survey result also support Hall’s research claims on Japanese culture as the “need for background information” score is (avg. 4.5– Very High). See the Appendix section E-102 for more details.

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in JTI there are many people from different nationalities. Geneva is the chosen location for the headquarters...It would be better to say it is a combination of cultures than a dominant Japanese culture about JTI since all the JTI subsidiaries all around the world interact with each other...we cannot be completely independent from the Japanese ownership. Important changes in law or legislation in Japan does in fact affect our work in Turkey...That’s said, I cannot say that Japanese owners have a management model based on set of Japanese values and traditions.... Secondly as I said at the beginning, it is highly institutionalized company. Yes, we have the owners in Japan, but we are directly linked to the headquarters in Geneva. That might well change things a bit for us...We belong to Europe more than Japan. That possibly creates a major difference compared to other Japanese global companies. In JTI there is not a major influence of a one specific national culture or specific working model...” (JTI~Appendices-B41)]

**Financial Performance Evaluation**

JTI’s CAR stock market value for its integration period could not be evaluated due to the limited historical data available. The key financial return ratios of Japan Tobacco, considering their significant acquisition in 1999, show positive and promising results despite the sudden decline observed in 2004.

**Overall Integration Performance:**

A Japanese tobacco monopoly, Japan Tobacco became a multinational corporation, Japan Tobacco International (JTI), after RJ Reynolds International acquisition, therefore the JTI carried on RJR’s business activities, producing the same brands under new ownership. As a result, JTI’s integration performance was about the acquisition process and post-acquisition performance. The post-acquisition period was reported to be completed without loss of human capital resources and market share within the Turkish tobacco sector. The main reason given in the interview behind JTI’s integration success was that JTI has reformed itself by having a highly institutionalized structure for the international operations.

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251 See graphs in Appendix I-10 for stock market-based financial performance indicators for investing multinational and Appendix K.14 for accounting-based financial performance indicators, gained from OSIRIS database, for investing for the case companies

252 American R.J. Reynolds’ trade relations in Turkey started in 1990, and the business activities were increased by the opening of its production facility in 1993. In 1999, due to the organisational change, the parent company Japan Tobacco of JTI has become the whole owner RJ Reynolds’ Turkish subsidiary. JT’s acquisition of RJ Reynold’s International operations took place in Oct 1999. The parent company Japan Tobacco is listed as (JAPAF) in the international stock markets and the historical data goes as far as Jan 2012.
Human Resource Productivity

As well as the careful selection of the human resources, personnel training sessions and periodical personal development plans were used as human capital enhancing practices for the employees. Job satisfaction has been expressed as high and assessed by an external HR consultancy firm via surveys regularly. By using external sources, the Japanese management has intended to ensure confidentiality and support employee voice efficiently.

["...Due to its size on global scale, JTI is a bit more institutional (than local firms). It has an international working environment; therefore, you do tend to interact with foreign people compared to if you work for a local company. It is a different kind of feeling to be part of a big company. The other plus is the location. It is located in Izmir and working for a foreign company in Izmir is a big plus. It is a good reference for one’s career... Apart from that, working conditions are slightly better than the Turkish companies...Like any other company there are some minus points for JTI however I do not think they are directly related to the foreign owners..." (~Appendices-B42)]

["...there are some applications to ensure that there are not any problems in the company regarding effective team work. There is no discrimination at work. For example, a few weeks ago, we did a focus group and we were asked whether there was any discrimination among the staff due to their religion, ethnicity, race etc. It was to find out possible favouritism towards certain groups inside the working environment..." (~Appendices-B41)]

Many staff members were said to have remained after the RJ Reynolds acquisition that might support the participant’s observation on the high level of job satisfaction and efficient post-integration synergy created by Japan Tobacco.

["...JT has acquired AG Reynolds’ international operations, except for the US market. Hence, it was how they have entered Turkish market...I am not 100% sure about the exact date for it but I think it was 1999... I can say there are quite many people who have been working here for 15 odd years. This suggests that they have done some activities to keep these people and complete their integration in Turkey rather well..." (~Appendices-B39)]

["...JTI is involved in training its staff in a professional manner. At the beginning of each year, there is an annual training planning for that year considering all the needs for the staff. They spend time and money for the training programme and it is a positive thing. Apart from that, for the last few years, JTI management has been trying to receive more feedback about the company, how the management doing, how they approach to its staff etc. These are all positive things and I do not see other companies doing that as much. Plus, they hire independent professional firms to do most of these applications...These companies do their surveys etc and get the analysis and meanwhile employees feel safe about any breach of confidentiality issues...I believe people are more open and sincere that way. For me to see the company I work trying to excel itself is a very positive thing...." (~Appendices-B40)]
**Knowledge & Technology Transfer**

JTI’s Turkey operations are a direct result of the change in the ownership; despite the possible organisational changes related to post-acquisition period, there has been minimal level of changes in the operations and product range in Turkey. As a result, the existing technology and knowledge base were not affected by the international strategies of the acquiring Japanese firm.

### 5.2.4 Germany-Turkey [Case Company: Mercedes Benz Turk]

The Kogut & Singh Index indicates a high national CD measurement for Germany-Turkey (1.60). Hofstede’s power distance dimension significantly differs\(^\text{253}\) for the Turkish and German cultures, as the direct and participative communication style followed in German business environment encourages the employee involvement in decision-making. Edward Hall’s culture research (1990) has exclusively explored the elements of German culture which was provided as an example of a highly low-context, monochronic culture\(^\text{254}\), the opposite of high-context polychronic Turkish culture. According to Hall, the business applications of such extreme level low-context, monochronic nature could be observed in precise planning, promptness, long visions setting (longer than 5 years) without being preoccupied with immediate results. However, Hofstede and Hall’s models clash on the communication and information sharing dimensions. Hofstede (1980) argues that German culture is highly de-centralized therefore; participative communication is a common norm. On the contrary, Hall’s claims that as for Germans knowledge means power, they do not tend to share information freely\(^\text{255}\).

\(^{253}\) Hofstede (1980) scores PDI-Turkey: 66, PDI-German:35, see Appendix G-105 for the dimensional scores from Hofstede’s (1980) research

\(^{254}\) Edward T. Hall and Mildred R. Hall (1990), “Understanding Cultural Differences”, pg 35. E-survey results also support Hall’s research claims on the German culture as the “need for background information” score is (avg. 3.8–Moderate High) and time management scores on “concentration level, punctuality, time commitments” are all above 3.5 point (Moderate High). See the Appendix section E-102 for more details.

\(^{255}\) E-survey results from Mercedes Benz Turk supports the argument as the information flow scores is relatively low, suggesting the control is applied by the German investors. (See the survey results by company Appendix E-103, “Information Flow score for the case company (1-Controlled, 5- Freely)); Communication and time management scores from the survey are also parallel to the Hall’s model.
CD metrics between the Germany and Turkey (see Table 5.6) indicate national cultural differences, which would easily result in potential frictions caused by miscommunication in project management etc. between the German investors and their Turkish counterparts. The qualitative data on the perceived CD, included in Chapter 4, on the Market Entry Phase, pp. 100-101, suggest that there are significant differences in time management between German and Turkish managers yet being a taskmaster was a common managerial quality. The performance implications of these CD values will be evaluated for Mercedes Benz Turk in this section.

Table 5.6 CD and PD Values for the home-host countries (Germany-Turkey)

<table>
<thead>
<tr>
<th>Kogut &amp; Singh CD Index Score</th>
<th>Survey National CD Score</th>
<th>Survey Business CD Score</th>
<th>Communicational CD</th>
<th>Time Management CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.60</td>
<td>2.6 (Moderate)</td>
<td>4.0 (Significant)</td>
<td>-Opposite contextual values suggested by Hall’s model</td>
<td>-Opposite chronic values suggested by Hall’s model</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hofstede Dimensions</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>Germany</td>
<td>35</td>
<td>67</td>
<td>66</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: 1) The scores were collected from the researcher’s official website: [http://geert-hofstede.com/](http://geert-hofstede.com/) and calculated by using Kogut & Singh formula; 2) Survey was conducted among the local employees of the case companies and the results were analysed by the author.

Financial Performance Evaluation

Mercedes-Benz Turk’s CAR stock market value for its integration period could not be evaluated due to the limited historical data available. The key profitability and financial return ratios for Daimler AG could not be traced back to their initial integration period in the

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257 Mercedes-Benz Türk was established in Istanbul in 1967 under the name of Otomarsan; in 1990, the company name Otomarsan was changed to Mercedes-Benz Türk and in 1999 the foreign investing company Daimler AG has purchased the shares of the Turkish partner. Parent company Daimler AG is listed in Frankfurt Stock Exchange as (DAI) however the historical stock market data goes back as early as Jan 2000 therefore neither the initial joint venture entry in 1968 nor the full ownership change (name change) in 1990 can be traced.
Turkish market through the data available. Since 1995, the historical financial data signify high profitability ratios until 1995, and more moderate but steady results ever since except for the negative results in 2001 and 2009.

**Overall Integration Performance:**

Considered as one of the first foreign investors in the Turkish automotive sector, Mercedes Benz Turk’s overall performance was appraised as a favourable result under both the joint venture with local partners and the full ownership of the Chrysler AG. The reason behind its market integration success and longevity was that the German manufacturer has managed to impose and adapt its global policies into its subsidiaries efficiently. The quality standards were kept at high level for each subsidiary, while at the same time, autonomy was granted to the local management to move more freely. Mercedes Benz's investment announcement of doubling the capacity for its Turkish division in February 2016 is further evidence that the initial integration performance has been a success\(^\text{258}\).

**Human Resource Productivity**

In the interviews, Chrysler AG’s Mercedes Benz was evaluated as an excellent company with a strong corporate culture. The German owners have been very successful in bringing a sense of belonging to its human resources and the corporate culture was absorbed effectively even under the shared ownership in early establishment years.

["...Mercedes Benz is a very professional company, one of the best in the world. They do not have a global strategy that they apply everywhere. They apply localized strategies in each country where they operate. Therefore, even if the HR department in Mercedes-Turkey apply some of their global applications, they look at the Turkish market, its needs etc and as a result they can adapt or renew their applications accordingly to the Turkish market. Hence, there are no major problems or significant clashes of wordiness. Furthermore, there is a labour union within the company and any labour problems are reported to them. The Turkish government never had to intervene for that regard for instance. There were a lot of negotiations going on between the labour union and the management...." (Mercedes Benz~Appendices-B45)]

\(^\text{258}\) The Turkish division of Mercedes-Benz announced plans to significantly upgrade its truck plant in the Central Anatolian province of Aksaray. The EUR 113 million-investment in the plant will nearly double the production capacity and create 1,200 new jobs over the next three years. (http://www.invest.gov.tr/en-US/infocenter/news/Pages/160216-mercedes-benz-doubling-capacity-turkish-truck-plant.aspx)
Job satisfaction has been reported to be at high level among the local employees; a mutual trust between the management and the subsidiary workers has been built upon effective internal communication systems and the promise of job security. Additionally, employees were given opportunities to develop their careers in other international subsidiaries of the German multinational.

["... In 2008-09, there was serious economic crisis in Turkey. In that time Mercedes Benz was also affected badly, they had the ever-increasing unsold product stock problem...At that particular difficult time; Mercedes Benz did not make any of its staff redundant. Instead, they have transferred the staff from Mercedes Konya factory to the factory in Istanbul where they produced their brand of coaches. It set a great image as a company that if you work for Mercedes Benz you could be retired there. Therefore, it is a great example for its competitors. However, it can be argued that it is a powerful corporation, so it did that way because it could... there are many expatriates from Germany, at the same time there are also many Turkish people who are sent to Germany as well. It works both ways..." (Mercedes Benz~Appendices-B45)]

Knowledge & Technology Transfer

Similar to other automotive sector cases, technology transfer and upgrades have been the dominant factor for the German multinational Chrysler AG's involvement to secure same quality standards for the Turkish subsidiaries. Technology and knowledge transfers have been done via staff trainings, employee selection process for the key technical positions and the expatriation of specialized staff. The integration with the parent company's technical systems such as MRP (Material Requirement Planning) was a relevant factor for the knowledge transfer. The German multinational has successfully transferred its corporate culture into its Turkish subsidiary and the corporate values appear to have a distinctive balance between job-orientation with employee orientation.

5.2.5 Italy-Turkey [Case Company: TOFAS]

The CD metrics between Italy and Turkey, summarized in Table 5.7, suggest that there is a low to moderate level of cultural differences and Hall’s model, supported by the survey findings, claims that two cultures should show similar attitudes in communication and time management. The performance implications of this suggested CD values will be evaluated for TOFAS’s integration period in Turkey.
Table 5.7 CD and PD Values for the home-host countries (Italy-Turkey)

<table>
<thead>
<tr>
<th>Kogut &amp; Singh CD Index Score</th>
<th>Survey National CD Score</th>
<th>Survey Business CD Score</th>
<th>Communicational CD</th>
<th>Time Management CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.51</td>
<td>2 (Moderate)</td>
<td>2.2 (Moderate)</td>
<td>-Similar contextual values suggested by Hall’s model</td>
<td>-Similar chronic values suggested by Hall’s model</td>
</tr>
<tr>
<td>Moderate CD score based on Hofstede’s dimensional scores below</td>
<td>(1=CLOSE, 5=Distant)</td>
<td>(1=CLOSE, 5=Distant)</td>
<td>-Moderate support for the similarity by the survey</td>
<td>-Moderate support for the similarity by the survey</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hofstede Dimensions</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>Italy</td>
<td>50</td>
<td>76</td>
<td>70</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: 1) The scores were collected from the researcher’s official website: http://geert-hofstede.com/ and calculated by using Kogut & Singh formula; 2) Survey was conducted among the local employees of the case companies and the results were analysed by the author.

Financial Performance Evaluation:

TOFAS’s CAR stock market value for its integration period could not be evaluated due to the limited historical data available. The key profitability and financial return ratios for the foreign investing firm could not be traced for the integration period of TOFAS in the Turkish market. However, the current parent company FIAT Chrysler’s historical data show significant level of struggle in its profitability ratios before and after the financial crisis in 2009.

Overall Integration Performance:

From the very early stages, TOFAS has performed well in the Turkish market with mid-range old FIAT models. The strategy of providing the budget option for the market was proven.

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259 See graphs in Appendix K-14 for accounting-based financial performance indicators, gained from OSIRIS database, for investing for the case companies

260 The Italian investing firm Fiat has seen ownership changes over the years as Italy S.p.A. (formerly Fiat Group Automobiles S.p.A.) has become a subsidiary of Fiat Chrysler Automobiles in February 1, 2007. TOFAS is listed at Borsa Istanbul 100 as (TOASO), JV partner Fiat S.p.A. is listed at Borsa Italiana (Milan) as (F.MI) and JV partner Koc Holding is listed at Borsa Istanbul 100 as (KCHOL). However the historical stock market data cannot be traced for the early integration period. Moreover, Fiat Chrysler Automobiles N.V.’s listings in different stock markets go back only back to 2005.
successful for the joint venture partners. Nevertheless, as the automotive sector developed in Turkey, the increasing number of car manufacturers producing different ranges in the Turkish market\textsuperscript{261} has weakened\textsuperscript{262} TOFAS’s market leader position. Despite the decline in the market positioning, TOFAS has proven to be the only profit-making market for FIAT during the global economic crisis.

**Human Resource Productivity:**

Training programmes at TOFAS have been one of the main human capital productivity enhancing practices provided by the management for both the local employees and the foreign expatriates. The language training programmes, both for Italian and Turkish languages, have been seen successful over the years.

[“...TOFAS has language training programme, simply because there are a lot of Italians working at TOFAS. I did learn Italian too. Some of the Italians could speak very good Turkish so that was a plus too. Nevertheless, local staff members learn Italian because they have to. I think it is a great application to be honest. We learn Italian and the Italian expatriates learn Turkish, I think that is a wonderful HR application...” (TOFAS~Appendices-B25)]

Job satisfaction has been expressed as high among the local staff. The occurrence of employee resistance cases was observed to be insignificant as the Italian partners were seemingly willing to adapt their system to the needs of the Turkish market. Apart from rare cases, almost all the expatriates have been well received by the local work force and remained in the Turkish subsidiary as planned or longer. Their selection and training process were assessed as the main factor for the well-established expatriate-Turkish staff relationship.

[“...the Italian expatriates were happy in Turkey. In fact, most of them was married and continued to stay in Turkey...Even our Italian teachers were married to Turkish people. I think, two cultures are so similar in so many levels, all those marriages were no surprise to me...” (TOFAS~Appendices-B25)]

[“...There is a great co-operation. People can understand each other well. You would not struggle in a project for instance because the Italians already knew a lot about Turkey and

\textsuperscript{261}See Appendix A-4 for more details on the TOFAS’s operations in Turkey.

\textsuperscript{262}According to OSD (2010) statistics the early movers such as Renault, Fiat and Ford hold 75% of the Turkish market: Tofas (27 %), Renault (27 %), Ford Otosan (21 %), Toyota (7 %), Hyundai (7 %), Others (11).
Knowledge & Technology Transfer

Fiat’s involvement, through the licence agreement and the technology transfer, has been a vital point in the joint venture’s success and longevity in Turkey. Technology and knowledge transfer were done through various channels: training sessions in and out of the Turkish subsidiary, via expatriation of specialized staff and integration with Fiat’s global network. Absorption of the technology in the subsidiary has been very effective from the early integration years; from the 1990’s and onwards TOFAS’s own R&D department has taken on the modification projects. It appears from the interviews that TOFAS has its own corporate culture and partners have managed to build a cultural bridge between the business values of both partnering companies. Italian partners’ willingness to adapt to the Turkish market may have strengthened the foundation of the joint venture’s organisational culture.

[“...Italians were willing to adapt their system to Turkey. Therefore, instead of running the same application, Italians would adapt it for the Turkish market. I mean it was like making the Turkish version. For example, Grande Punto is Fiat’s model and when they brought it to the Turkish market, they made some alterations...” (TOFAS~Appendices-B26)]

5.2.6 Belgium-Turkey [Case Company: Amylum Nisasta]

The CD metrics between the Belgium and Turkey (see Table 5.8) suggest contradicting insights. Hofstede’s model claims that these two countries share similar dimensional characteristics resulting in similar managerial attitudes. However, the Hall’s model suggests different attitudes regarding communication and time management, which also seem to emerge from the survey results. The qualitative data collected claims that ‘doing things differently’ was a common pattern between the assigned expatriates and local managers. The qualitative case data aim to give further evaluation on these contrasting conclusions emerging from the literature and on the possible performance implications of the national CD.

Table 5.8 CD and PD Values for the home-host countries (Belgium-Turkey)

<table>
<thead>
<tr>
<th>Kogut &amp; Singh CD Index Score</th>
<th>Survey National CD Score</th>
<th>Survey Business CD Score</th>
<th>Communicational CD</th>
<th>Time Management CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.87</td>
<td>2.0 (Moderate)</td>
<td>4.0</td>
<td>-Opposite</td>
<td>-Opposite</td>
</tr>
</tbody>
</table>
Low CD score based on Hofstede’s dimensional scores below

(1=Close, 5=Distant)

contextual values suggested by Hall’s model
-Supported by the survey

chronic values suggested by Hall’s model
-Supported by the survey

<table>
<thead>
<tr>
<th>Hofstede Dimensions</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>Belgium</td>
<td>65</td>
<td>75</td>
<td>54</td>
<td>94</td>
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</tbody>
</table>

Source: 1) The scores were collected from the researcher’s official website: [http://geert-hofstede.com/](http://geert-hofstede.com/) and calculated by using Kogut & Singh formula; 2) Survey was conducted among the local employees of the case companies and the results were analysed by the author.

**Financial Performance Evaluation**

The CAR value for the parent company ADM has been calculated as 35.68% for the time when ADM and Amylum Groupe invested in the Turkish market. The positive CAR value of ADM stock during the entry year in the Turkish market may well be due to the parent company’s international activities. Another significant investment activity related to the Turkish market has occurred in 2000 when the British multinational Tate & Lyle acquired the Belgian Amylum Group and became the partner of ADM. The Cumulative Abnormal Return (CAR) value has been calculated as 3.70% for Tate & Lyle for the year 2000 when this acquisition was finalized. This moderate CAR result is due to irregularity in abnormal returns of Tate & Lyle stock values during the year 2000 and does not give a clear clue about the market reaction to this investment. The key profitability and financial return ratios differentiate ADM following more steady patterns over the period, yet specifically for the period of the integration phase in the Turkish market, both multinationals show positive results (1989-2000).

**Overall Integration Performance:**


Amylum Nisasta was established in 1989; in 1994 the Turkish subsidiary joined Eaststarch (a joint venture between the Amylum Group, at that time a part-owned subsidiary of Tate & Lyle PLC, and Archer Daniels Midland Company (ADM)). In 2000, Tate & Lyle acquired full ownership of the Amylum Group, which meant that Amylum Nisasta is presently under the joint ownership of UK based Tate & Lyle and US based ADM.

The Beta value, used in calculating abnormal stock returns forxxxxxx, is given as β=0.71 in the Yahoo Finance ([https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)).

The Beta value, used in calculating abnormal stock returns for Tate & Lyle, is given as given (N.A) in the Yahoo Finance ([https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)) therefore taken as β=1
Previous failed attempts from the local companies in starch and glucose production have contributed to the success and high integration performance of the Amylum Nisasta in Turkey. Under Belgian ownership, the company has been financially rewarding for the home company; however, the Belgian multinational failed to emulate the success of its profitable subsidiaries across Western Europe and eventually the Turkish subsidiary was subjected to changes in the ownership over the years.

[“...the corn production has started in Turkey since late 1970’s and it is one of the main ingredients of the sugar/sweetener production. Prior to that period, the sugar manufacturing was made mainly from sugar beets and the corn production was relatively new in Turkey. Then Paksoy Group in the early 1990s started their production facilities in this sector... but they could not run the business as much as they would have liked...As they could not succeed in the sector properly, after a while the business could only run around the break-even point without making any profit. Then the management team has decided that they would not get any better in this sector...and then they sold their main shares around 70% to foreign Amylum Group and left it behind for good...around 1997 it was 70% Amylum Group and 30% Paksoy Group...” (~Appendices-B54)]

[“...However, 2001 financial crisis affected the Turkish business environment badly. At that time, one of the IMF restrictions put forward was on sugar production and related policies. From 2001, there was no permission given to any new plant for sugar production. Now, there are only five active factories where the refined sugar and glucose products are produced in Turkey. There are strict restrictions on increasing their capacity as well. The reason is that the government must protect sugar production from sugar beets and sugar beet farmers in Turkey. Of course, there is a big difference between sugar/glucose production from corn and from sugar beets...” (~Appendices-B55)]

[“...it had to increase... there was need for positive impact from foreign investors as it was the purpose.... Looking at the financial point of view, the company was under immense pressure, coming from the Turkish management. The foreign investors were there to put a lot of money into this struggling business to do better than break-even point...What the Belgians brought was the productivity: increasing productivity, producing more at standard unit time, increasing sales, bringing satisfaction among the employees and the stakeholders. Of course, these are the common business or trade mentality rather than Belgian business culture. As the companies aim to make profit out of the business, the Belgians were there to make that happen...The second purpose of the investment was that they could not produce all the products everywhere; for instance, Bulgarian factory could easily produce starch (/amyllum) however, they could not produce glucose from it. Even if they did, they could not sell it the Bulgarian market. Whereas in Turkey, producing starch was difficult and rather expensive but producing glucose proved to be rather profitable...” (~Appendices-B56)]

[(on the level of integration) “...For me, the level was high, 70% and so. The changes were put into action in a short time and they did not struggle with setbacks as much...” (~Appendices-B55)]
Human Resource Productivity

Human capital enhancing' practices such as training programmes were given in order to improve the competence level in technical knowledge base during the integration period when the production capacity was doubled. The regulations concerning health and safety at work have been put into practice accordingly to the EU standards; employee involvement and a flatter organisational structure were achieved under the initial Belgian investors. Another application as human capital enhancing practice was to reorganize the job role descriptions and responsibilities for the local employees in the subsidiary. It was expressed that the stability, regulative approach and job design implications, brought by the foreign investors, had a marked effect on the job satisfaction among the local employees. However, automated operational system upgrade meant that the total number of employees in the production sites was downsized therefore non-voluntary redundancies occurred at the end of the integration period.

[“...Paksoy Group had well lost any interest in this sector therefore the foreign investors had their own say in most of the things if not everything. For the local force, it was better. If you think of it, you are in a situation where you are not paid regularly and have a fear of losing your job as the business can go bust. Then, the new owners come, and everything is regulated; you are paid, and the factory reaches its full production potential. ...the local workers were happy to go along with the new rules and procedures. They did not want to lose their jobs over unnecessary conflicts. By time all the small conflicts were ironed....” (~Appendices-B55)]

[“...The total number of local workers was about 300 people...By time the number reached 600. However, after the getting into automated system, the personnel number went down to 215. ...” (~Appendices-B56)]

Manager-subordinate relation was elevated from the old-fashioned despotic managerial approach and expatriate-local staff relations were seen to be productive during the integration period. However, the top management position was given to the assigned expatriate whose management style and future focus did not fit well with the local management team that consequently increased the voluntary staff turnover among managerial positions.

[“...Beginning of 2001, a Belgian head manager was sent for the factory. It is my observation that, there were a lot of conflicts between local work force including line managers, department managers, engineer level workers etc. and the Belgian expatriate. It was rather him as a person was the reason, as we thought that he was not doing what he was assigned to do. I thought he could have been a great sales manager, but he could not be a great top manager for the factory. If you are the top manager in any organisation you must pay attention to all the aspects of the management, operations etc. Whereas for him, the most important thing above all was to do sales, sales and sales again! Nothing else really!..."]
Production was not important, as it had to be done anyway. Human resource management was not important, as people had to work anyway. As far as I am concerned, his approach was wrong... At first, I thought, perhaps this friction between us was to do with the cultural differences in business, perhaps as we are Turks and he is Belgian. Then among the six departments manager there was the Dutch Sales Manager. Belgian and Holland being very close culturally, geographically and language wise, we thought they would get along very well. However later on, I learned that our Dutch colleague has left the factory and yet stayed with Amylum Group... This Belgian manager’s approach was counterproductive in terms of the organisation unit. For example, in human resource activities, we felt that people were written off quite easily rather than using the option of relocating them somewhere else in the factory. For me it was wrong and harsh. Maybe it gave the strict message among the staff, but I would have liked the option of thinking alternative solutions rather than just telling them to go..." (~Appendices-B57)

[“...If there was any problem related to human resources the message was clear: you can go if you don’t like it...” (~Appendices-B58)]

[“...What we said was going through logical elimination or evaluation let’s say 3 to 4 times whereas their decisions were put into action without any logical evaluation or second consideration. By time we saw that some of their decisions were wrong, it came to the surface...” (~Appendices-B58)]

**Knowledge & Technology Transfer**

Foreign investors’ knowledge transfer and know-how were crucial for the struggling business of the local joint venture partner Paksoy Group. Technology and knowledge transfers were achieved efficiently via expatriation of specialized staff. Integration with the parent system and its network within Eastern Europe was encouraged by the investing firm as the regulative differences among the countries meant that subsidiaries would complement each other’s production and stocks.

[“...there was an ongoing project of increasing daily production capacity of 300 tons of corn up to 600 tons of corn. Considering that did the foreign investors put the project, we had many visitors and technical aid coming from abroad therefore quite a few foreign workers came to work on this project. The aim was to make sure the local staff members were well trained and the project was going smoothly. Many foreign people were coming and going at the time. In fact, there were a few of them were on a contract with which they were to live in Adana/Turkey, so the accommodation and other facilities were given to them during the project period....” (~Appendices-B55)]

### 5.2.7 France-Turkey [Case Companies: Faurecia, Danone]

The CD metrics between the France and Turkey, summarized in Table 5.9, suggest that there is a cultural proximity between these two countries. This should translate into similar managerial approaches and communication styles between French investing firms and their
Turkish affiliates. However, despite the low CD between Turkish and French cultures, in the interviews the business co-existence has been described as ‘not a good match’. Both French and Turkish national cultures have high power distance scores with minimal difference and some of the implications have been observed by the local employees such as hierarchical organisational structure and controlled information flow. Edward Hall’s study also puts the national cultures of Turkey and France under the same group: high-context and polychronic time cultures. The performance implications of suggested low CD values, however, appear to be arguably negative for Danone and Faurecia’s integration period in Turkey.

[“...the French owners were very rigid and tough. Everything had to be done the way they thought was right. Maybe it is a bit of an insult but sometimes they did not have a clue about the different needs of each country. I think possibly they just could not understand what we were trying to say...” (Faurecia~Appendices-B38)]

[“...French culture is not the best match for Turkish culture...” (Danone~ Appendices-B16)]

Table 5.9 CD and PD Values for the home-host countries (France-Turkey)

<table>
<thead>
<tr>
<th>Kogut &amp; Singh CD Index Score</th>
<th>Survey National CD Score</th>
<th>Survey Business CD Score</th>
<th>Communicational CD</th>
<th>Time Management CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.56</td>
<td>3.2</td>
<td>3.8</td>
<td>-Similar contextual values suggested by Hall’s model -Moderate support for the similarity by the survey</td>
<td>-Similar chronic values suggested by Hall’s model -Moderate support for the similarity by the survey</td>
</tr>
<tr>
<td>Low CD score based on Hofstede’s dimensional scores below</td>
<td>(1=Close, 5=Distant)</td>
<td>(1=Close, 5=Distant)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Hofstede Dimensions</th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>66</td>
<td>37</td>
<td>45</td>
<td>85</td>
</tr>
<tr>
<td>France</td>
<td>68</td>
<td>71</td>
<td>43</td>
<td>86</td>
</tr>
</tbody>
</table>

Source: 1) The scores were collected from the researcher’s official website: http://geert-hofstede.com/ and calculated by using Kogut & Singh formula; 2) Survey was conducted among the local employees of the case companies and the results were analysed by the author

Financial Performance Evaluation\(^{267}\):

\(^{267}\) See graphs in Appendix I-10 for stock market-based financial performance indicators for investing multinational and Appendix K-14 for accounting-based financial performance indicators, gained from OSIRIS database, for investing for the case companies
Faurecia S.A. entered the Turkish market via acquisition in 2000; the Cumulative Abnormal Return (CAR) value has been calculated as -14.89%\textsuperscript{268} (with some positive returns in May and November) for their entry year. The stock market reactions towards their international operations could not be evaluated easily. Meanwhile, the key financial ratios indicate steady and moderate results from 1999-2004, the initial integration period of their Turkish subsidiary; however, from 2005 until 2010 the parent company Faurecia appear to have suffered from poor profitability results. This may well be linked to the heavy influence of the financial crisis on the automotive sector for this period.

The French Danone Groupe and Turkish Sabanci Holding signed their joint venture agreement in March 1997\textsuperscript{269}; later, in December 2003, the Danone Groupe became the sole owner of the Turkish subsidiary by acquiring the shares of its local partner. The Cumulative Abnormal Return value was calculated at 0.2%\textsuperscript{270} for this acquisition period [-5 days, 0\textsuperscript{271}, +5 days]. The acquisition announcement of the Danone Groupe, dated on 18\textsuperscript{th} December 2003, indicated that this business movement in Turkey might have influenced its stock market prices positively, yet daily abnormal returns appear to be relatively unstable during this time. The Danone Groupe’s key financial indicators could not be traced on regional basis however, during the period in which the French multinational integrated in the Turkish market (1997-2003) and data shows rather insignificant profitability results. Gaining a complete ownership of its Turkish subsidiary in 2003, based on its acquisitions, falls into a period when the Danone Groupe gathered momentum in profitability and return on its investments. This momentum however, has declined into low-level steady pattern, after 2007. Poor business performance in the Turkish market during the integration period, emerging from the analysis of the qualitative interviews’ data, cannot be clearly traced in the overall business performance of Danone Groupe as the parent company.

**Overall Integration Performance:**

\textsuperscript{268} The Beta value, used in calculating abnormal stock returns for FMC Corporation, is given as given (N.A) in the Yahoo Finance (https://uk.finance.yahoo.com/) therefore taken as $\beta=1$.

\textsuperscript{269} France Groupe Danone is listed in EPA (Euronext Paris) as (BN) and the local partner Sabanci Holding in Borsa Istanbul 100 as (SAHOL). Initial entrance 1997 date stock market values can not be traced for Groupe Danone.

\textsuperscript{270} The Beta value, used in calculating abnormal stock returns for FMC Corporation, is given as given (N.A) in the Yahoo Finance (https://uk.finance.yahoo.com/) therefore taken as $\beta=1$.

\textsuperscript{271} 18\textsuperscript{th} December 2003
The participants' overall perception of Danone's performance in Turkey was expressed as a 'near failure' regarding its profitability results and as being a 'slow burner' regarding its market establishment in Turkey. The French multinational had entered the Turkish market with a local joint venture partner—SABANCI Holding, in 1997 however, the local partner’s increasing dissatisfaction with the profitability level and the long-term business strategies of the French partner resulted in dissolution of the partnership and in Danone gaining the full ownership in 2003. During the first 6 years in Turkey, the DanoneSA joint venture partners acquired a number of local companies in the bottled water sector and engaged in Greenfield investments in dairy production.

["...Firstly, they entered the bottled water market in Turkey...Then they went into dairy business, so they built a new dairy factory. Of course, they needed to build sub-industry for that factory; production facilities were needed for the dairy factory...Overall the integration into market process has started with these acquisitions. Then they added other brands into their product variety for example Flora Su (Water) in Adapazari. They bought Akmine mineral water mine for 50 years where they produce the mineral water...Later Danone bought Nestlé’s 2 dairy factories...they made quite a number of investments in Turkey...."] (Danone~Appendices-B15, 16)

The research’s participant attributed DANONE’s underachieving performance to different factors: Lack of understanding and appreciation of the Turkish customers’ preferences, managerial incompetency, wrong product selection and pricing strategies, investing heavily in a slow developing business sector, anti-France campaigns influencing customer opinions on foreign brands etc. It was implied that despite the separation from the local partner and poor market results, Danone have continued acquisitions in the dairy business sector since 2004 to pursue expansion by exporting Danone products to the neighbouring countries from Turkish facilities.

["...If you look at the water company in fact it is a small company with 250-300 members of staff. 150-200 of them are actually in sales. Around 100 people are in the production line, so the remaining numbers work at the office. Because of its small size, it was managed like a family owned company. Executive management team wanted to know everything, every movement or investment etc. Therefore, it never got bigger or smaller, stayed in the same position...In Turkey, bottled water business is not very profitable anyway. People still use tap water for their cooking or tea. Having said that bottled water sector has developed quite a bit in recent years. Even then it is not near the pre-estimated level for the market..."] (DANONE~Appendices-B16)

["...Looking at the dairy section of the company, they have done quite a lot of investments on that sector.... A few factors caused the decrease in sales. First of all, it was a French brand. Turkish people show resentment sometimes against products of companies from certain countries and France happens to be one of them. Sometimes, you could come across some vicious e-mails and smearing campaigns on the web or in the social media against French companies urging Turkish consumers boycotting their products. The Armenian Genocide..."]
Bill’s approval by the French parliament was a national issue in Turkey. Aftermath of that political move, French companies in Turkey had to face some backlash. If it is not a nationalist thing then it is the religious thing. For example, there was a Prophet Mohammed cartoon issue in Denmark and Turkish people wanted to react to this by not buying anything from Danish companies. There goes the e-mail suggesting Danone was a Danish Company. All in all, there are a lot of people doing these kinds of activities, passing wrong information to each other…” (DANONE~Appendices-B16)

[“...The other thing was for me their ill-planned pricing strategies. The management team’s idea of proving the quality was to overprice the products. The brand was presented as a premium brand, which again was wrong. Whatever the quality you represent you still need to be close to your competitors’ price range. On top of that you have anti-French movement going around on the internet in order to discourage people from buying your products; you cannot survive in hostile business environment with overpriced products...” (Danone~Appendices-B16)]

[(Sabanci Group on ending the JV partnership with Danone) “Sabanci Holding, as always, went into JV partnership with Danone to make its mark in the food and beverages sector. However, behind the curtain, there were other developments. Both partners were not satisfied with the growth and profitability ratios. Both side had to acknowledge that the provisional growth and profitability targets for the partnership were not achieved. In 2001, the partnering firms came together to evaluate the ongoing situation and it was decided then to carry on. In 2003, after 2 years of the initial evaluation, the partners came together again and decided that it was at the best interest of each party to continue working together any further...” (Danone~Appendices-B18/19)]

As one of main supplier to Renault and Ford, Faurecia has had advantage over its local competitors due to its global name and supply chain agreement with the main producers in Turkey. Further investment in the new production facilities272 after the initial one may well indicate that the French investors have been satisfied with the performance of the Turkish subsidiary in a market where all their main customers are actively involved.

**Human Resource Productivity**

The participant observed that during DANONE’s integration period, there were assigned expatriates for the top executive positions from French headquarters which put the Turkish subsidiary closer to the Danone headquarters. This staffing strategy of Danone has been criticised since it has been added that each new expatriate executive tried new strategies and products, and these proved to be rather costly efforts, without sufficient preparation and consultation of the local partners. The managerial style of the French expatriates was

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272 See Appendix A-5 for more details on the Faurecia’s operations in Turkey
criticised for being controlling.

[“...For instance, they send a person for a key role in the Turkish subsidiary without a second thought. This person does not understand Turkish culture at all or the behaviour patterns of Turkish customer. For example, he says we sold Product A so well in Czech Republic and let us do the same in Turkey but in fact, that product is not the right product for the Turkish market. Simply because, the chosen product does not suit the taste buds of the local people, hence it is not attractive enough. Nevertheless, they were persistent on launching many products like that and the same things were happening repeatedly. Then the old marketing director leaves, here comes the new one who wants to try new products. In the end, it did become like a trial market. ...for a new product you need to adjust your production line and/or buy new machinery, arrange the packaging and invest a lot of money on it. You need to do customer surveys, marketing surveys, which are costly, research tools and all the money spent on that product turns out to be a waste in the end. Spend, spend and spend. What I believe it would be more logical to fill some positions of the subsidiary with local managers who understand the needs of the customer and hence know the culture well...” (DANONE~Appendices-B17)]

High voluntary staff turnover, around 20%, was given as an indicator for the job dissatisfaction particularly within the bottled water business units. According to the participant, the sale-oriented water business unit could not achieve the estimated growth and sales level; this might have affected its sales team’s commitment and their career interests at Danone.

[“...There was a tremendous competition among the units of the same company. Everybody was doing business behind each other’s back, but it is more the general psychology of the staff. It was quite chaotic at Danone.... They go to a Turkish language course for a few months and learn how to say “hello” and then they say “hello” during the meetings and that is it really. I have not seen any top manager who has done a lot of research on the cultural issues or Turkey...” (~Appendices-B17)]

[“...Regarding human resources, it was literally what it says: take the human source, use them and once you finish throw them out. Because of the attitude most of the personnel left the company...Human resource philosophy was a bit like ‘everybody is a regrettable loss’. Hence, they would not say stay or go. The idea of the human resources was if you want to go then just leave, end of day they can find somebody else cheaper in this market. Therefore, they did not care who left who stayed that much. The staff turnover was quite high, it is not my field but as far as I know, normal percentage for annual staff turnover should be something like 5%. It was 15-20% for Danone....” (~Appendices-B17)]

The DANONE’s executive team interview contradicts the research data by emphasising that despite the high failure rates of acquisitions worldwide, as a learning organisation Danone has become more employee-oriented by uniting all the acquired units under one roof with minimal human capital loss.
"...We have more credible experience regarding organisational integration now. We had done acquisitions in Turkey before. If you can secure transition from old firm to the new form, then the acquisition can be very successful. In business world, 85% of the acquisitions fail whereas we have completed the post-acquisition integration without any loss. The most important element on this was the human factor..." (~Appendices-B20)

Faurecia staff job satisfaction was regarded as relatively low due to different factors, one of which was the added stress caused by the mismatches between the Faurecia Excellence System applications and the Turkish Custom Code No: 5911. The secrecy regarding staff salary structure and inequalities in the payments have caused mistrust towards the French owners and their corporate culture applications in the Turkish subsidiary. The ‘fear’ card was used to motivate people’s performance by the local CEO with the implication that low performance might lead to a new management under an assigned foreign expatriate and job losses.

["...Faurecia had “Faurecia Excellence System” and every subsidiary had to follow this system. You get your certificate for this system and if you are not good enough to obtain this certificate you lose your main customers such as Renault and Ford. They look at all sorts of criteria...For example Turkey was struggling with the shipping in this system...We did not have problem to do a good job but there were some problems with the custom system in Turkey... Faurecia Excellence System was very comprehensive, and you have to comply with this system. There was no room for change within this system. When we object the parts of the system due to the Turkish legislation or business environment needs, there was no positive response for changing or adapting the system...” (~Appendices-B36, B37)]

["...Everybody should know each other’s salary due to the homogeneous policy in the system. You should get what you deserve but in Turkey that was not applied, and you could hear all sorts of weird stories about the salaries. You could not imagine that you would see two different salaries for the same role in the same department when you work for a foreign invested firm...” (~Appendices-B38)]

["I also remember our Turkish CEO used to blackmail us in a cheeky way saying if we do not do well then we could end up having a French manager over here. He was the only local chief executive among Faurecia’s international subsidiaries...” (~Appendices-B37)]

**Knowledge & Technology Transfer**

A high level of technology was not required in DANONE’s bottled water sector as it was a sale-oriented business for the joint venture. In the case of the Nestlé’s dairy business acquisition in Turkey, unlike the expected norm, the knowledge transfer occurred from the
acquired unit due to their greater knowledge in this business sector. Knowledge transfer by assigned expatriates, from their experience in other markets, was reviewed as counterproductive concerning selecting the right product range for the Turkish market.

[“...After the acquisition of Nestlé’s subsidiary in Turkey, 300 extra employees have joined us so that we have, now reached the total employee number of 1000. Compared to our previous acquisitions, this time around we were much more successful with the human resources. During the integration period, the human psychology was crucial. Because the employees from the acquired firm knew the business inside and out much better than us....” (DANONE~Appendices-B20)]

In Faurecia, technology and knowledge transfer were achieved through employing and training highly skilled employees. Regular inspections were carried out by the assigned inspectors. The Faurecia Excellence System has been described as ‘highly comprehensive’ and the absorption of the technology in the Turkish subsidiary has been satisfying for the French owners as the subsidiary managed to pass the periodic system inspections. Nevertheless, integration with the parent company added extra stress to the Turkish employees due to the zero-tolerance approach and lack of flexibility in the system.

5.3 Results

High national CD between home-host countries has shown evidence of performance enhancing implications within the MNEs’ Turkish subsidiaries and overall integration performance.

- **BAT**: Headquartered in London, BAT’s international experience, strong corporate culture and regional management system were reviewed as effective in the Turkish subsidiary. Different business approaches and work ethics were observed between the local staff and the expatriates; however due to BAT’s regional control system, it would be difficult to associate these differences with the high CD score between the national cultures of Britain and Turkey.

- **FNSS**: FNSS is perceived as a unique organisation compared to its Turkish competitors in the same sector due to the American partner’s tightly imposed corporate culture. The integration period saw that assigned expatriates held all the key managerial positions, however after the end of the initial project period the local work force were eventually included in the decision-making process. It has been indicated in the interview that the same level of freedom and open-minded
management style is still quite rare within the Turkish business environment where the organisational structure remains largely hierarchical. Furthermore, the predominant American managerial style and its level of efficiency provided an ideal working platform where the employees felt a valuable part of the organisation. Overall, the overwhelming evidence is that the national CD had a positive impact on the performance of the joint venture in Turkey due to the dominant managerial style of the investing firm and its effective applications in FNSS.

- **Expeditors:** The research evidence strongly supports Hall’s culture model, suggesting that Turkish culture should be analysed as a Mediterranean regional culture rather than as a separate culture. Despite the high CD metrics between the USA and Turkey, as indicated earlier, the business implications were observed as positive. Furthermore, it was claimed that the Turkish subsidiary has managed to absorb the parent company’s corporate values and culture better than any other subsidiary from other European Mediterranean countries. The special emphasis on staff training has assured the desired subsidiary integration success by promoting efficient communication and prompts in time management.

- **PhilSA:** The interview evidence suggests that American corporation’s organisational culture was efficiently assimilated by the Turkish subsidiary. Furthermore, having internationally applicable corporate culture has enabled Philip Morris International to overcome possible frictions related to the cross-cultural communication and time management differences.

There is an additional point, supported by the case evidence that the positive performance implications of high national CD between home-host countries could diminish significantly, when the foreign investors allow greater independence within their subsidiaries too early or fail to appreciate the business culture of Turkey. This was particularly evident for the service sector.

- **Olmuksan IP:** IP’s joint venture entry mode with an established Turkish partner required synergy between two corporate cultures for successful integration performance, however the interview data claims that the Turkish partner’s authoritarian management style and the restricted information flows were allowed to be the dominant force in the process. It is also expressed that IP has not been able to transfer its own corporate culture to its Turkish subsidiary satisfactorily. It is one of the main reasons for its slow integration in a competitive market.
• **HSBC Bank**: Despite being internationally renowned as a British financial brand, HSBC Bank was established outside of the UK in Hong Kong as is indicated in the bank’s name. Being already an international institution from the establishment period, HSBC bank claims to consider cultural differences and therefore adapts its operations and financial products to different countries. Despite the adaptations of the financial products, HSBC Turkey's general business approach has been criticized as a “holding back” factor for its further establishment in the competitive financial sector. The bureaucratic and slower decision-making process, associated with low context monochronic cultures suggested by Hall’s model, may run a risk of causing cynicism or negative reactions among the polychronic Turkish customers due to lack of understanding.

The moderate level of national CD metrics between home-host countries can be dismissed as an influential factor when the MNE chooses to be a highly institutionalized global corporation and to practice an effective level of employee orientation and harmony in their Turkish subsidiaries.

• **JTI**: The interview evidence claims that JTI's conscious decision to separate the management of its international operations from its home activities appears to have been fruitful in terms of post-integration performance and created synergies in its international subsidiaries. JT has managed to reinvent itself as a constitutionally independent multinational corporation in a short period and to build a corporate culture seemingly free from Japanese business values or influences from the Japanese national culture.

• **Mercedes Benz Turk**: The German multinational's employee oriented corporate culture has managed to overcome any possible negative implications of the cultural differences and created a praised employee loyalty in Turkey.

Low national CD between home-host countries, particularly among the Mediterranean countries, does not appear to conclusively enhance or jeopardise the MNE’s subsidiary performance during the integration phase.

• **TOFAS**: The business implications of high level power distance distribution were observed in TOFAS evidenced by higher levels of dependency, hierarchical
organisational structure and a selective information flow\textsuperscript{273} which are quite commonly observed elements in the business environment of Turkey. Edward Hall's culture model puts Italy and Turkey in the same cultural group: high-context, polychronic cultural group with similar attitudes towards communication and time management\textsuperscript{274}. Thereby, the cultural similarity has meant that there was greater understanding and harmony between the expatriates and the local employees. Cultural similarity might have an influence on TOFAS's mutually combined organisational culture and indirect positive effect on its recognized market integration performance.

- **Amylum Nisasta:** The interview data from Amylum Nisasta, originally Belgian investors, suggest that there was a limitation on the employee involvement in decision-making process in the subsidiary. However, the cause for this was not perceived as a culture related issue; it was, on the contrary, linked to the frictions in the expatriate-local employee relations. On the other hand, the foreign company has managed to improve the human resource productivity and the health and safety regulations.

- **DANONE:** Considering the size of the French multinational, the management style of the Turkish subsidiary was described as ‘a family business mentality’, which was given as a restraining factor for its healthy growth in the market. Furthermore, the employee involvement in decision-making was restricted within the subsidiary management and this was considered as a costly mistake particularly in product selection and pricing policies during the integration period.

- **Faurecia:** The interviews indicate that the Turkish subsidiary has managed to absorb and apply all the technical and operational requirements according to the parent company's system. Nevertheless, the similarity in national cultures and business attitudes have not been appreciated by the local employees as the foreign owners were criticised for seeking tight integration regarding standards and procedures and loose attitudes towards human enhancing applications.

\textsuperscript{273} Aldemir, C., Ozmen, O., Arbak, Y., Cakar, U., 2002. Turkish work mentality at the organisational level, 9 Eylul University Publications, pp. 2,3

\textsuperscript{274} Survey result from TOFAS employees (see Appendix E-102) perception on the Italian partner’s attitude towards communication, time management and information flow suggest that Italians have high scores in communication and time management as suggested by Edward Hall.
5.4 Conclusions

The market integration phase analysis mainly focused on the possible national CD implications of the market integration performance in order to cover the related research question: “Provided that the cultural distance influence is observed, what are the managerial responses that are more suitable to secure smooth integration process?” Based on the empirical evidence, the significance of national CD implications on the market integration process via a mix of performance indicators and observed managerial responses as well as other moderating factors were evaluated within the analysis of the second phase or market integration.

The very existence of cultural differences between the foreign investors and the local employees in their Turkish subsidiaries has been confirmed by both the measured and perceived CD metrics. The perceived CD however is more linked to the differences in the business approaches and task orientation, summarised as ‘doing things differently’. It suggests that members from different societies may follow different business approaches on the same task. These attitude patterns are indeed nested within the national cultures of the expatriates in line with both the Hofstede and Hall models.

Based on the case study approach, the analysis findings suggest that the performance implications of CD can be managed and controlled if the MNEs choose careful market integration strategies. A successful integration performance is observed by the MNEs with high national CD between home-host counties; however, it is also evident that this was achieved after a secure transmission of knowledge and organisational culture. The cultural and geographic proximity, suggested by the CD metrics, does not necessarily translate into direct integration period success and the possibility of internal frictions and culture clashes remains high within the subsidiaries.

Regarding the observed business values and work ethics, possibly exerting performance implications during the integration period, the dominant values (e.g. discipline, seriousness, hard work, respectability etc.) are arguably linked to the tight integration tendencies of the case companies. Meanwhile, it is suggested that tight integration strategies might have caused some resentments among the subsidiaries’ employees (e.g. lack of tolerance, fairness, risk taking etc.). Another interesting outcome from the survey claims that “Eastern cleverness” or pragmatism was the least observed business characteristic of the foreign partners (see graphs below). These observed work ethics and attitudes could simply be
directly linked to expatriates’ home country cultures. Another interpretation is that, these business values and work ethics are arguably adapted managerial/ administrative style by the assigned expatriates as a managerial response in order to moderate observed national CD implications on the integration performance.

Figure 5.4 and Figure 5.5 E-survey results on perceived values of the foreign investors

Like the market entry phase, MNEs’ international experience appears to be an influential moderating factor for the market integration success. Some of the case companies under
investigation used this moderating factor as a managerial response to secure a successful integration period. The research evidence indicates that multinational case companies with a good level of international experience have managed to enrich their corporate culture with internationally transferable human capital enhancing applications and providing balance. More importantly, the multinational case companies appear to be relying on transferring their corporate culture effectively in order to secure effective integration success in the new market. Furthermore, when subsidiary employees absorbed the transferred corporate culture then the risk of experiencing CD related frictions and their negative implications on the created synergy would be minimized. Application of a strong corporate culture mixed with human capital enhancing HR applications could be an effective managerial tool, yet it heavily relies on the assigned subsidiary managers. Therefore, a careful consideration is required by the headquarters regarding the transfer channels of the corporate culture, particularly the tacit knowledge transfer via expatriation from the investing firms.

Another moderating factor that can be drawn from the integration performance analysis is the influence of corporate learning. Similar to the corporate culture, corporate learning can be potentially used as a managerial response in order to balance market integration implications of national CD. The national CD based internal frictions might be reduced because of corporate learning by adapting mutually acceptable work practices and routines. Furthermore, particularly for JV partnership, if partners can create a shared culture with new rules and routines, this could translate into an improved decision-making mechanism for the partnership hence potentially dangerous frictions related to cultural differences would be eliminated. In the absence of controls for two-way accumulated learning, it is very likely that the MNEs will fail to unite people and cultures during the integration period.

The usage of mixed CD metrics and the performance indicators has proven to be useful for the market integration analysis. In terms of national CD-performance correlation, it would be almost impossible to draw any specific conclusion by focusing only on the financial performance evaluation. The inclusion of non-financial performance indicators allowed the research to reach deeper insights: different attitudes regarding time management, communication and power sharing could indeed influence the market integration performance via the human resource productivity and the knowledge transfer efficiency. Moreover, the critical reasoning on the national CD-performance relation based on CD index alone is arguably futile. Combining mixed CD metrics together with the qualitative data has shown the complexity of the culture concept once more, as well providing fruitful insights about the market integration phase.
6 Phase III: Market Establishment

6.1 Introduction

The market establishment phase, the third and final stage covered in this chapter, investigates the presence of further implications of cultural distance, using the collected evidence on the market establishment phase of the case companies. The market establishment process presents additional specific challenges, such as social and managerial control of the subsidiaries and acculturation process of the multinational enterprises. This chapter, therefore, examines the implicit and explicit CD implications for the case companies’ organisational behaviour and the observed strategies during the market establishment phase in order to answer the essential question: “How do companies, from different national cultures create ‘external adaptation’, ‘internal integration’ & control mechanisms in order to close the cultural difference?”

6.2 Market Establishment Phase: Subsidiary Control and Acculturation Strategies

In order to explore external adaptation, internal integration and subsidiary control mechanisms within the market, the Literature Review-Part II section has introduced and evaluated possible subsidiary control and acculturation mechanisms in the existing literature. MNEs tend to follow control mechanisms, procedural routines and structural practices, to ensure that foreign operations complement the overall corporate goals and philosophies. Among suggested subsidiary control mechanisms in the literature, ‘corporate culture’, ‘standardisation’ and ‘international staffing policies’ (as represented in EPRG Model) will be evaluated for the cases in the initial part of this analysis. More importantly, any emerging patterns will be sought regarding possible national CD influence on the selection and/or application of the control mechanisms within their Turkish subsidiaries.

It is argued in the literature that, the chosen external adaptation and internal integration strategies of an MNE to achieve cultural synergy could block the positive effects of the national culture and lead to acculturative stress (Slange, 2006). The literature reviewed earlier revealed that the ‘adaptation’ concept has led researchers to focus on the modes of the acculturation (namely integration, assimilation, separation and deculturation by Nahavandi & Malekzadeh’s Acculturation Model, 1988) and the national CD relationship. The establishment phase analysis in this chapter will also examine the empirical findings emerged from chosen acculturation strategies by the individual case companies and evaluate possible national CD implications on their behavioural patterns.
### 6.3 Role of CD for the Subsidiary Control and Acculturation Strategy Selection

Table 6.1 Summary of the subsidiary control factors and mechanism (strategies) applied by the case companies

<table>
<thead>
<tr>
<th>Case Companies</th>
<th>Conditional Factors</th>
<th>Control &amp; Acculturation Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nat. CD</td>
<td>Geographic Distance</td>
</tr>
<tr>
<td>BAT</td>
<td>3.6</td>
<td>2104 mi</td>
</tr>
<tr>
<td>HSBC Bank</td>
<td>3.6</td>
<td>5421 mi</td>
</tr>
<tr>
<td>Amylum Nişasta</td>
<td>3.6</td>
<td>5011 mi</td>
</tr>
<tr>
<td>Expeditors</td>
<td>2.74</td>
<td>1419 mi</td>
</tr>
<tr>
<td>Mercedes Benz</td>
<td>1.60</td>
<td>1320 mi</td>
</tr>
</tbody>
</table>

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275 Results of the national cultural distance between the countries of investing firms and Turkey based on Kogut & Singh (1988) formula and Hofstede (1980) cultural dimensional scores (0.00= Total similarity). See Appendix section G-106 for Hofstede’s dimensional scores for the countries.

276 Geographic Distance refers to the distance between the location of the MNEs’ headquarters and location of the head office of the Turkish subsidiary.

277 Hofstede’s Dimensional Culture Model: Power Distance Index

278 Hofstede’s Dimensional Culture Model: Uncertainty Avoidance Index

279 Subsidiary ownership refers to the percentage of the ownership that the investing firm holds in the Turkish subsidiary during the “Establishment Phase,” which may differ from the percentage during their Entry or Integration Phases for some of the case companies.

280 Corporate Culture refers to the “observed presence” of the investing firm’s organisational culture by the participants in the Turkish subsidiary.

281 Standardisation refers to the “expressed presence of the standardised procedures and policies based on participants’ observations” brought and applied by the foreign investing firm in their Turkish subsidiary. Standard procedures can concern the procedures for hiring new employees or the way the reports are being dealt with and submit, etc.

282 International Staffing Policy refers to the “dominant” HR policy for the managerial positions applied by the investing firms in their Turkish subsidiaries. It is based on the typologies presented in the EPRG-Model. The model has been introduced in Howard V Perlmutter’s article “The Tortuous Evolution of the Multinational Corporation,” Columbia Journal of World Business, Jan/Feb 69, Vol. 4 Issue 1, p9.

283 During the establishment phase the ownership of the Turkish subsidiary was changed to the British Tate & Lyle Plc. As a result of the acquisition of the minorities of the Amylum Group in August 2000, Amylun Nişasta has also become a part of the Tate & Lyle family (See more details in Appendix A-9).
The *UK headquartered* multinationals BAT, HSBC Bank and Amylum Nisasta share almost identical conditional factors, including significantly high national CD, low PD and UA scores as well as a moderate geographic distance in the EU region, which could potentially affect their applied control mechanisms in their Turkish subsidiaries. After the completion of the integration phase, a strong corporate culture together with imposed standardised procedures has been observed within their Turkish subsidiaries during the establishment phase. This contradicts Hofstede’s claims on the low PD culture’s tendency towards decentralisation and low UA culture’s risk-taking nature. Nevertheless, there is a variation observed in their chosen international staffing policies: BAT, following a regional management network, has been assigning TCN (Third Country National) to the key managerial positions in Turkey. HSBC, on the other hand, has initially chosen a polycentric approach by keeping the local executive director from the acquired financial unit during the integration phase. More recently, however HSBC’s staffing policy started to follow an ethnocentric staffing approach accompanied by many changes in business procedures. This policy change has been justified by the need for matching the parent company’s international operations and standardised procedures that are fashioned following a rather conservative and bureaucratic business approach. Amylum Nisasta has witnessed a change of their ownership structure during their establishment phase in Turkey; despite the initial ethnocentric staffing policy, with assigned PCNs (Parent Country Nationals) as executives, followed during the integration period, the new owners have introduced a more geocentric staffing approach. Their reliance on the injection of their corporate culture and standardization of the procedures would indicate that Amylum Nisasta has chosen a strict subsidiary control system. The staffing policies for the Turkish subsidiary management tend to contradict their “uncertainty accepting” nature, a typical feature of the British national culture, since it has been claimed in culture studies that MNEs from countries with a high uncertainty avoidance dimension have a higher tendency to employ parent country nationals (PCNs) as managing directors for their international subsidiaries (Hofstede, 2001). However, lenience towards ethnocentric staffing application complements other control mechanisms used by these case companies in Turkey.

"...You can see this in all sorts of levels such as quality standards, documentation standards at management level, the foreign investors bring certain obligations for local staff to follow... On paper, there are no rules regarding the distribution of the jobs among the local staff and
the foreign expatriates. Nevertheless, it is my observation within the foreign invested organisations that the very top positions tend to be taken by the foreign expatriates, assigned directly by the headquarters...However at BAT, we have around 17 expatriates at the moment and the assignments of these expatriates were arranged in London headquarters-the Globe House...", (BAT~Appendices-B21, 22)]

["...We do not really deal with the English expatriates as much because BAT has a regional management structure. The region we are in is the region of Eastern Europe, Middle East & Africa. Due to the region, we are in, all the assigned managers are from South Africa; furthermore, South Africa is the 4th biggest tobacco producers in the world. As a result, we are not in contact with English expatriates but mostly with South African or Eastern European managers. For me Eastern European managers seem rather intelligent and logical however, the South Africans seem to be rather different. They have this idea that if they prolong a project under their supervision, that serves their personal interests better...", (BAT~Appendices-B23)]

["...at the moment, we have an assigned CEO from the UK...There was a meeting in Bursa where he introduced himself and seemed rather friendly...", (HSBC~Appendices-B67)]

["...There were different nationals. For example, we had someone from old Yugoslavia in the Electronics Department; our Mechanics Chief was from New Zealand; Process Manager was American; the Project Manager was Belgian. Sometimes there were people from the UK as well...I mean there are not many expatriates left in Turkey as there is no further investment in the Turkish factory....", (Amylum~Appendices-B53)]

BAT has also chosen acculturation via an integration strategy after its acquisition of TEKEL during their establishment phase, which can be linked to its desire to keep the acquired unit’s operations and brands separate yet under the BAT business name. Amylum Nisasta and HSBC have all acquired local businesses in Turkey and the evidence from the interviews suggest that these multinationals have also applied a strategy of acculturation via assimilation during the post-acquisition period, in parallel to their tight integration strategy and control mechanisms.

The USA based multinationals (FNSS, Expeditors, IP, Philip Morris Int.) present a setting where there are a high level of national CD measurement, moderately low PD and UA scores and, more importantly, a significant geographic distance between the headquarters and their Turkish subsidiaries. The evidence emerging from the interview data indicates that all the US multinationals, excluding IP, have introduced their corporate culture from the integration phase and, by the time they had reached the establishment phase, their standardised procedures have been effectively implemented. In the IP case, as an exception, it has been claimed that changes in the ownership structure within their Turkish subsidiary complicated their corporate culture implementation. Therefore, the older versions of management style
and procedures from the acquired units, former joint venture partner, have carried forward to the establishment phase due to inefficient post-acquisition applications. The national culture of the USA, despite possible regional differentiation, is “uncertainty accepting” in nature with more willingness to try innovative ideas and business practices. Nevertheless, interviews’ data suggest the presence of great efforts by the USA based parental companies to inject their corporate culture and to transfer their standard procedures via ethnocentric staffing policies and by assigning PCN expatriates in key managerial positions. In the later establishment stage, however, it appears from the collected evidence that some adjustments have been made. In the FNSS case, the parental control on the Turkish subsidiary has been eased off and ethnocentric staffing policies have been replaced with geocentric staffing policies. Despite the national and geographic distances, Expeditors, IP and Phillip Morris have chosen more flexible staffing policies in their Turkish subsidiary during the establishment phase. IP, however, has been criticized for lacking effective strategies to re-establish itself and its organisational culture in the Turkish subsidiary during the post-acquisition phase, which might have affected their staffing policies.

[“...The JV partnership FNSS was established in 1990 and I joined them in 1999. Even then, the year that I joined all the top managers were still American. When we got into year 2000 and onwards I have observed more and more Turkish managers were being employed. Nonetheless, top managerial positions were always given to the Americans. If nothing, American supervisors were there... Then, there was MRP system to be applied at the time. Documentation management, particularly the configuration management was introduced by Americans to the local IT staff...Americans gave excellent training sessions to the Turkish partners about technical expertise of the business. And those who went through this training have carried on working for FNSS for many years...FNSS is very open-minded business organisation and I have not worked in any company like it...”, (FNSS~Appendices-B13,14)]

[“...It has to be said that IP is still under the influence of Sabanci’s working mentality therefore it simply cannot establish its own identity. How they can manage to implement their own corporate culture and how the acquired unit can adapt to it are the critical questions. Some American expatriates have some good answers I think. The local work force has not met the real IP yet. Americans only implemented the Health & Safety applications properly. It is a good thing of course. Meanwhile, rest of the things are done similar to Olmuksa working mentality under the American IP’s name. No real changes there....”, (Olmuksa IP~Appendices-B65)]

As discussed in the introduction, American investors have imposed their control mechanisms early on during the integration phase in most of the joint venture cases (FNSS, Philip Morris and Expeditors) and this might have affected their acculturation strategy towards their Turkish subsidiaries during the establishment period. The strategy of acculturation via assimilation has been observed in some joint venture partnerships where local partners have voluntarily absorbed the foreign investors’ identity and culture. Hence, arguably, they have
benefited from the positive implications of the cultural differences. A certain level of deculturation has been expressed only in the evidence from the IP case. The acquisition of the local partner was linked to the loss of the presence of the acquiring firm’s culture and management values. During the establishment phase, IP’s acquisition of the local partner Sabanci Holding’s Olmuksa is provided as a reason behind the acculturative stress felt by the subsidiary employees. The interview data claims that IP headquarters have been indifferent after the restructuring process and failed to bring more effective acculturation strategies for the acquired units.

["...Generalized rules are applied precisely..., (PhilSA~Appendices-B70)]

["...they gave flexibility. In situations like this, people controlling other people on personal level would be an unhealthy application in a constitutional organisation. Giving autonomy is the best way to control your subsidiary in my mind.... There are certain standards to be followed and it is quite important. The level of standards, which were required by the American investors, was set up properly.... Well they did not stay too long anyway. The critical points have been managed by them during the set up and that was it....", (Expeditors~Appendices-B52,B52)]

The Japanese multinational JTI accommodates another opportunity to observe the CD implications on the organisational behaviour in a business setting where there is a notable cultural and geographic distance between home and host countries. Furthermore, the Japanese national culture indicates moderately high PD and very high UA scores which should influence this MNE’s subsidiary control mechanisms towards tight integration. However, despite originating from the uncertainty avoiding Japanese culture, JTI has built its corporate culture and standardised procedures as a global enterprise headquartered in Europe rather than as a Japanese multinational. This has proven to be an effective strategy for the establishment phase as well as right after the post-acquisition period. Having EU located headquarters and adopting regiocentric-staffing policies suggests that this Japanese multinational is pursuing a regional network based subsidiary control system. This significantly contradicts Hofstede’s claims on the MNE behaviours from countries with the high UA characteristic and their staffing policies. The Japanese tobacco giant JT after its acquisition of RJ Reynolds’ international operations, both the acquirer JT and acquired RJ Reynolds have kept their own identities under JTI name. JT has followed acculturation via integration strategy. The chosen acculturation strategy, again, could be linked to JT’s regional network system and JT’s decision to locate JTI’s headquarters in Europe.

["...It would be fair to say that JTI is a combination of cultures than Japanese culture as JTI subsidiaries in all around the world interact with each other.... In JTI, there is not a major influence of one specific national culture or specific working model to be applied globally. For
instance, within a specific position, you could easily see a Russian, maybe a German or French etc; all people from different nationals come and go...", (JTI~Appendices-B40,41)]

In the case study of the German multinational Mercedes Benz Turk, all the main conditioning factors are relatively moderate between the German parent company and the Turkish subsidiary. Nevertheless, Hofstede’s dimensional scores suggest that German culture may allow decentralization but the need for written rules and organisational uniformity remains high. Daimler AG has relied on its corporate culture and highly standardised procedures for its subsidiaries including the Turkish one, consequently the staffing policies have been shaped upon tacit knowledge transfer initially. However, during its long existence in the Turkish market, the German MNE’s staffing policies have been shifted towards a geocentric approach. After the integration period, Mercedes Benz Turk’s establishment phase suggests that the parent company has adapted its control mechanisms more in line with the suggested German national characteristics. In summary, it appears that the German MNE has managed a successful acculturation process via integration.

["...Mercedes is a very professional company...The control was more in the information systems for example for not using any CRM programmes but using their own IT systems design specifically for Mercedes Germany. Because I worked in IT, that was the only disadvantage for me but there was not such control when it comes to the sales...if the Turkish subsidiary reached the target then it was enough for the headquarters. By all means, there are certain criteria for quality standards due to its global reputation but overall, I would say the self-autonomy was given to the Turkish subsidiary.... they were very happy with the way Turkish work force operates and so much so, they transferred Turkish staff to Germany. The only thing that I can say, however, is that there were certain positions which had to be filled by Germans. That is related to the corporate strategy... well, the decision-making approach or taking an initiative was different but Germans gave autonomy to the Turkish branch. There was not a conflict on those terms...", (Mercedes Benz~Appendices-B45, 46)]

The Italian multinational Fiat’s long-standing investment in Turkey with a local partner, through the TOFAS joint venture, presented a moderate level of national CD and geographic distance. However, these joint venture partners have established a unique corporate culture accommodating the needs of both partners and standardised operations matching Fiat’s international operations. Although FIAT still appears to employ some degree of ethnocentric staffing policies, it can be argued that, over the years, it has turned into the regiocentric approach. Among the case companies, the TOFAS joint venture partners, regardless of the duration of their partnership, have successfully applied an acculturation via integration strategy by preserving their cultural identities yet building a cultural bridge under a combined structural identity in the Turkish market.
"...Every department in TOFAS has assigned people from FIAT headquarters in Italy. Most of them are Italians and they were trained in Italy. That was the obvious managerial control application that I had observed. Furthermore, if there was a new project, FIAT would send its people to each department and they would give feedback to FIAT headquarters regularly...Italians however were willing to adapt their system to Turkey. So instead of running exactly the same application, Italians would adapt the same application for Turkey...I know that they are particularly careful with selecting the right people. They prefer people who can adapt to their assigned location. They do not want somebody leave their assignment after a few months. An expatriate who is selected for Turkey must be comfortable and compatible working with Turkish people. There were some people who could not adapt or did not like being in here, so they left in 2-3 months' time. For example, in the middle of a project, we see a different project manager. It could be either this person did not like their assignment or they were withdrawn. There could be some other explanations than those two. Overall, they check the expatriates' competence and adaptability levels before they send them to Turkey....", (TOFAS~Appendices-B24, 25)]

The French multinational case companies provide a setting where there is significantly less national CD between the parent companies and their Turkish subsidiaries than for other European cases. However, Hofstede’s PD and UA scores suggest that French national culture, similar to the Turkish culture, shows a tendency towards centralisation, standardised processes, formalized routines and mechanisms. The empirical evidence from the Danone case indicates that their Turkish subsidiary has been given autonomy by the headquarters and hence, that the corporate culture and the standardisation control mechanisms have remained moderate, even after the separation with the Turkish partner. The company’s market integration and market establishment strategies have been criticized as being ineffective in the interview. More importantly, the ethnocentric staffing policy applied by the French headquarters was considered a direct consequence of the poor financial performance in Turkey. The risk avoiding nature characterising French culture could be linked to DANONE’s preference of an ethnocentric staffing policy, whereas there is more contrast in such preference for the Faurecia case. In this last case, a strong corporate culture has been integrated via highly standardised procedures and followed through the establishment phase. Despite the uncertainty avoidance nature characterising French culture, the French multinational Faurecia has applied a polycentric staffing policy for the Turkish subsidiary; however, it was also expressed that the Turkish subsidiary was a rare exception.

"...Faurecia had “Faurecia Excellence System” and every subsidiary had to follow this system. You get your certificate for this system and if you are not good enough to obtain this certificate you lose your main customers (e.g. Renault and Ford) .... Our CEO was Turkish, and he was in Istanbul...All the other executives all around the globe were French... We have had many inspectors from France. They would come and check the system.... Faurecia Excellence System was very comprehensive, and you must comply with this system. There was no room for change within this system...", (Faurecia~Appendices-B36,37)"

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French DANONE’s acculturation strategy with its local partner Sabanci Holding appears to have been unsuccessful, as the local partner has shown their dissatisfaction with the French multinational’s business strategies in Turkey, and no intervention strategies have been used by the local partner to prolong the joint venture partnership. The empirical evidence from the interviews can be interpreted as indicating that DANONE’s establishment phase experienced the acculturation via separation situation. The management team of Danone-Turkey, however, claim that they have sufficient experience in acculturation via integration for the acquired water and dairy businesses in Turkey. More specifically for the dairy business, acculturation via assimilation was not selected as knowledge exchange from the acquired unit was seen crucial in a new business sector. Hence, it would be fair to conclude that DANONE’s business strategies and behaviours in the Turkish market have not been consistent regarding its selection of the acculturation mechanisms. For Faurecia instead, the evidence from the interviews suggests that this French multinational has applied a strategy of acculturation via assimilation despite its chosen staffing policies for the Turkish subsidiary.

["...Danone headquarters would send people with experience to new markets...There was a tremendous competition among the units of the same company. Everybody was doing business behind each other’s back, but it is more the general psychology of the staff.... I mean, we had one or two French executives among our management team anyway, like the Vice president who was French. As a result, we knew what was going on at headquarters and they knew what was happening here in Turkey. Nevertheless, there was not a strict managerial control over the Turkish Danone imposed by the headquarters. The Turkish subsidiary had its own dynamic so there was not much of interference on the decisions...", (DANONE Appendices-B16, 17)]

6.4 Results

- The London headquartered BAT has shown various strategic choices about its subsidiary control mechanisms: a high reliance on the corporate culture and standardisation, while maintaining a flexible approach on the staffing policies in Turkey. BAT’s establishment period included major investments in the Turkish market and the chosen acculturation via integration strategy suggests another element softening the behaviour of this MNE. These results can be interpreted as if, after gaining enough market experience, uncertainty accepting- power sharing British and American cultures might have become more influential during the establishment phase.
HSBC Bank’s choices on the subsidiary control and acculturation mechanisms during the establishment phase suggest that this London headquartered MNE adopted a more tightened approach despite its long existence in the Turkish market. This approach not only does contradict HSBC’s ‘adapting to the local market’ mission statement but also challenges the risk taking, power sharing nature of the UK national culture. It must be noted that HSBC’s recent business review on the emerging markets has seen the exit from the Brazilian market and active consideration of further exit strategies, which includes the Turkish market.

Amylum Nisasta has experienced the ownership changes during their establishment period in Turkey; therefore, the analysis has evaluated the CD implications based on similarly low PD and UA scores of the British and American national cultures. The initial tight integration and control strategies were not replaced with appropriately flexible mechanisms despite the culture model suggesting otherwise.

In FNSS, American parent company’s initial tight integration, control and acculturation strategies were relaxed slowly during the establishment phase particularly those concerning the international staffing policies. This flexible approach is a more accurate representation of Hofstede model’s PD and UA attitudes of the American culture.

The USA based Expeditors has shown almost identical strategy and behavioural patterns to those adopted by FNSS; the tight integration strategies were replaced by more flexible approaches on the staffing policies.

PHILSA’s parent company, USA’s Philip Morris International, continued with its initial control and acculturation strategies during the establishment period. Nevertheless, similarly to the Expeditors and FNSS cases, also this MNE has also introduced more flexibility towards to the staffing policies. This could be linked to the American cultural attitudes; the empirical evidence underscores such influence and points to the multinational’s international experience and the greater knowledge of the local market.

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284 HSBC, Europe’s biggest bank, has around 300 retail branches and corporate and investment banking operations in Turkey. The Turkish business lost $64 million in 2014 following a $155 million hit at its retail arm after regulatory changes capped interest rates on credit cards and overdrafts. Turkey’s Fibabanka has joined the ranks of banks (Holland’s ING, Bahrain’s Arab Banking Corp (ABC) and France’s BNP Paribas) interested in buying HSBC’s Turkish unit. HSBC, however, appears to be no longer in a hurry to exit Turkey after securing a hefty $5.2 billion for its Brazilian unit. (Hürriyet Daily Newspaper, 2015, Turkey’s Fibabanka joins the race for HSBC Turkey Unit, 04 Feb, available at:<http://www.hurriyetediailynews.com/turkeys-fibabanka-joins-race-for-hsbcis-turkish-unit.aspx?pageID=238&nID=90733&NewsCatID=345>)
• Olmuksan IP has seen a major ownership change during the establishment phase as the American IP has acquired the whole ownership of its Turkish subsidiary. The empirical evidence collected from this case’s interviews indicates that the loose integration and control strategies might be responsible for the escalating acculturation stress experienced during the establishment phase.

• The EU headquartered Japanese JTI’s subsidiary control and acculturation strategies are suggested to be remote from its Japanese national identity, which significantly contradicts the Japanese national culture’s uncertainty avoidance nature.

• The German Mercedes Benz Turk with its long existence in the Turkish market has shown a level of relaxation on the staffing policies during the establishment phase similar to the American MNEs. This could be linked to German culture’s power sharing characteristic. Furthermore, insistence on the long-term business planning, even during the establishment phase, might also support the influencing presence of the uncertainty avoiding component, identified in the German national culture.

• The cultural similarity and comparable business attitudes between Italy and Turkey were considered in relation to the establishment phase of TOFAS and its Italian investing firm Fiat. Despite the uncertainty avoiding Italian and Turkish national cultures, the Italian JV partner Fiat has chosen much more relaxed control and acculturation approaches toward its Turkish subsidiary. This could be also due to the long establishment history of this subsidiary in the Turkish market.

• The empirical evidence arising from the French Danone case suggests that their subsidiary control and acculturation choices might have caused increased acculturation stress, high staff turnover and separation from its local JV partner. It is claimed that their tight integration strategies were not effective, and the poor financial results resulted in a separation from its local JV partner during the integration period. Nevertheless, the French multinational continued its business activities in Turkey with further investments and by employing similar control and acculturation strategies. The uncertainty avoidance and centralized power attitudes of the French national culture might have been influential in showing a lack of flexibility concerning the counterproductive control and acculturation choices.

• The France headquartered company, Faurecia, has implemented subsidiary control and acculturation mechanisms that are arguably a reflection of the French PD and UA characteristics with exception of applying polycentric staffing policy.
6.5 Conclusions

The specific research question based on the MNEs’ establishment phase aim to bring better understanding on how companies from different national cultures employ external adaptation, manage internal integration and control mechanisms in order to bring cultures and people together.

Based on the empirical evidence collected in the case interviews, corporate culture is one of the most important control mechanism utilised during the integration and subsidiary establishment phases. Regardless of their entry modes, all the multinationals appear to have imposed their standardised procedures, particularly HR procedures, on their Turkish subsidiaries. More importantly, the link between MNEs’ home country attitudes towards uncertainty avoidance and their structuring of activities in their subsidiaries, as hypothesised in some culture studies’ (e.g. Hofstede, 1991) did not an emerge as a relevant theme in the case companies. Furthermore, the corporate culture and the high standardization of procedures were not in all the cases seen as being effective in the Turkish market, particularly when there was a lack of adjustments or high reliance on the expatriation of the tacit knowledge transfer. In some of the analysed cases, it was claimed that these conditions have negatively influenced the market establishment pace and disadvantaged the companies’ vis-à-vis their competitors. MNEs could face setbacks in both their external market’s adaptation as well as in achieving harmony within their own global network.

Ferner et al.’s study (2004) and Hofstede’s culture model (1991) suggested a positive correlation between high power distance scores and centralized HQ control. Similarly, Hofstede (1991) and Globe study (House et al., 2004) claimed negative relationship between power distance and MNEs' decentralisation strategy for their subsidiaries. Our empirical findings contradict these claims since regardless of their home countries’ PD scores, almost all the case companies did indeed prefer centralised HQ control to their Turkish subsidiaries. Meanwhile, there were exceptions to this statement among the cases (Danone headquartered in France with high PD score and IP International headquartered in the USA with low PD score) as decentralisation strategy was also applied during in integration and establishment phases. The above evidence also contradicted the clear-cut statements presented by these well-known culture models regarding decentralisation strategy and MNEs’ home country attitude towards power distance dimension.

Staffing policies, led from the headquarters, appear to be varied among the cases and subject to change. Some adjustments were made after the integration phase, particularly
within the establishment phase only once the organisational culture and standardisation process had been applied. Regarding the national CD implication of subsidiary staffing strategy, the main argument suggests that MNEs from countries with a high uncertainty avoidance and power distance dimensions have a higher tendency to employ parent country nationals (PCNs) as managing directors for their international subsidiaries (Hofstede, 1980, 2001; Globe, 2004; Brock et al., 2008). Our empirical evidence indicates that this suggested tendency was unfounded as the Turkish subsidiaries were largely managed by strict control mechanisms regardless of MNEs’ home country characteristics. During their establishment phase, however, some adjustments were made. The significant pattern was the emerging flexibility adapted by MNEs’ control mechanism via staffing policy within ageing subsidiaries in their establishment phase.

National CD implications of MNEs’ acculturation strategies were insignificant within our findings. MNE’s organisational culture and their cultural diversification strategy levels, however, did influence the preferred mode of acculturation, particularly in their establishment phase as suggested by Larsson & Lubatkin’ study (2001).

In summary, the conditioning factors (such as national CD, MNEs’ home country attitudes related to the PD and UA dimensions) appear to have exerted an implicit influence on the subsidiary control strategies once the tight integration period was achieved satisfactorily. One can notice the emergence of a general pattern suggesting that there was a significant shift towards adapting more relaxed staffing policies for the key managerial roles. This conclusion may well be a direct result of the MNE’s international experience and of the greater knowledge gained in the Turkish market during their establishment phase, eventually allowing the emergence of the positive implications of CD on their Turkish subsidiaries.

The overall research findings will be summarised in the following final chapter, Chapter 7- Conclusions, in an attempt to address the theoretical and practical implications as well as contributions of the study. Furthermore, the next chapter will also cover a discussion of the limitations of the study and future research directions.
7 Conclusions

7.1 Introduction

This thesis provides an empirical investigation of the role of the national cultural distance and its implications on multinational corporations' strategies and behaviours. The investigation drives previously developed theoretical ideas from the cultural distance theories into a novel research setting. The central research question underpinning this thesis was: “What are the conditions under which the potential cultural differences influence foreign investing firms' social interactions and strategies during the entry, integration and establishment phases in an emerging market?” The main objective of this research was to develop a conceptual framework showing 'how' and 'when' the national CD influences multinational firms' behaviours and strategies in an emerging market. To address this research question, and to achieve the research objective, a comprehensive review of the theoretical literature was conducted. Many relevant directions for the analysis of the potential CD implications on these foreign firms investing strategies were systematically followed and an empirical analysis of the role of CD for these strategies was performed focussing on Turkey. This final chapter discusses the main findings of the analysis chapters, the overall contributions of this thesis and the general conclusions of the research.

7.2 Summary of chapters

The introduction, Chapter 1, outlined the rationale for the research and showed how the main research concept was prompted by the gaps in the current literature. The justification for undertaking this PhD project was linked with the observed gaps in the culture studies within the international business management literature, focussing on the cultural distance implications on the business development and strategies.

The literature review was presented in Chapter 2 (Part 1 and Part 2) under the main headings of: conceptualisation of the national culture, cultural distance implications on MNEs' international market entry decisions, market integration performance, subsidiary control mechanisms and acculturation strategies. The literature review explored the main theories and research findings on cultural distance derived from the classical national culture theories and including behavioural and strategy theories of MNEs in the international markets through the 'phase analysis approach'. Having discussed the main limits of these theories (especially
those affecting the dimensional culture models), and the applicability of score based cultural distance measurement, this thesis went on to explore the interrelations between organisational and national culture concepts. Additionally, theories and practices in the field of the cultural distance implications on the foreign investment phases such as the Uppsala and OLI models for the market entry phase, culture-performance studies for the market integration phase and the acculturation studies in the market establishment phase were also explored. The challenges that MNEs face in an emerging market, such as Turkey, ranging from the selection of the market entry mode to the mechanisms of subsidiary control were also presented. These studies were elaborated with a view that the possible implications of the national cultural distance during the three phases of MNEs in an emerging market needed further investigation. Part 3 of the Literature Review’s chapter focussed on Turkey as an emerging market discussing its FDI and cultural profiles from an historical as well as from a contemporary perspective.

Chapter 3, on Methodology, looked at the research approach, proposed research road map and the methodologies used for this thesis. It also outlined the rationale for the research and for adopting a mixed methodology approach for analysing evidence arising from lived experiences in a multinational business organisation. This approach is interwoven with the use of qualitative research methods, including semi-structured interviews, conducted with all the key participants from the selected case companies.

The three phases of the MNEs analysed in the analysis chapters (Chapter 4, 5, 6) covered: the market entry, the market integration performance and the market establishment periods. These chapters, (including an analysis based on market entry and entry mode selection models an investigation of the market integration performance and of the subsidiary control mechanisms), helped underpinning the central research question. This concluding chapter will attempt to summarise the research findings and evaluate further understanding for building a better cultural awareness and competence within the MNE management field. The chapter is organised as follows: first, the main findings of the thesis are presented then, the value of this research project is discussed in the context of the current body of research within the field of international business. After which, the attention is drawn to the shortcomings and limitations of this study leading; finally, to look forward at future research possibilities.
7.3 Main findings

7.3.1 Market Entry Phase

The analysis of the market entry phase relied upon the empirical evidence presented from the qualitative data collected from the case companies. The analysis evaluated the possible CD implications on both the market entry and the entry mode decisions, focusing on MNEs’ strategies and behaviours specific to the market pre-entry period.

The ‘market potential’ and the ‘geographic positioning of Turkey in the Eurasia’ were found to be the overwhelmingly significant contextual factors and main motivators for an investing firm’s market entry decision. The Turkish governments’ macro and micro economic policies created an observed pattern of influence via incentives arising from different legislations on FDI. This notable pattern was common among the high-tech manufacturing investments in Turkey. Contradicting claims, by studies associating CD constructs such as the theory of familiarity and the theory of transactional costs (e.g. Yoshino, 1976; Ozawa, 1979, Davidson, 1980; Dunning, 1988) were not supported in either way. Empirical evidence based on qualitative case study design could not link CD concept as a facilitating or deterring factor in pre-market entry decision making. Meanwhile, based on the historic data regarding case companies’ expansion strategies prior to Turkey, there was a level of support for the studies using CD concept as a predictor of FDI sequence (e.g. Johanson & Vahlne, 1977, Thurnbull, 1987; Engwall and Wallenstal, 1988).

The international joint venture mode was particularly suggested as a pretext to enter the market so that the local sectors and their supply-chain networks would develop further. This was also linked to the initiatives to incentivise joint ventures, seen as an efficient entry mode, facilitating channel for the, much needed, technology transfer. When the foreign investment did not rely on high technology and the technology transfer, then different entry modes were observed. The findings from studies dismissing a significant relationship between MNEs’ home country cultural characteristics and MNEs’ chosen entry mode (e.g. Tihanyi et al. 2005; Dow & Larimo, 2009) have gained support in our market entry analysis.

The main difference between these findings and the culture studies outlined in the literature review was that the observed evidence showed that there was neither a strong indication nor
supportive opinions that the national CD was influential during the market entry phase for the cases analysed. This prompts the conclusion, in relation to the initial research question asking the cultural distance implications on the market entry decision and entry mode selection by foreign investing firms, that the market entry implications of the national CD are ambiguous and mostly insignificant.

7.3.2 Market Integration Phase

The market integration analysis acknowledged the ‘integration performance’ as being the most significant factor, and a major business challenge, for the post-entry period in which short term goals and gains are both consistently re-evaluated by the investors. The analysis reviewed the corporate performance management literature in order to evaluate which performance factors could be relevant and valid for this period. The market integration performance analysis meant that the selected performance indicators were synchronized both with the qualitative and quantitative data sets in order to answer the phase specific research question: “Provided that the cultural distance influence is observed, what are the more suitable managerial responses to secure smooth integration process?” The survey data indicated a significant level of differences regarding the business cultures and approaches; whereas the perception on these national cultural differences was more varied. Most importantly, the business implications of the observed CD were considered to have a ‘positive’ influence on the investment’s integration performance. This insight supports the findings from business studies claiming CD improves/enhances subsidiary performance (Hu & Chen, 1996; Park & Ungson, 1997, Morisini et al., 1998; Sim & Ali, 2000).

The positive implications of the national CD on the integration performance was realized when MNEs managed to bring cultures and people together with effective integration strategies. MNEs with suggested high CD between home-host counties evidently secured a solid market integration success; meanwhile claimed cultural and geographic proximity did not prevent culture related internal frictions and clashes within the Turkish subsidiaries. Our insight supports studies that at the strategic level CD could create synergy; however, it depends on parent companies’ competencies at the operational level (e.g. Brown, Rugman & Verbeke, 1989; Chowdury, 1992; Gomes-Casseres, 1989; Harrigan, 1988; Hergert & Morris, 1988; Lorange & Roos, 1991).
Regarding managerial responses to tackle national CD implications of the market integration phase, MNEs’ international experience and corporate learning were found to be the key moderating factors for the success of the observed market integration processes. These moderators allowed MNEs to enrich their corporate culture with internationally transferable human capital enhancing applications and adaptation strategies, so that the negative impact of CD related frictions and clashes on the created synergy could be managed more effectively.

Hence, the otherwise convenient representation of the cultural differences under the classic CD metrics may not represent the performance implications of these differences on the MNEs strategies and behaviours. Indeed, the market integration analysis concluded that difference in attitudes associated with the national cultures, such as time management, communication and power sharing, influenced the integration performance through human resource productivity and the knowledge transfer efficiency.

### 7.3.3 Market Establishment Phase

The market establishment phase of the case companies was evaluated in order to better understand the national cultural implications on the subsidiary control mechanisms and acculturation strategies. This allows answering the phase specific research question: “How do companies, from different national cultures create external adaptation, internal integration & control mechanisms in order to close the cultural difference?” The analysis of the market establishment phase, based solely on the qualitative data gathered from the case studies, has identified ‘corporate culture’ as one of the most common subsidiary control mechanisms before and during the establishment phase.

Other subsidiary control mechanisms, such as standardised human resource procedures and documentation, were also reflected upon as essentials during the establishment phase. The positive CD implications on the MNE’s engagement with the Turkish market were secured through strict control and acculturation methods starting from the integration period; nevertheless, the MNEs’ reluctance towards local adjustments or miscalculations on the expatriation of the tacit knowledge transfer were found to have had costly consequences during their establishment phase.
Our insight suggests that MNEs rely on greater number of parent and third country expatriates regardless of the calculated CD metrics initially. This contrasts with culture study findings, which suggest a positive correlation between higher number of parent country nationals and higher level of CD (e.g. Yeganeh, 2011). The subsidiary staffing policies appear to be subject to modification, particularly within the establishment phase, once the organisational culture transferred and the structural standardisation process had been completed. According to the research findings, there is a shift towards the regional or polycentric staffing policies for the key managerial position adapted by the larger multinationals with a sufficient internationalisation experience.

Mainstream culture models’ (such as Hofstede, 1991; Ferner et al., 2004; House et al., 2004; Brock et al., 2008) have claimed a correlation between MNE’s home country cultural characteristics and their chosen subsidiary control strategies. Such an influence on MNE strategy was not apparent in our research findings. For the ageing subsidiaries, MNEs’ corporate culture and regional business networking mechanisms appeared to be moderating factors influencing their choices for the Turkish market. This supports the studies suggesting subsidiary control mechanisms have evolved from centralised HQ control to structured networks (e.g. Dunning & Lundan, 2009). This research acknowledges the argument that the corporate cultures of MNEs are nested within their country of origin hence, an implicit influence of national CD over subsidiary control and acculturation strategies remains a possibility.

Overall, the application of the ‘phase approach’ within the adopted holistic conceptual framework has determined that the market integration stage has a crucial importance for MNEs’ to facilitate synergies improving profitability, delivering greater performance and longevity from their Turkish subsidiaries by bringing culture and people together. Failing to do so, MNEs could face an increased risk of stuttering progress, financial underperformance and eventually market exit. The imbalanced attention given to the market entry, integration and establishment stages in FDI and culture studies has failed to establish the very fundamental questions of how and when culture actively influences MNEs' operations. The practical consequence of this lack of understanding is that there is not enough research on customised training programmes targeting local and assigned managers for the market integration and establishment stages. Consultation of the expanded CD metrics, a variation including measured, perceived and individual characteristics of the CD concept, has confirmed the complex relationship between the culture concept and the international business world. This complex relationship needs further assessment and empirical
findings/insights gathered from qualitative case research such as ours. More importantly, the research findings gave a strong testimony that CD metrics solely based on a statistical manipulation of the high volume of quantitative data present indeed a limited characterization of culture and its business implications. Specification of the business challenges, which would prompt MNEs to determine their strategies or to act in specified ways, has shown that the business implications of the CD are inseparable from the business interactions involving the ‘human’ factor. Hence, within depth versus breadth research dilemma, culture and human factors can be explored more effectively in qualitative based business studies.

7.4 Contributions

In this section, the main contributions of this research are presented in relation to its theoretical, managerial practice and FDI policy implications.

7.4.1 Theoretical Implications

The theoretical developments in the International Business literature, over the last decades, have provided inspiration for investigating the implications of national CD for the international business strategies of MNEs. By combining the theoretical approaches from the existing theories and the selected contextual factors from an emerging market, this thesis tried to actualise its research objective “To identify the modalities by which national cultural differences influence social interactions and strategies within a business organisation during the entry, integration and establishment phases of foreign investing firms in an emerging market?”

The empirical evidence suggests that the national CD implications on the strategies of the multinationals' subsidiaries are most influential during their market integration period. Our holistic investigation clearly identified this insight, therefore this is a valuable theoretical contribution generated by looking at market entry, market integration and market establishment in a single study. Shenkar's influential review (2001, 2012b) regarding the role of the CD construct in the FDI field underlines the imbalanced application of a complex issue, the lack of interdisciplinary approach and cognitive measures taken by the researchers. Significant conceptual and methodological inadequacies relating to the CD construct carry important implications for theory and research (Shenkar, 2012b). Hence, our holistic
This study makes a novel contribution to the literature, due to the selection of contextual factors in an emerging market that are new, compared to those that can be found in previous contributions mainly focusing on developed markets. The analysis and results from this research further imply that all the identified business challenges, covering the multinationals' journey as a whole, extended the direction of basic theories into a new research setting. Considering the increasing importance of emerging markets in the global economy, this new research setting has a great potential and relevance for the future of international business studies.

By following a mixed methods approach, culture related theoretical assertions have been synthesized within the qualitative and quantitative data sets to explore and validate the observed national CD implications. A quantitative approach was employed to complement findings of the qualitative analysis with richer details and insights, while remaining aware of the dilemma about the ‘quantification of the cultural differences’ argued in the previous culture studies. These insights suggest the diffusion of a shared opinion among the key respondents, vindicating some of the theoretical arguments in terms of ‘what cultural distance means’ within business interactions. Some of the evidence, however, is not conclusive. More obviously, the cultural differences, perceived by most of the key respondents, are given as a valid factor facilitating the subsidiary control mechanisms and the decision-making structures. This insight, however, is not conclusive on how much of this implication is a direct result of the national CD or, instead, directly related to the parental company's organisational culture. Moreover, the findings on the national CD implications on the market entry phases are also incongruous with some of the prevailing theoretical models. This should however be considered as an interesting finding, providing further motivation for a better theoretical understanding, reaching beyond the hypotheses developed in the classical CD literature.

### 7.4.2 Managerial Practice and FDI Policy Implications

The main findings of the study, as reported in Chapters 4, 5, 6, suggest several managerial implications. These emerged both from the qualitative and quantitative findings about which culture related factors are more significant for the managerial decision mechanisms, for the
parent-subsidiary relations as well as on how to exploit them to maximise the business advantage. Concerning the quantitative findings, the survey results from the case companies indicate that differences in time management and communication attitudes may influence human resources’ productivity and knowledge’s transfer efficiency. Based on these findings, one could argue that MNEs’ parental control mechanisms need to acknowledge and try to overcome these obstacles by adopting a proactive conflict management approach. MNEs could make anticipatory adjustments prior to the establishment of operations in a new market, by effectively reducing the pre-existing CD between home and host countries. Assignment of bicultural individuals (e.g. British MNEs using British Asian expatriates in India or German MNEs using German expatriates with Turkish origin in Turkey) could be considered as managerial practical strategies aimed at reducing the CD between home and host countries.

The analysis of the quantitative data provides further managerial insights: the participants’ general perception of the observed CD was relatively positive hence, the MNEs managers should engineer more effective organisational change and tacit knowledge transfer mechanisms within emerging markets. Additionally, to this, the qualitative findings highlight the implications of the national CD on the subsidiary human resource management and the knowledge transfer and the key interaction between CD and staffing policies. The thesis approach based on the analysis of three separate phases also points out to the relevance of the market integration period for MNEs in establishing a strong foothold in the new market. Admittedly, the research findings imply that there is a need for more detailed national CD awareness to be achieved by dedicated training of the assigned foreign national expatriates accordingly to the chosen staffing policy. For the internal integration, MNEs should be fully aware that cultural differences have the potential for both synergy and disruption. Meanwhile, for external adaptation, MNEs should acknowledge culture as a moderating factor altering the strength of the relationship between environmental and strategic variables as suggested by Shenkar (2012b). Hence, the training programmes, before and after the market entry, should be more comprehensive and complementary to the role national CD can play for the subsidiary management.

The book “Constructing the Best Culture to Perform: A Manual”, published in July 2015 by Bob Waisfisz, a business partner of Prof. Geert Hofstede since 1980, describes in a practical way how to operationally move Hofstede’s work from an intangible to a tangible form. This book pinpoints the fact that changing business environments requires business leaders to master cultural knowledge by understanding the culture factor, which is presented as critical in enabling or hindering the implementation of strategic goals. In his book, Waisfisz (2015)
claims that strategy and culture belong together. Further supporting this thesis argument on the relevance of strong organisational culture during the integration phase for further advancement in a new market, the author argues that organisational culture can be used as an extremely effective additional management tool. Therefore, MNEs could manage CD at the corporate level by using the wide repertoire of corporate culture instruments and their interaction effects.

MNEs managers and owners, together with the public and private sectors authorities in emerging markets, need to establish a better understanding of how multinationals can achieve external adaptation, internal integration and long-term commitment in their invested markets. These conditions will, once again, give prominence to the debate on the role of national CD within the wider field of international business studies literature. In terms of legislative and FDI policy implications, developing economies like Turkey need to increase their cultural attractiveness as well as show openness to foreign investors. An example of improved metric, useful for Turkey to attract more FDI type investment, would be to improve its position in the index of openness to foreign influences published annually in the World Competitiveness Yearbook. Turkey’s competitiveness ranking has been worsening during this PhD project. The general recommendation is that Turkey needs to improve its sustained economic prosperity and its score in business efficiency. In order to maintain its existing MNEs and welcome more inward FDI, the country needs to convince investors that it can manage all its resources and competencies to facilitate long-term value creation.

Policy makers with responsibility on FDI in Turkey must acknowledge the importance of the CD concept. Culture studies point out that national level CD data can be complemented by

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285 The economies are ranked from the most to the least competitive and the ranking is based on the scores that are actually indices (0 to 100) generated for the unique purpose of constructing charts and graphics. The overall ranking reflects more than 300 criteria, approximately two-thirds of which are based on statistical indicators and one-third on an exclusive IMD survey of 6,234 international executives. (Source: [http://www.imd.org/wcc/world-competitiveness-center-rankings/profiles-factors/](http://www.imd.org/wcc/world-competitiveness-center-rankings/profiles-factors/))

286 Turkey’s best score was in year 2012 and 2016 as 38th and currently 47th in year 2017 (Source: [http://www.imd.org/wcc/world-competitiveness-center-rankings/profiles-factors/](http://www.imd.org/wcc/world-competitiveness-center-rankings/profiles-factors/))

287 The ranking in 2017 highlights one particular commonality among the best ranking countries. Nine countries from the top 10 are also listed in the top 10 of the business efficiency factor. Business efficiency focuses on the extent to which the national environment encourages enterprises to perform in an innovative, profitable and responsible manner. It is assessed through indicators related to productivity such as the labour market, finance, management practices and the attitudes and values that characterize the business environment. Data are broken down according to four main factors: Economic performance (84 criteria), government efficiency (71 criteria) business efficiency (71 criteria), infrastructure (116 criteria). (Source: [http://www.imd.org/wcc/world-competitiveness-center-rankings/profiles-factors/](http://www.imd.org/wcc/world-competitiveness-center-rankings/profiles-factors/))
the cognitive CD measures (Shenkar 2012b) and also incorporate the idea of adapting cognitive measures of cultural differences (Chen, Kirkman, Kim, Farh, & Tangirala, 2010). Therefore, Turkish government, as well as other emerging markets willing to improve their FDI openness profile, should fund research initiatives aimed at gathering richer empirical evidence necessary to shape up their FDI policy and incentives structures. In this framework, cognitive CD measures based on retrospective data could be gathered from expatriates, currently operating and/or having served in the past (Shenkar, 2012b), evaluating their experienced cultural and/or other adjustment difficulties in Turkey.

7.4.3 Overall Contributions and Recommendations

This thesis contributed to the international business research in a number of ways. Firstly, the developed conceptual framework, under a new empirical research setting drawn from extant theories, satisfies the required conditions for the minimum amount of data necessary for a culture based research project. This thesis argues that previous theoretical lines of reasoning have often failed to concentrate on evaluating the national CD effects on the multinationals through different ‘phases’ and ‘business challenges’.

The review of the literature indicates inconsistencies and lack of consensus among the culture studies on the ‘when’ the national CD implications exert their most significant influence on the investing firms within the emerging markets. Although researchers in the cross-culture studies have considered a large number of variables, these often appeared idiosyncratic and/or ad hoc due to the common lack of a comprehensive conceptual framework. This study contributes to the literature by validating some of those variables influences within a comprehensive and holistic conceptual framework. Both the Uppsala Internationalization Model, (Johanson & Vahlne, 2009) and the OLI Model (Dunning, 2009) upgraded the role of culture in their initial conceptualisation. These identified significant conceptual and methodological inadequacies relating to the CD construct carry important implications for theory and research, indicating that culture needs to be appropriately incorporated into the theoretical landscape, rather than reduced to questionable and often indefensible proxies (Shenkar, 2012b).

From a theoretical perspective, this research used some well-known culture models (e.g. Hofstede, 1980 and Kogut & Singh, 1988) and some of their arguments for gaining a better understanding of the national culture measurements and their business implications. Unlike
their value-based arguments on the national CD measurement, this research has contributed to the field observed CD implications on MNEs’ strategies/behaviours. The statistical manipulation of the proposed national culture dimensions made the culture concept operational and more suitable to assess its potential business implications. Nevertheless, as shown by the MNEs’ behavioural patterns observed during this research, such assumptions based on statistical manipulation may not tell us about what actually happens in that culture or cross-cultural business settings. The thesis questioned the validity of these measures, compared its empirical evidence with the resultant findings obtained in such international business applications as foreign direct investment patterns, sequence, entry mode, and subsidiary performance and control fields. Shenkar (2012b) questions the wisdom of continuing with the use of these measures and their underlying construct. He calls for redirecting research away from the static cultural distance paradigm toward the dynamic interaction of the actual entities that come into contact in international business. The findings emerging from our present holistic investigation reinforce and provide further support to this perspective as emphasised by Shenkar’s call (ibid).

Hofstede’s work provided the first large collection of data demonstrating that national culture could influence rationality in organisational behaviour and managerial practices. The undeniable popularity of Hofstede’s model is not due to its righteousness but more to its predictive capability (Minkov & Hofstede, 2011). Despite the insistence on the model’s predictive nature, recently there has been a shift by the founder regarding the much-criticised construct measures of this dimensional model: Hofstede’s dimensions of national culture were constructed at the national level not across individuals or organisations (Minkov & Hofstede, 2011). “In fact, Hofstede (2001) indicated that the idea of constructing dimensions at the national level occurred to him after realizing that, analysed at the individual level, his IBM data did not make much sense” (Minkov & Hofstede, 2011, p.12). Minkov and Hofstede’s article in 2011 “The evolution of Hofstede’s doctrine” underscores Hofstede model’s predictive capability as a key strength by emphasising that its dimensions are meaningless as predictors of individual differences and entirely different dimensions were found for the organisational cultures. With this shift of self-admission, Hofstede and his associates appear to be shying away from some crucial criticisms (e.g. Taras et al., 2010) to use Hofstede’s dimensions at the individual or organisational level. Despite apparent admission of the weaknesses in its construct measures, Hofstede appears to be persistent on his choice of research methods that are derived from the tradition of the natural sciences. This thesis has shown that research methods based on making predictions only through mathematical extrapolations appears to be of limited applicability when the object of study is based on human behaviour. It is largely true that well-designed quantitative methods can add
a scientific element to any discipline including social sciences and a purely qualitative approach based on descriptions that are not dressed in numbers can be hard to prove or disprove. Therefore, as argued in this thesis, those methods alone are not sufficient for a full appreciation of the social reality related to the national CD implications on the cross-cultural business interactions. Hofstede also agrees that “what is commonly known as social science is best viewed and practiced as a combination of science and humanity or even science and art” (Minkov & Hofstede, 2011, p.18).

This study strived to fill the contextual gap in the relevant literature. The theoretical development and empirical assessment of these theories have mainly been based on a developed country context. Nevertheless, this study has acknowledged that this contextual gap can be narrowed by researching an emerging market, of key geopolitical geopolitical such as Turkey. Moreover, this research also contributed to the methodology debate, by developing and validating some of the new reliable and valid construct measures. In particular, while cultural distance was quantified by using the Kogut & Singh cultural index, (Kogut & Singh, 1988), this thesis developed a framework which also involved managers' perception of the cultural distances as well as the findings from our survey based on Hall’s culture model (1990).

Significantly, the evidence gathered from the qualitative interviews contributes to a better understanding of the national CD implications in answering ‘how’ as well as ‘when’ these effects were observed from the perspective of a day to day business interactions. However, while the data contributes in validating the conceptual underpinning, it provides contrasting evidence with regard to some of the previous scholarly contributions in this field. Hence, the present study also contributed in assessing, and dealing with, common imbalances in multidimensional investigation of the CD implications.

Overall, from an analytical point of view, the study has contributed to the literature by incorporating emerging market data in the wider empirical generalisations of the findings. The main contributions of this study are summarised in Table 7.1, below.

Table 7.1 Contributions of the study

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288 “The Hofstede dimensions do not directly predict any phenomena or dynamics. Applying them to make sense of what happens in the world always has to take into account other factors as well as culture - notably national wealth, history, personalities, and coincidences. There is no quick fix to understand social life after taking a dose of Hofstede. But the dimensions, when well understood, do allow to predict a little better what is likely to happen. And they become more useful as you go from the specific case to the trend, average, or expectation.” (http://www.geerthofstede.nl/research-vsm)
### A. Theoretical Contributions

<table>
<thead>
<tr>
<th>Research Field</th>
<th>Use of Business Strategies &amp; Behaviours</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>National CD &amp; Market Entry Period</td>
<td><strong>Market Entry Decision</strong></td>
<td>Extending the use of internationalisation and culture studies in examining the possible national CD implications on these two specific challenges (entry decision and entry mode) during the market entry period for case companies.</td>
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<tr>
<td>National CD &amp; Market Integration Period</td>
<td><strong>Market Entry Mode Selection</strong></td>
<td></td>
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<tr>
<td>National CD &amp; Market Establishment Period</td>
<td><strong>Integration and Financial Performance</strong></td>
<td>A mix of financial and non-financial performance measurements were used to assess the integration performance of the case companies. The use of these measurements within a new theoretical structure to elaborate further on the national CD implications and market performance relation is a solid attempt for a new critical reasoning.</td>
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<tr>
<td>National CD &amp; Market Establishment Period</td>
<td><strong>Subsidiary Control Mechanisms</strong></td>
<td>Extending the use of subsidiary management control and acculturation based studies (Perlmutter’s EPRG-Model, Delios &amp; Singh, Slangen, Nahavandi &amp; Malekzadeh) in investigating further implications of the national CD on the parent-subsidiary relations during the establishment phase.</td>
</tr>
</tbody>
</table>

### B. Contribution to the Body of Knowledge: Qualitative

<table>
<thead>
<tr>
<th>Relationships between</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>National CD &amp; Subsidiary Performance</td>
<td>This study provides fresh empirical affirmation in the literature from a new context of investigation.</td>
</tr>
<tr>
<td>Business CD &amp; Subsidiary Performance</td>
<td></td>
</tr>
<tr>
<td>National CD &amp; Subsidiary Control</td>
<td>The analysis sections using the qualitative data validate the extant findings from different research setting into a new international business context towards generalisation.</td>
</tr>
<tr>
<td>National CD &amp; Social and Business Interactions (Acculturation)</td>
<td>Significant impact of national CD on staffing and other subsidiary HR practices revealed unanimous support from all cases.</td>
</tr>
<tr>
<td>National CD &amp; International HRM</td>
<td></td>
</tr>
<tr>
<td>National CD &amp; Market Entry</td>
<td>No significant impact of national CD on the market entry and entry mode selection emerged from the analysed cases in Turkey, therefore the research findings do not align with other established findings from culture studies.</td>
</tr>
</tbody>
</table>

Additional Insight: As emerged, some of the qualitative findings suggest that these investigated relationships are meaningful as well as realistic and could be included within more advanced conceptual models to test.
C. Contribution to the Body of Knowledge: Quantitative

<table>
<thead>
<tr>
<th>Relationships between</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD &amp; Parent-Subsidiary (Communication)</td>
<td>These are the fresh contributions from the quantitative findings validated by the results of the survey (based on a modified version of Hall's culture model). The differences in attitudes regarding communication and time management have an implicit effect on the social interaction, internal harmony and human resource management.</td>
</tr>
<tr>
<td>CD &amp; Parent-Subsidiary (Time Management)</td>
<td></td>
</tr>
<tr>
<td>CD &amp; Parent-Subsidiary (Information Flow)</td>
<td></td>
</tr>
<tr>
<td>Perceived CD &amp; Overall Performance</td>
<td>The quantitative results indicate that the CD influence on the 'overall performance' is varied but overall quite insignificant.</td>
</tr>
<tr>
<td>Perceived CD &amp; Integration Performance</td>
<td>The quantitative results also indicate that the CD influence on the integration performance is almost negligible; meanwhile the perceived effects were positive’.</td>
</tr>
</tbody>
</table>

**Additional Insights:** The empirical evidence of the study is theoretically justified, that should be verified in further research contexts.

D. Methodological Contribution

| Mixed methodology | New ways of construct metrics were developed for each business challenges and for each phase. These are reliable and converged into the respective construct. |
| Phase Approach | The 'phase approach' validates national CD effects through stages therefore in a comprehensive way. According to the researcher's knowledge, the use of this type of 'phase approach' is novel to the literature within the culture studies field. |

E. Contextual Contribution

| Developing Country Data | The study contributed to the literature by incorporating a developing country perspective with theoretically valid recognition. As this perspective was often overlooked in the international business literature, this work lends additional support to the vast extant scholarly activities based on developed countries. |

Source: Author

7.5 Limitations

This study examined the possible national cultural distance implications on multinationals in an emerging market through the different stages of the internationalisation process. Despite their relevance, these findings must be considered with caution; as such, an empirical
attempt is rare in the present research setting. In the international business research field, where this research is placed, a wide range of external and field factors may inherently affect the results. This limitation also warrants future research attention as to how these factors can be carefully evaluated and incorporated into the new conceptual lines of reasoning. In addition, this study has investigated a limited subset from a large group of behavioural and strategic aspects of the multinationals in an emerging market setting. Therefore, problems may arise in what factors should be included and what should be excluded. With these concerns in mind, the following issues would need to be carefully verified prior to any attempt of generalisation.

- Firstly, the findings rely on respondents' self-reported cross-sectional data that may lack desired level of quality about longitudinal data in some case companies, particularly when referring to their early market entry phase. Consequently, the gathered data may not necessarily reflect changing situations and may be insufficient to capture a series of relationship phenomena (between the national CD effects and business challenges) taking place over time. Moreover, the cross-sectional data may well be affected by the survey participants' mental position at the period of filling in the questionnaire and/or the interviewees' predisposition of any events that have happened in the past.

- Secondly, the data have been collected from a single country; however, a detailed discussion provided the reasons for why Turkey displayed the main relevant contextual factors needed for studying the role of CD for multinational enterprises internationalisation decision towards emerging markets. The choice of Turkey as a single country, facilitated data collection and controlling diversity but also limited the scope for generalisation of the findings.

- Both qualitative and quantitative data sets have been collected solely from the selected multinationals whose parental roots and headquarters were associated with the developed economies. This may not explore the total picture of the culture implications from MNEs. Considering a reverse case scenario: a multinational company from a developing economy is likely to face different business challenges after entering the developed countries. More specifically, a Turkish corporation entering into the UK market and a British multinational entering Turkey do not necessarily deal with similar business, cultural and contextual challenges. This limitation, however, also means that there are further research opportunities in the field.
• A final limitation of this study is that it ignores differences in corporate culture; as such, differences are also important in foreign direct investments. Future studies could indeed include the concept of ‘corporate cultural distance’ into the analysis as well by using organisational culture instruments.

While acknowledging such limitations, this research exhibits an effective understanding of the range of business behaviours and strategies that can be significantly influenced by the potential national cultural differences. Accordingly, this thesis authenticates as a developed framework. This also highlights how an international corporation should build their socio-cultural business integration strategies within a new international setting.

7.6 Future Research Directions

This research project was initially motivated by the fact that the developing country context is often an overlooked area within the wider culture research field. The conscious decision to focus on this context has provided some insights and directions for the future international business research. More in detail, this research strived to take some new challenges using extant as well as new construct measures in evaluating the collected evidence gathered from both quantitative and qualitative data. This has provided a solid foundation for many research avenues also providing several suggestions for the further researches.

First, from the contextual aspects, this research envisaged a demanding background with theoretical assertions and validated most of the findings from the investments of developed into developing country framework. However, some of the emerged findings not only provide challenging new evidence but also remain tentative unless verified in follow up studies. Therefore, a research path is open for further validation in different country contexts. It should also be noted that, as this research explores only a developing country's perspectives, any similar emerging market context or any other cross-country comparative study could be worthwhile to validate the findings.

Second, commercial and industrial multinationals were included in this thesis to achieve the research objective. However, more indicatively, some of the findings were affected due to the selection of sectors in which commercial and industrial multinationals operate. Therefore, a separate analysis of commercial and industrial multinationals operating in a specific sector may well be a more robust approach in any future research direction. In other words, a
comparative study with a large sample within a targeted business sector may provide a contrastive approach in any future research framework.

Finally, the study has developed some construct measures for the analysis of market integration performance. All of them were found to be reliable and valid in the present national CD implications context; however, these could be tentative unless verified and refined in a new research context. Using an external cultural distance measurement was a challenge as testing their validity and reliability was beyond the research's scope. Any related research could include a research design facilitating the usage of measures to test further reliability and validity.

7.7 Conclusions

To answer the dissertation research questions and to achieve the main research objective, this study developed a basic conceptual framework, a research road map, for an achievable conceptual insight in the research field. Based on this, the research road map provided explanatory power as well as interpretation of the data sets also in relation to previous studies.

Within the conceptual reasoning, it was found that, national CD implications are not influential during the market entry phase and for the business challenges typically arising in this period. However, the qualitative findings are consistent in providing richer information on the market integration performance and the national CD role in this period. The evaluation of the quantitative data was corroborated by the qualitative analysis while adding some distinctive insights in terms of the perceived cultural distance’s positive influence on the business performance. Furthermore, progressing towards the longevity and establishment in the market require MNEs to employ effective subsidiary control and acculturation strategies as rapidly as possible. Evidently, the positive influence of the CD could be highly beneficial for the speed and the effectiveness of these strategies when implemented by strengthening corporate culture. This research utilised basic culture theories in a new contextual format to provide an external, quantitative CD measurement. Furthermore, this thesis shows the usefulness of the CD concept in the understanding of multinationals ‘value-behaviours’ as a remarkable endeavour in international business field.
Do multinationals bring people and cultures together? The research evidence from an emerging market and the recent shift in the culture studies show that this is an open-ended complex process, but that the objective can be achieved, depending on the policies adopted.
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Appendix A  Qualitative Case Companies

A.1 Introduction to FNSS

FNSS Savunma Sistemleri A.Ş. is a leading manufacturer and supplier of armoured combat vehicles and weapon systems for the Turkish Armed Forces and Allied Armed Forces. FNSS is a Turkish based joint venture company between Nurol Holding of Turkey (Share: 51%) and BAE Systems of USA (Share: 49%). The company was established in 1988 to manufacture 1698 Armoured Combat Vehicles (ACV’s) for Turkish Armed Forces under a direct commercial contract (1st package ACV) with the Undersecretariat of Defense Industries (SSM). The facilities situated on a total area of 280,000 square meters in Golbaşı, Ankara started the production in August 1991. The 1st package ACV contract has successfully been completed in 2000. 410 people work at FNSS’s Ankara facilities as of March 2011. Additional 200 are employed in its operations outside Turkey.

BAE Systems Inc. (formerly BAE Systems North America) is a major subsidiary of the British defense and aerospace company BAE Systems plc. As per its Special Security Agreement, BAE Systems Inc. operates as a semi-autonomous business unit within BAE Systems controlled at a local level by American management. Nurol Group of Companies, with its business experience of more than half a century, is a worldwide success today with its more than 40 establishments, participations and affiliated partnerships in several sectors ranging from trade to defence industry, from construction to machinery and manufacturing, and from tourism to finance.

A.2 Introduction to DANONE

The Groupe Danone is a French food-products multinational corporation based in the 9th arrondissement of Paris. It claims world leadership in fresh dairy products, marketed under the corporate name, and also in bottled water. Danone, the world’s largest yogurt maker was founded in 1919 in Spain. It was grouped under the name of “Groupe Danone” after 1994. It operates in 5 continents, 120 countries, 160 facility and 80 000 employees in worldwide. Danone mainly focused on dairy, beverage and cereals. In 2007 it swapped its world number two position as producer of cereals and biscuits for the same position in baby foods, having sold the biscuits division to Kraft Foods. Besides the Danone/Dannon brand of yogurts, the company owns several internationally known brands of bottled water: Aqua, Volvic, Evian, and Badoit.

Danone has entered to Turkish market as the dairy products and bottled water producer with a local business partner. DanoneSA established in March 1997 as a joint venture Turkish industrial conglomerate Sabanci Holding and Danone. Business partners started their activities in bottled water sector then business activities in dairy products and mineral water sectors followed. Its major acquisitions were Hayat Water 1997 and Tikvesli A.S. in 1998. In 1999 Birtat and in 2000 Flora Water were acquired in Turkey. Danone, has also acquired a 50.1 percent stake in Sirma to expand in Turkey’s water market.

Despite the expansion through acquisitions the continuation of the joint venture with Sabanci Holding was assessed in 2001 and Sabanci Holding has sold DanoneSa’s 50 % shares to Danone (for approximately 72 million $) in 2003 due to not fulfilling provisional profit targets. Danone has continued its market penetration strategies with acquisition of Nestle’s dairy production units in Turkey.
A.3 Introduction to BAT

British American Tobacco with a corporate history expending more than 100 years was formed in 1902, as a joint venture between the UK's Imperial Tobacco Company and the American Tobacco Company founded by James ‘Buck’ Duke. Despite its name British American Tobacco was established to trade outside both the UK and the USA, and grew from its roots in dozens of countries across Africa, Asia, Latin America and continental Europe. BAT has 52 cigarette factories in 44 countries and it employs more than 55,000 people worldwide with brands sold in around 180 markets. BAT runs leaf programmes providing direct agronomy support to farmers in 20 countries, covering 164,667 hectares under cultivation.

Initially, British American Tobacco entered the Turkish market in 2002 with its principal brands such as Viceroy, Pall Mall and Kent and. Its head office has been located in Istanbul however its first factory was built in Tire-Izmir. In June 2008, British American Tobacco completed its acquisition of the cigarette business assets of Tekel (the Turkish state-owned tobacco company), a winning bid of US$ 1.72 billion, with approval by Turkey's Competition Board and ratification by the Turkish Privatisation High Council. The acquisition has meant that BAT has owned the Tekel's cigarette brands with market share of 29% measured in 2007, its 6 factories and 2 year stock of tobacco leaf. The six factory sites comprise Istanbul (leased), Ballica Samsun and Tokat (all open) and Adana, Malatya and Bitlis (all dormant). This asset only privatisation did not include employees.

A.4 Introduction to TOFAS

TOFAS (acronym for Türk Otomobil Fabrikası Anonim Şirketi) is a Turkish automaker based in Bursa, Turkey, where the production plant of the company is located. It falls under joint stock company type. Tofas's foundations were laid by the founder of the Koc Holding Mr. Vehbi Koc in 1968. Tofas is jointly owned by Fiat and Koç Holding: 37.8% of the company's shares belong to Fiat Group Automobiles; 37.8% to Koç Holding; and 24.3% to others. Within the scope of Minicargo project, Tofas has been manufacturing under licence for Fiat, Citroen and Peugeot besides manufacturing for Opel and Vauxhall within the scope of New Fiat Doblo project. The only automotive company in Turkey that manufactures both passenger car and light commercial vehicle (taxicabs), Tofas is one of the biggest manufacturers of the Turkish automotive industry today with its production capacity of 400,000 units per year. Tofas has also become a global player and has been manufacturing for 5 brands in its factory in Bursa which has a privileged position in the highest rank by achieving “Silver” production level within 170 Fiat Group factory of the World Class Manufacturing. It is reported by the company that in 2012, Tofaş exported 154,069 units vehicle while manufacturing 256,428 thousand units vehicle in Bursa plant.

Fiat is an international auto group that designs, produces and sells vehicles for the mass market under the Fiat, Alfa Romeo, Lancia, Abarth and Fiat Professional brands, as well as luxury and performance cars under the Ferrari and Maserati brands. The Group has expanded its global reach through the alliance with Chrysler Group. Fiat Group also operates in the components sector, through Magneti Marelli and Teksid, and in the production systems sector, through Comau. Following the acquisition of a majority interest in Chrysler, Fiat has accelerated the integration of the two groups with the objective of creating a strong and competitive global automaker.
A.5 Introduction to INCIRLIK AIRBASE

The Incirlik Air Base (in Turkish: İncirlik Hava Üssü) is located near İncirlik-Adana, Turkey's fifth largest city, and 35 mi from the Mediterranean Sea. The U.S. Air Force and the Turkish Air Force are the primary users of the base. Incirlik has a United States Air Force (U.S.A.F.) complement of about 5,000 airmen, with several hundred British and Turkish Air Force airmen also present (-late 2002).

The decision to build the Incirlik Air Base was made during the Second Cairo Conference in December 1943, but construction works began after the end of the Second World War. The United States Engineering Group began construction of a 10,000-foot runway at a new base 7 miles east of Adana, and approximately 250 miles southeast of Ankara, Turkey, in the spring of 1951. While work on the runway progressed, an American company, Metcalfe, Hamilton, and Grove, built base facilities and infrastructure under contract.

The U.S.A.F. initially planned to use the base as an emergency staging and recovery site for medium and heavy bombers. The Turkish General Staff and the U.S.A.F. signed a joint-use agreement for the new Air Base in December 1954. On 21 February 1955, the Air Base was officially named Adana Air Base, with the 7216th Air Base Squadron as the host unit. By late 1957, Adana AB had become the main U-2 operating location, having absorbed the resources of a unit in Germany. One of the tasks the unit performed involved flying over missile sites in the Soviet Union from forward operating locations at Lahore and Peshawar in Pakistan. For every mission that penetrated Soviet airspace, there was at least one surveillance flight along the border to divert Soviet air defence attention from the intruder.

This Air Base was renamed the "Incirlik Air Base" on 28 February 1958. The 7216 ABS at Incirlik changed its name in 1966 to the 39th Tactical Group. However, because of agreements with the Government of Turkey, the unit didn't use the new designation openly until 1983.

The 1970s were a turbulent time for Incirlik. On 20 July 1974, Turkey invaded Cyprus after a Greek coup overthrew the island's president. After a month-long campaign that captured 40 percent of the island, Turkey announced a cease-fire. In 1975, just as the base was beginning to see new building projects and expanding activities on base, the conflict in Cyprus brought construction to a halt. In mid-1975, the Turkish government announced that all US bases would close and transfer control to the Turkish military. This action was in response to an arms embargo imposed on Turkey by the US Congress for using US-supplied equipment during the invasion. Only Incirlik AB and Izmir AS remained open due to their NATO missions, but all other non-NATO activities at these locations ceased (including Yalova Airbase). US Congress lifted the embargo in September 1978 and restored military assistance to Turkey. Consequently, Turkey lifted restrictions on activities at Incirlik and Izmir, and allowed the resumption of US military operations at Sinop, Kargarburun, Belbasi, and Pirincilik.

Since 1981, construction continued as the base upgraded or replaced old facilities. However, in January 1989 massive political changes in Eastern Europe began that would end 45 years of Soviet domination. One of the most visible signs predicting the end of the Cold War was the German Democratic Republic's opening the Berlin Wall in November. The collapse of the Soviet Union and Warsaw Pact brought euphoria to the West, but also forced nations to ponder the future role of NATO. Meanwhile, Iraqi aggression in Kuwait brought increased activity to Incirlik once again. Instead of focusing on a possible confrontation in Europe, the base turned its attention to events in Southwest Asia.

With the invasion of Kuwait by neighboring Iraq in August 1990, Incirlik's role in the Middle East again took on great significance. As Iraq's occupation of Kuwait continued into 1991, Incirlik welcomed units from around the world; and from every service for the support of Operation Desert Shield and Operation Desert Storm.
A.6 Introduction to FAURECIA

Faurecia is one of the largest international automotive parts manufacturers (6th) in the world, produces vehicle interiors and emission control technology. Founded in 1997, Faurecia has grown to become a major player in the global automotive industry. A leader in its four areas of business, the Group is backed by a R&D and production network with sites in 34 countries. It designs and manufactures seats, exhaust systems, interior, exterior modules and decorative aspects of a vehicle. It is the preferred partner of the world's largest automakers, which value its operational excellence and technological expertise. Faurecia's customers include the Volkswagen group, PSA Peugeot Citroën, Renault-Nissan, Ford, General Motors, BMW, Daimler, Fiat/Chrysler, Toyota and Hyundai-Kia among others. One in four automobiles is equipped by Faurecia.

Faurecia employs 5,500 engineers and technicians, operates over 320 production sites and 30 R&D centers in 34 countries worldwide, with 460 patents filed in 2012. About half of these sites are manufacturing plants operating on the just-in-time principle. While French car manufacturer PSA Peugeot Citroën is Faurecia's controlling shareholder, holding around 57.4% stake, Faurecia is run as an independent company.

The main factory of Faurecia was built in 1975, near the Turkish automotive centre, Bursa, Turkey and the factory has continued its production under the name of Faurecia since 2000. The factory had 300 employees in 2010. Faurecia has also invested in building a new factory in Golcuk, Turkey in 2012 specifically for Ford's new transit production investment activity in Turkish market.

A.7 Introduction to JTI

JTI was formed in 1999 when Japan Tobacco Inc. acquired the non-US operations of tobacco company R.J. Reynolds. The further acquisition of UK-based Gallaher in 2007 nearly doubled the size of JTI by adding 11,000 new employees. Today, the company has over 25,000 employees and operations in 120 countries. The headquarters are in Geneva, Switzerland.

The trade relations started in 1990 in Turkey. The first production started in 1993 in İzmir Torbalı factory. İzmir factory is one of the 5 biggest plants of the 32 factories of JTI. The annual production of tobacco unit is 35 billion in this factory. It consists of the 16 percent of the Tobacco Market of Turkey with product range and 50 percent of the products exports to abroad.

A.8 Introduction to ALARKO-OHL

ALARKO Contracting Group is a part of the Alarko Holding operating within construction industry in Turkey over 50 years. Its name comes from short version of its business activities in Turkish (AL=Purchase; AR=Research; KO=Building sites).

TCDD (Government Organisation for Turkish Railways) has commissioned a new railway project (high speed rail) worth of 559 million euro at the beginning of millennium. Alsim Alarko has built a joint venture with Spanish specialist contraction giant OHL with a winning bid for this project. The partners together under the name of Alarko-OHL have completed Phase I of the project between Eskisehir- Ankara tracks in 2006.

Spanish partner Obrascon Huarte Lain (OHL) is one of the largest international concession and
A.9 Introduction to MERCEDES BENZ TURK

Turkish Menger Holding has established Mengerler A.S. in 1940 and it was the only representative of Daimler Benz AG in Turkey at the time. Initially, Mercedes-Benz Türk was established in Istanbul in 1967 under the name of Otomarsan; it started the production of O 302 type buses in 1968. Otomarsan had three major investors: Daimler Benz AG (36%), HAS Otomotiv A.S. (32%) and Mengerler A.S. (32%).

In 1970, only 2 years after its foundation, the company started to export buses, over 12,600 buses have been exported to date. In 1980s Daimler Benz has decided to bring all the activities in Turkey under one roof: Otomarsan. In 1984 the company was appointed as the general representative of Mercedes-Benz in Turkey, added with new partners to the enterprise and started a new investment necessary for production of trucks. In 1986, parallel to the growth potential of Turkey, the truck plant started production in Ankara. In November 1990 the company name Otomarsan was changed to Mercedes-Benz Türk A.Ş. In 1999, Mengerler A.S has left the partnership and sold its shares to German Partner Mercedes Benz. Mengerler A.S. has continues its relations with Daimler Benz AG as sale and service representative.

The company currently employs 2,800 personnel. Due to increasing export activities Mercedes-Benz Türk built a new bus plant in Hosdere/Istanbul, which became active in December 1994. Since its foundation Mercedes-Benz Türk has sold approximately 36,000 buses, 50,000 trucks and 1,000 midibuses from its own production in addition to 20,000 cars since 1989 when the company activated the importation of passenger cars. Mercedes-Benz Türk currently produces intercity and municipality buses at Hoşdere/Istanbul and Davutpaşa/Istanbul plants, and light and heavy duty trucks at the Aksaray plant.

Aksaray is increasingly proving to be a real jewel in the worldwide production network of DaimlerChrysler AG. The assembly plant in central is a bridge to and a bridgehead in the. Its customers hail from western and eastern Europe, White Russia, the Ukraine, Kazakhstan, North Africa or Saudi Arabia. The plant produces light and heavy trucks in the Mercedes-Benz Atego and Axor series, semitrailer tractors, construction vehicles and the Unimog U 4000, as well as commercial vehicle components. The Aksaray plant was planned by Mercedes-Benz in 1984, for the production of trucks and Unimog as well as engine and axle assembly. The production of truck series commenced in 1986. Originally designed for an annual capacity of 7000 units, the plant currently produces 12,300 trucks and Unimog, and is constantly expanding.

Aksaray is a very modern plant covering a total area of 558,117 sq. m., of which 80,000 are built on. In 1999 and 2003 DaimlerChrysler invested more than 75 million Euro in the plant, including the installation of cathodic dip painting systems which use state-of-the-art processes. The production facilities are to the same high standard as the German plants. In 2005 and 2006 a new customer centre was constructed, the warehouses were expanded and a new finishing shop was built. Trucks and Unimog from Aksaray enjoy a very high reputation amongst customers. In 2006, Mercedes-Benz trucks were once again able to confirm their number one position in with a stable market share of 24.3 %. Purely in terms of area, Aksaray is roughly one quarter the size of the
Wörth plant. Nonetheless the facilities in Aksaray are certainly impressive, including the social provisions. With respect to architectural style and interior design, this modern plant hardly differs from the plant facilities in Wörth, and works with the same quality and precision. Incidentally, Aksaray was the first automotive plant in to be certificated according to ISO 9000 f in 1994 by the German technical inspection authority TÜV South West. Moreover, this equal standard of product and production quality between the Aksaray and Wörth plants also makes it possible for suppliers of Mercedes-Benz Türk to supply parts and components to the German truck plants.

A.10 Introduction to TAZE SUT

Taze Sut ve Sut Urunleri Sanayii ve Ticaret A.S. is a fully owned subsidiary of DFI. Taze Sut owns and operates a modern dairy farm near the town Foca, 50km north of Izmir, Turkey. The farm has been built from scratch (i.e. "Green Field") on a land DFI has purchased in late 2006. The farm is designed for a capacity of 1,100 "wet" milking cows and has started its operations as recently as in the summer of 2007. The farm currently markets over 15,000 liters per day. Taze dairy farm in Foca is one of the first large and modern free dairy farms in Turkey and the Aegean area. The farm incorporates a modern management system with a state of the art milking parlor as well as sophisticated computerized system for feed and herd management.

A.11 Introduction to EXPEDITORS

Expeditors is a global logistics company headquartered in Seattle, Washington. It employs over 13,000 trained professionals in a worldwide network of over 250 locations across six continents. Expeditors company focuses on the needs of international trade through customized solutions and seamless, integrated information systems. Its services include air and ocean freight consolidation and forwarding, vendor consolidation, customs clearance, cargo insurance, distribution and other value added logistics services. Expeditors’ model was to combine transportation services and customs brokerage. Expeditors has grown organically from one to over 251 offices across the globe and employs more than 13,000 industry professionals.

A.12 Introduction to AYMLUM NISASTA

Based in Adana, Turkey, Amylum Nişasta is a joint venture between British Tate & Lyle PLC and American Archer Daniels Midland Company (ADM). Amylum Nisasta was established in 1989 and began producing starch and glucose syrup in 1992. In 1994, the company joined Eaststarch (a joint venture between the Amylum Group (at that time a part-owned subsidiary of Tate & Lyle PLC) and Archer Daniels Midland Company (ADM)). Eaststarch is headquartered in the Netherlands and operates wet corn mills in Bulgaria, Hungary, Slovakia and Turkey. In 2000, Tate & Lyle acquired full ownership of the Amylum Group as a result today Amylum Nisasta is under the joint ownership of Tate & Lyle and ADM.

Acquired Amylum Group has over 125 years of experience in the production of starches and starch derivatives in 12 plants throughout Europe. In Western Europe, Amylum is present in Belgium (headquarters of the Amylum Group in Aalst), the Netherlands, France, United Kingdom, Spain, Italy and Greece; in Eastern Europe, Amylum has joint ventures in Slovak Republic, Romania, Hungary, Bulgaria and Turkey. Amylum Group manufactures a comprehensive range of products by converting wheat and corn into starches, sweeteners, proteins, alcohol and polyols.

Amylum Nişasta has quickly developed since it became member of the Amylum Group in 1994, when it was taken over as Pak Nişasta from the well known Paksoy Family of Adana. Amylum
Nişasta is one of the biggest producers of starch and derivatives and an important supplier to leading companies in food, pharma, feed, paper and corrugating industries. The production plant is located in the industrial area of Adana and built on 110,000 m² of ground. The plant is an enormous support for the many farmers in Çukurova area, due to corn purchasing as its raw material. The plant is certificated with ISO 9002 and HACCP. The latest process technology of starch and sweeteners has been introduced in the plant. As an example of this, has been the first one to produce High Fructose Corn Syrup in Turkey in 1997. All its syrup are transported all over Turkey in a sterile way, in food grade tank-containers and tankers. In the time delivery guaranteed by its Supply Chain team. Amylum Nişasta’s product range for Turkey is as follows: Maize, Waxy Maize and Wheat based native and modified starches.

Amylum Nisasta’s owner Eaststarch is a joint venture between two multinationals, American Archer Daniels Midland (ADM) and British Tate & Lyle Plc. Tate & Lyle PLC is a global leader in carbohydrates since 1921, when Henry Tate & Sons merged with Abram Lyle & Sons. As a result of the acquisition of the minorities of the Amylum Group in August 2000, Amylum Nişasta has also become a part of the Tate & Lyle family. Archer Daniels Midland (ADM) Company is one of the largest agricultural processors in the world. Founded in 1902 and incorporated in 1923, ADM is headquartered in Decatur, Illinois, and operates processing and manufacturing facilities across the United States and worldwide. In 1902, George A. Archer and John W. Daniels began a linseed crushing business. In 1923, Archer-Daniels Linseed Company acquired Midland Linseed Products Company, and the Archer-Daniels-Midland Company was formed.

A.13 Introduction to INTERNATIONAL PAPER

Olmuksa was established under the name of OLMUK Mukava Sanayi ve Ticaret A.Ş. in 1963. The founding partners were Akbank, Türkiye Sınai Kalkınma Bankası, Transtürk Holding, Özdemir Antimuan Madenleri Ltd. Şti. and Sadıkoğlu Families. A new expansion was planned in 1984 with the increasing effectiveness of Sabancı Holding A.Ş. over the management, and the name of the company was changed to Olmuksa Mukava Sanayi ve Ticaret A.Ş. Olmuksa production facilities are located in Edirne, Adana, Bursa, Manisa, İzmir, Antalya, Corlu, Corum. Olmuksa has become partners with International Paper Company and the current structure was established with equal shares of IP and Hacı Ömer Sabancı Holding A.Ş. under the name Olmuksa International Paper-Sabancı Ambalaj Sanayi ve Ticaret A.S in 1998.

International Paper (IP) is a global paper and packaging company with manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Its businesses include uncoated papers and industrial and consumer packaging, complemented by xpedx, the company's North American distribution company. As of December 31, 2008 the company employed about 61,500 people in more than 20 countries and serves customers worldwide. IP has entered Turkey, the company has entered is present through a joint venture that manufactures corrugated packaging products and operates under the name of Olmuksa-International Paper in 1998 and the partnership claims to be a market leader in corrugated packaging in Turkey. In 2013, International Paper (IP) has finalised the acquisition of a 43.7% stake in the Turkish joint venture company Olmuksa owned by the JV partner Sabancı Holding. The transaction sees International Paper become the majority shareholder, holding approximately 87.5 percent of Olmuksa-IP partnership. After the shareholders meeting in 2013, the company has changed its name to “Olmuksan International Paper”. According to IP, the Turkish corrugated market is currently the 7th largest in Europe with expected average annual growth rates of above 5%. IP headquarters has stated that the move is due to the fact that Turkey is also strategically positioned to serve as potential growth platform to the Middle-East.
A.14 Introduction to HSBC BANK

HSBC Bank (Turkey) A.Ş. is a wholly owned subsidiary of HSBC Bank Plc. Having entered the Turkish market in 1990 as the first British banking brand, it has established its presence on the pillars of the strength and prowess of the HSBC Group. In 2010 has had 333 branches in Turkey with 3.5 million customers and employed 6483 staff.

The Bank has been established in Istanbul as Midland Bank Inc. with 100% foreign capital. It was the subsidiary of Midland Bank and was renamed HSBC Bank A.Ş. in 1999 to HSBC Bank A.S. In October 2001, HSBC Bank A.Ş. acquired Demirbank A.Ş., the fifth largest private bank in Turkey from the Turkish financial regulator after it was rescued during the financial crisis. Demirbank's wholly owned stock broking and fund management subsidiary, Demir Yatirim was also acquired. The merger of HSBC Bank A.Ş. and Demirbank was successfully completed in December 2001. Other subsidiaries of HSBC Bank A.Ş. are: HSBC Ödeme Sistemleri Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş., HSBC İnternet ve Telekomunikasyon Hizmetleri A.Ş. The acquisition has extended HSBC's local network of branches, delivery channels, its customer base in personal banking and client portfolio in corporate banking.

In 2002, HSBC Bank A.S. acquired Benkar Tuketici Finansman ve Kart Hizmetleri A.S., one of the country's top providers of consumer finance, from Boyner Holding A.S. The acquisition included the Advantage Card, the largest card organisation in Turkey outside the banking sector.

In 2004, HSBC Portfolio Management A.Ş., which was founded in August 2003, started operating in February 2004. In 2006, HSBC Bank A.Ş. has started its goal of 100% organic growth based on investments in Turkey until 2010. Opening 200 branches and gaining 4000 new employees are part of this growth plan.

A.15 Introduction to PHILSA

Philip Morris International (PMI) is one of the leading international tobacco companies in the world with products sold in approximately 180 countries. Turkish smokers got their first taste of Philip Morris brands in the 1970s, when smuggled, tax-free American cigarettes began flooding local bazaars. But it wasn't until the early '80s that the company was allowed to sell cigarettes in Turkish market. Tekel as the state monopoly that had held exclusive rights to sell tobacco, salt and liquor to Turks since the waning days of the Ottoman Empire. In 1984 that foreign tobacco merchants would be allowed in Turkey for the first time since the days of the sultans. PMI entered the Turkish market in the late 1980's when the monopoly of state-owned Tekel was lifted. However, Tekel would continue to price and distribute all cigarettes, both foreign and domestic. Arguing that it couldn't survive in Turkey unless it had the right to price and distribute its own products, Philip Morris leveraged the one thing it had that the Turkish government wanted: millions of dollars to invest in the country. Nevertheless it wouldn't invest that money unless Tekel gave up control, says Norman Janelle, who headed Philip Morris's Turkish operations at the time. To make its case, Philip Morris enlisted the help of one of Turkey's most powerful businessmen, Sakip Sabanci of Sabanci Holding.
PHILSA, a 75/25 manufacturing joint venture between Philip Morris and Sabancı Holding, was established in 1991. Inaugurated in late 1992, the factory in Izmir-Torbalı has strengthened its reputation as a world-class manufacturer in the tobacco industry, thanks to an outstanding workforce and its state-of-the-art technology. With approximately 750 employees the factory manufactures 123 different cigarette products for the Turkish market and for export markets. Led initially by Marlboro, but with a portfolio that was extended step by step to all the price categories in the blended segment, PMI gradually improved its position in the Turkish cigarette market and overtook Tekel to become the market leader in 2005.

Philsa claims to be the market leader in the Turkish cigarette market with a market share of 42.4% in 2011 thanks to its well-established and popular brands like Marlboro, Parliament and Muratti. In GBO terms, however, British American Tobacco has gained ground on Philip Morris since its acquisition of Tekel’s brands in 2008.

Initially the only international competitor present in Turkey with a local factory was RJR International. The last ten years, however, has seen the establishment by BAT, European Tobacco, Imperial, Gallaher and KT&G of local manufacturing facilities in Turkey. After two unsuccessful efforts in 2003 and 2004, the Government put up Tekel’s cigarette business for sale again in 2008, and BAT won the privatization tender with a bid of $1.72 billion. At the time of the acquisition, Tekel had a market share of 25.8%, six manufacturing facilities, of which 3 were operational, and two years of tobacco leaf stock. The market share of BAT’s brands stood at 8.8% at the time of the acquisition of Tekel, giving it a combined share thereafter of 34.6%.

Appendix B   Interview Transcripts

B.1    Case Company: FNSS Interviews

B.1.1    Initial Interview

Mr U. Ozturk has been working for FNSS firm over 8 years. He started to work for them in 1999 then due to downsizing he was made redundant in 2004 and then the firm had new contracts therefore he went back into the company 3 years ago.

He initially worked in Material Planning and Stock Control; then he is working in the Purchasing and Production department.

Now he is assigned to go to the Arabic Emirates in Riyadh as a Production Department manager. He will live in Riyadh as an expat for the next 4 years. He will lead the project in which the production facility will be established. He and his family have been offered a life package there and the FNSS has given guarantee that he will have a position when he came back to Turkey. The branch in Arab Emirates has Turkish employers therefore he will be working with Turkish people as well as local employees.

Going back to FNSS in Ankara/Turkey, the company ownership belonged to %51 to the American owners and %49 to Nurol Holding. According to this new legislation the majority of the ownership has to be with Turkish Companies therefore the ownership percentage has been switched.

Company has some foreign expats, American, Arab etc. When they first entered the market all the key positions were given to the Americans for them to establish the firm in Turkey. At that time it has been said that the control mechanisms of the foreign partners has been very firm. They mostly treated the local staff as people to be trained. Once they established the whole system those
expats left, it has been said that some of them were not very happy to be in Turkey. The Turkish partners Nurol Holding’s other firms can reflect Turkish working culture but within FNSS they kept the initial American established system and corporate culture. Having said that after the ownership percentage switch the staff believes there are some changes within the corporate culture.

Umit Ozturk has worked for Turkish companies and he can compare the difference very clearly. He says the Turkish companies buys, produces and sales then do the plans and finance according unlike the foreign companies. With his work experience from FNSS he implied effective stock planning system in the company he worked as well as the software programme with it. The company has benefited from this change and still using it. But with FNSS the establishment and the system (the know-how) has been brought by Americans when they first entered the market.

The language is Turkish among the staff but as usual they use English if they need. When he goes to Arab Emirates he will be learning Arabic as well as using Turkish and English. (Dec 2010)

B.1.2 Second Interview

DM: Umit you have told me before you were not there during the integration period but you can tell a few things about those times. We can discuss about low level or high level integration and also what kind of managerial techniques which were employed. We talked about these before if you remember, now we can go through them again.

UO: I did not actually work for them at that time but I was told about the integration period and I can talk about what I was told about their integration.

DM: Yes, that is the important part. Also there was a talk of you going to Arab Emirates as an expat. We can talk about it too.

UO: Saudi Arabia in fact. I did not go and left the It did not happen and I stayed in Ankara and now I started to work for another company.

DM: I see that is OK. Can we go through the establishment of FNSS again?

UO: Well, FNSS and the initial company called MES, which had an American partnership, and Nurol Holding made an investment together and formed a company marriage within a military defence industry in Turkey. Turkish partner gives the capital investment whereas the American partner gives their technology (know-how) into this partnership. The founders of the company and the top managers at the time were all Americas as far as we know. The company was established in 1990 and I joined them in 1999. Even then, the year that I joined all the top managers were still American. When we got into year 2000 and onwards I have observed more Turkish managers assigned but yet again the very top managers were always American. If nothing as a supervisor the Americans were there.

DM: OK

UO: When the company was first established, the assigned managers and project team gave their knowledge both the IT systems and the assembly on practical terms. Everybody at the company went through a lot of training. Particularly in 1990s there were not many producers in the defence sector. Then there was MRP system to be applied at the time. Documentation management,
particularly configuration management was thought by them to the local technical staff. As you know any changes in the configuration of the model and how to apply them into the IT system can be rather complicated. What I mean is that the Americans gave rather excellent training to the Turkish partners about technical part of the industry. And those who went through this training have carried on working for FNSS for many years so they did not lose their investment on the people if you look at it in that perspective. I think this is quite significant because normally people get the training and leave soon after to work elsewhere. This is a plus point for FNSS which has managed to keep their key personnel over the years. I believe the reason behind this low staff turnover is due to its Human Resource Management applications. Firstly they had HRM department and this department has introduced training programmes and all the other applications that focussed on personnel satisfaction and the loyalty on the long run.

All sorts of trainings were given. Not only improving the technical knowledge on how to run the production/project based company but also the trainings on personal development were given. I think that was the key for keeping the staff within the company for a long time.

Looking at Human Resource Management: Well the company uses performance based applications. Getting into FNSS requires quite an elimination process to start with. The interviews are conducted both in English and Turkish. There is a test as part of this process as well. Even if the new recruit is a new graduate they want to see that this person can pass the test and also he/she can demonstrate that they are to stay with the company. What I mean is that they are not after people with work experience as they believe they can train their own people and keep them. And more recently, I would say for the last 3-4 years, there was a new trend in the way of employment criteria. They started to shift their criteria from employing people with great work experience in similar firm or with good referees towards employing people with potential to develop within the company.

DM: I see, well…

UO: I would say they are one of the few companies which do that in Turkey. But it has started as a new fashion as well.

DM: Have you observed any criticism towards the foreign management team? (From your observations as well as others) I mean the negative ones?

UO: Well, FNSS is very open minded business organisation and I have not worked in any company like it. Even the services which are provided for the staff can be criticised. You could complain about anything that you are not happy about, so you do not have to keep quiet and put up with it. There is a high level of freedom where you can voice your opinion. What I am trying to say is that you do not need to complain about the foreign management as the Human Resource Management team work very hard to run applications for the staff such as you can voice your opinion about your manager without any fear. By that the top management can assess the performance of their operational managers. When I worked there were some cases in which the particular member of the personnel had some problems but it was not the managers as such it was them who were the problematic themselves and eventually they had to take their leave.

The staff can require any of their needs in personal development, education etc, and every year there is a meeting in the conference room and the managers have to sit down for long hours to look at every single problem and requirements of the staff. Such as for each department there are these problems or such and such complaints about their manager; if so they see it necessary, they can call that particular manager and interview him about the problems put forward to them. I have
seen this application for the last two years in FNSS.

DM: So it looks like American managerial system or techniques have been applied there. It does not look familiar in Turkish style of management. Am I right?

UO: Yes exactly! You see the difference when you go and work in a new or established Turkish firm. It is hard to find such system and almost impossible to establish it either. From my observation when I see TAYI or ASELSAN, I can say there is a resistance towards something new or open minded approach. Whereas in FNSS, it is the opposite! We had a “returns software” implementation in FNSS and the integration process was gone so smoothly and easily. As you know it can be painstakingly difficult process to go through. I mean changing the returns software as such. However, everybody was aware of the possible difficulties and did contribute positively to the success of that particular project. Everybody was working without complaining and working on the key points, bringing their valued opinion etc. and we had and excellent success during the transaction period. I was ERP admin in the department

The staff were all aware of the consequences of their actions and act accordingly in the project. Knowing that you are a part of the pulley gear and you are important. Everybody’s job is important and everybody has to own their responsibilities. That is the way to roll the pulley gear.

DM: I have spoken to other people who worked in American invested firms but they did not mention a system with such productive approach. More than American style management would you say it is more a company level applications?

UO: FNSS in the 1990’s was unique in the defence sector in Turkey. In a period in which they did not have suppliers and they had to bring all the raw material from abroad. This is the company we are talking about. The company had to pay perhaps 10 to 20 times more on a material that they could not obtain locally. Therefore it has started localization process in the sector as well. And now they get almost all the parts from local suppliers.

DM: So they have supported an establishment of the local supplier chain.

UO: As well as the support, similar to TOYOTA, they also educated their suppliers as well.

DM: So they can claim that they have created this particular sector in Turkey in single handed. Overall you do not have anything negative to say about FNSS as I understand.

UO: Well no. I give this company as a top example to the people, an ideal place to work. I mean what I learned from there stays with me and I try to imply the same open minded approach to the places I work now. It was a school for me. I can not say the same thing for every company I worked for. This one was unique and I was happy working there.

DM: How do you see the future of FNSS? You said there were some anxious times in the past regarding the commissioned projects.

UO: Yes in 2004 FNSS had to downsize and I left them but then in 2008 I returned then 3 years later I left again. Bear in mind the company was built for maximum 10 years and the initial idea was to close it down after 10 years. They did not have very long term in mind to start with. 1500 vehicles and running for 10 years. Once this period and the initial contract was over the partners decided to carry on the production line but with a changed balance of power between them. And the idea for future is to extend the market to the Middle East. Of course it is very difficult to get any project for abroad due to the political issues within defence sector. So you can not just produce
and sell your product you have let everybody know where the product is going in such detail and permissions are required. So the American partners decided that FNSS can control the projects which are related to the Middle East. I mean what Americans use in Iraq are produced in Turkey which is very cost effective. Turkey is being very close to the Middle East is a factor but projects in Arabia and 10 year project in Malaysia will be coordinated by FNSS.

R&D has become rather important. In the past, they used to supply the material and do the assembly and then distribute the final vehicle but it has changed now. In the past 60-70% of the personnel were blue collared but now there are 47 of them and 120 people are R&D engineers. The internal structure has changed completely. R&D centred approach is established. Designing their own product and selling it to the target markets. So they are now producing and marketing their own products. For example a floating bridge is a product that was designed by Turkish engineers. 12 metre long, it opens up and becomes a bridge then the tanks can go over it. They have sold 3 in total I believe.

They have changed the project based strategy now looking for longevity in the market by designing new products and marketing them. So target markets, key products are established and the feasibility analysis for such projects are well looked at by FNSS for the next 10-15 years. That is the future direction for them.

**DM:** I think FNSS is an excellent company yet it produces product for the war zone so that is the moral dilemma that comes with it. Same thing can be said for the tobacco industry.

**UO:** It works for the military defence so we would like to think that way.

(Feb 2012)

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### B.2 Case Company: DANONE Interviews

#### B.2.1 Interview I

Mr. C. Ildeniz worked at Danone as IT executive then Information System Executive.

**DM:** When did you work for Danone?

**CI:** I worked for IGM Bank for 2 years starting in 1998. Then I started Danone.

**DM:** Yes I remember the head office in Taksim-Istanbul.

**CI:** In November 2000, I started to work for Danone. I worked for them until 2008, about 7.5 years. If you do not count the military service for the army, then it is 7 years in fact.

**DM:** When you started to work for them, were they already in Turkish market? Could you tell me more about their entry to Turkish Market?

**CI:** Yes sure. They entered the Turkish market in 1996. I can sum up for you:
Firstly they entered the bottled water market in Turkey by buying Hayat Su which was located in Polat, Adana (South of Turkey). That was their first entrance. Then they went into dairy business so they did build a dairy factory. Of course they needed to build sub-industry for that factory; I mean a production facilities were needed for the dairy factory. They then bought Tikresli in Luleburgaz (Northwest of Turkey) and BirTat in Ankara (The capital of Turkey). Overall the integration into market process has started with these acquisitions. Then they added other brands into their product variety for example Flora Su (Water) in Adapazari (Northwest of Turkey). They bought Akmine mineral water mine for 50 years where they produce the mineral water. They bought another on in Antalya (South of Turkey). They bought SASAL in Izmir (West of Turkey). I mean the time when I left the company, they had 5 companies. Furthermore, when I complete the military service and returned to them in 2004, Nestle left the dairy business in Turkey and Danone bought Nestle’s 2 dairy factories in Gonen and Istanbul Dudullu (Northwest of Turkey). They closed the one in Istanbul but the Gonen plant carried on. So they made quite a lot of investments in Turkey.

DM: What was their reason to enter Turkish market? Do you know?

CI: I can not be sure 100% but Turkey is a big market, has a big population for food manufacturing companies. That could justify their motive perhaps.

DM: You told me in the past they were not doing so well though, do I remember wrong?

CI: You remember it right. They were not doing well and it is still the same.

DM: What were the reasons behind it? I remember you mentioned about high staff turnover and low return in investment ratio when we spoke the first time around. Can you talk us through the reasons please!

CI: OK. Let’s divide the problems into two groups:

If you look at the water company in fact it is a small company with 250-300 members of staff. 150-200 of them are actually in sales. Around 100 people are in the production line so the remaining numbers work at the office. Because of its small size it was managed like a family owned company. Executive management team wanted to know everything, every movement or investment etc. Therefore it never got bigger or smaller, stayed in the same position. Still that is the case for them. In Turkey, bottled water business is not very profitable anyway. People still use tap water for their cooking or tea. Having said that bottled water sector has developed quite a bit in recent years. Even then it is not near the pre-estimated level for the market.

Looking at the dairy section of the company, they have done quite a lot of investments on that sector. They have almost re-built the facilities in Luleburgaz. They have done a lot of investments in Gonen but later on the production range was reduced only to milk. Dairy products like cheese were not produced in Gonen so they moved the machinery to Luleburgaz. Luleburgaz facilities became rather big but the sales went down quite a bit. There are a few factors that caused the decrease in sales. First of all it was a French brand. Turkish people show resentment sometimes against products of companies from certain countries and France happened to be one of them. Sometimes you could come across some vicious e-mails on the net and social networks against French Companies, supporting the idea of boycotting their products. If you remember the Armenian Genocide bill was an issue in France and French companies in Turkey had to face some backlash. If it is not a nationalist thing then it is the religious thing, For example there was a Hz. Muhammed cartoon issue in Denmark and Turkish people wanted to react to this by not buying...
anything from Danish companies. There goes the e-mail suggesting Danone was Danish Company. All in all there are a lot of people doing these kinds of activities, passing wrong information to each other.

The other thing was for me their ill-planned pricing strategies. The management team's idea of proving the quality was to overprice the products. The brand was presented as a premium brand which again was wrong. Whatever the quality you represent you still need to be close to your competitors' price range. On top of that you have anti-French movement going around on the internet in order to discourage people from buying your products; you can not survive in hostile business environment with overpriced products.

**DM:** … It seems there is something about French culture which comes along with the investment but it just does not fit in well in Turkey. What do you think on that?

**CI:** French culture is not the best match for Turkish culture. For instance they send a person for a key role in the Turkish subsidiary without a second thought. This person does not know or understand Turkish culture at all or the behaviour patterns of Turkish customer. For example he says we sold Product A so well in Czech Republic and let's do the same in Turkey but in fact that product is not the right product for Turkish market. I mean the product does not suit the taste buds of the local people so it is not attractive enough. Nevertheless they were persistent on launching products like that and the same things were happening over and over again. Then the old marketing director leaves, here comes the new one who wants to try new products. In the end it did become like a trial market. As you know, for a new product you need to adjust your production line and/or buy new machinery for the new product, arrange the packaging and invest a lot of money on it. You need to do customer surveys, marketing surveys which are costly research tools and all the money spent on that product turns out to be a waste in the end. Spend, spend and spend. What I believe it would be more logical to fill some positions within an organisation with local managers who understand the needs of the customer and knows the culture. It seems a better option for my liking.

**DM:** So they tend to have an experience in foreign assignments before they start to work in Turkey, is that correct? Did you observe any problems between expatriates and the local staff?

**CI:** Yes the headquarter send people with experience to new markets. I had that kind of experience in DANONE yes. There was a tremendous competition among the units of the same company. Everybody was doing business behind each other’s back but it is more the general psychology of the staff. It was quite chaotic at DANONE.

**DM:** You mentioned an important point there. Do you know any training programme for the expats before their arrival to Turkey? Do they do any research on Turkey and Turkish culture? Do you know anything about it?

**CI:** As far as I have observed it was not the case. They go Turkish language course for a few months and learn how to say “hello” and then they say “hello” during the meetings and that is it really. I have not seen any top manager who has done a lot of research on culture or Turkey.

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**DM:** Going back to Danone and the human resource applications, did you observe any problems etc.? How was the relation between the headquarters and the subsidiary? The headquarters were in France I believe.
CI: Yes in France. I mean we had one or two French executives among our management team anyway. Vice president was French. As a result we knew what was going on at headquarters and they knew what was happening here in Turkey. Having said that, there was an active managerial control over Danone-Turkey from the headquarters. I mean, Turkish subsidiary had its own dynamic so there was not much of interference on the decisions.

Regarding human resources it was literally what it says: take the human source, use them and once you finish throw them out. Because of this attitude most of the personnel left the company. There was genuinely nice team there in the past. If you are a sale oriented company but if your sales are not so good then you can not keep your staff, you can not give them good salaries promotions etc. From the original team there are a few of them left in the company and they are still trying to make it work and I do not know how long it can last to be honest.

Human resource philosophy was like, how to say it, everybody is a regrettable loss so they would not say stay or go. The idea of the human resources was if you want to go then just leave, end of day they we can find somebody else cheaper in this market. So they did not care who left who stayed that much. The staff turnover was quite high, it is not my field but as far as I know normal percentage for annual staff turnover should be something like 5%. It was 15-20% for Danone.

DM: So the voluntary staff turnover was high in your opinion.

CI: Normally if the staff turnover is around 10% annually then it is considered as normal but it was around annually 20%. It is a bit high.

DM: Yes quite a high percentage. Now shall we talk about the language issue: When you were working for Danone, did you have to know or need to know French? Do you speak French?

CI: No I did not need French. There were not many people coming to visit us from outside. They had a partnership with Turkish Sabanci Group as you might know. Later on Sabanci backed off and sold their shares in 2002 and the company became completely French owned. Even then, there were not many visitors or expatriates but even if we had we could use English so there was no problem with the language.

DM: I have seen a documentary about how bottled water entered the UK market. It was introduced by French companies initially yet they made it cool and popular here. People use tab water still but bottled water is doing well in here.

CI: I had a friend who went to Danone in the UK and became a manager there. He told me the how the government and social media supporting the idea of water in glass bottle rather than plastic bottles. Glass bottle is quite expensive so he mentioned about some difficulties there.

DM: For the last question, when they bought all these companies how effectively they applied their organisational system to all of them? Do you know anything about it? The integration period takes around 2 maximum 3 years.

CI: It was in 1996 so I was not there.
DM: Yes sure. Let’s say when you start working for Danone, do you feel like you are working for a French company? Do you sense that? Did you feel that you are a part of something good?

CI: No you do not feel that way there.

DM: Because according to people who work for American companies said they felt that they were working for a good management system. They were very happy to be in a foreign invested company.

CI: From what I saw neither French nor English has such system. I have worked for both.

(Feb 2012)

B.2.2 Interview II (External Source)

These quotations are taken from Capital Magazine Article “Why the corporate marriage with a foreigner did not work?” which includes an interview with Sabancı Holding Food Group Chief Executive Mr. Haluk Dinçer. It is written in Turkish language.


(01 May 2004)

B.2.3 Interview III (External Source)

These quotations are taken from Hurriyet Newspaper Article (28.06.2004) “Danone: We
H: Danone-Sabancı Holding ortaklığı neden sona erdi?


H: Ortaklar arasında ayrıliga gidecek kadar bir pürüz var mıydı?


H: Ayrılıktan sonra Danone’un Türkiye’deki stratejileri değişti mi?


H: Satın aldığınız şirketlerin bünyenize entegrasyonunda zorlandığınız oluyor mu?


H: Entegrasyonu başarıyla tamamlamanızda neler rol oynadı?


H: Fransız Danone, Türkiye’yı nerede konumlandırıyor?

ST: Türkiye’nin komşu ülkeler için ciddi bir üretim merkezi olması öngörülmüştü. Türkiye insan kaynakları açısından çok iyi bir noktada.

H: Türkiye’de üretilen Danone ürünlerinin yurt dışında şansı var mı?

ST: Daha önce ıthal ettigiımız Danino ve Danette‘yi de artık Türkiye’de üretemekteyiz. Üstelik diğer

H: Pazar payınız nasıl?

ST: Süt hariç olarak nitelendirdiğimiz taze ürünlerde 2003’te yüzde 17 pazar payımız vardı, bugün yüzde 28’e ulaştık. Tüketiciyi eğitmeye ve iletişime ağırlık veriyoruz. İlk on reklamveren arasındayız. Kapı kapı dolaşarak 2.5 milyon haneye ürünlerimizi tanıttık.

B.3 Case Company: BAT Interviews

The male participant Mr. C. Ersin has been working for the BAT (British-American Tobacco) company in Istanbul over 2 years. Previously he has worked for other international companies as well.

DM: So you worked for foreign invested companies before and at the moment you work for BAT. Is BAT a British company?

CE: Yes

DM: As a Turkish employee how do you find it working for an international company?

CE: Generally local (Turkish) companies do not have the corporate vision or mission regarding how to increase the sales or how to standardize the processes. They do not seem to care so much about how to increase the quality of their personnel or to train them. Whereas when you look at the international companies they tend to bring the know-how when they enter a new market and this know-how is applied to everywhere. I mean you can observe it among the production line workers and also among the office workers within the management departments, even at the very top.

DM: As you mentioned that foreign investors bring their know-how, do you think that brings any means of restrictions on the local work force?

CE: Well I can not comment on how it is on the production line as I have always worked on the managerial positions but I have visited the manufacturing facilities around Turkey as a part of my job and I did not find out any evidence that there is any restrictions on the local workforce bringing their own work principals, work ethics. Provided you meant to ask that but there is a certain restriction and control on this: The foreign investor gives this clear message: The way you were working is not applicable as we are in charge and you will have to work like this from now on. You can see this in all sorts of levels such as quality standards, documentation standards at management level, the foreign investors bring certain obligations for local staff to follow. Therefore I think the obligations are on the business side more than the cultural aspects.

DM: Ok, what type of control mechanisms do the foreign investors bring to the new market?
CE: Well, there are certain standards and procedures for everything.

DM: Sorry to interrupt but maybe I should extend the question a bit. For instance, is there any distribution of the positions (job roles) between Turkish staff and the foreign expatriates? I mean any restrictions on who can do what role in the organization considering the local workers and the foreign expatriates? Have you ever observed that at this company and other foreign companies you worked for?

CE: No, not really. I worked with French before and French are very relaxed people in general. I have to say I did not like their working culture much. In contrary, the English ones seem to have more serious approach. On paper there is no rules regarding the distribution of the jobs among the local staff and the foreign expatriates but it is my observation in the foreign invested organizations, the very top tends to be a foreigner who is assigned by the headquarters. However at BAT, we have around 17 expats at the moment and they manage the assignments of these expats in England. In London, there a place called Globe House and it is quite normal to assign people and send them to a new market.

DM: How would you rate the satisfaction level of the local employees in both companies you worked?

CE: Well it is related to the situation of the company really more than anything else. It depends on the profitability level of the company, how the numbers add up in the end for the company in a way. My previous company has French investors and it has not been doing well, for instance. It was the same situation when I first started to work for them; the sales were low as well as the profitability level within the market. Therefore their employees were not well paid and it was like a chain reaction, it was clear that the employees were unhappy. Staff turnover (circulation) was quite a problem for them.

But now when I look at my new employer BAT, it is a profitable company and the salaries are higher then others within tobacco sector and also fast consumption goods sector. Although the work processes and standards are still in integration, still progressing, people seem to be happy here. The staff circulation is low because mostly they are satisfied and they don't want to leave unless they find something much better.

DM: Shall we talk about communication? How is the situation with your current employers? Do you mostly use Turkish?

CE: Generally Turkish is the main language but it depends on the department in which you work. For example, as I mentioned before, at the head office and the factories we have 17 expatriates in total. They are all different nationalities, like Romanian, English and South African or Indian even so it depends on which department you are in. If you are asking about my situation, I would say I use Turkish 95% so it is the main language for me. However for our new project which will be used in South Africa and the Middle East, we will be using English more in our daily transactions. But sometimes we have monthly meetings where we connect abroad for presentations; sometimes we do video-conference or phone-conference. There is software called DEBADEX with which you connect abroad etc. Still Turkish is the main language for our department. It will change a bit in the near future though. It is different percentage in each department as in some of which foreign people are the majority so English is the main language as you can imagine.

DM: I would say even if you were to speak English all the time that would not be a problem. I would think, English language skills are one of the main criteria for the selection of employees.
CE: Yes of course. Job interviews are conducted in English but it is not like living abroad. Language skills vanish quickly if you don’t use them much but we can still manage.

DM: How long has BAT been in Turkish Market?


DM: Quite a long time.

CE: Yes but they were only doing import business in Turkish market at the beginning. The company had only Marketing and Human Resource units and 35 people working for a start. Then in 2004 the first manufacturing plant opened in Izmit/ Turkey. In 2008 after the privatization of TEKEL, BAT acquired it and it has become a company with 2000 employees.

DM: 10 years is quite a long time to establish within the market…

CE: Yes sure as I said until 2004 it was a small company, they did not have many employees. They just imported goods and sold in Turkey.

DM: In this research I am looking at the integration process of the investing firms. You have been working for them just over 2 years, haven’t you? You possibly do not know the first integration period.

CE: Yes, I have been working for them for 2 years and 2 months in total.

DM: If we go back to the social interactions among the staff issue. Have you experienced, observed or heard any problems within the local staff and the expatriates? You said you have 17 expatriates working in Turkey, how do they interact with local people, how local people react to them etc? Does my question make any sense to you?

CE: Yes it does. As I said I do not deal with the expatriates for my work. My director is dealing with them more. However it did not come to my attention that there is a problem with those people. They have a high position already and they generally have a good experience working in foreign assignments previously.

DM: So they tend to have an experience in foreign assignments before they start to work in Turkey, is that correct? How is the relationship between expatriates and the local work force?

CE: Yes the headquarter send people with experience to new markets. In BAT, everything seems normal to me. We do not really deal with the English expats as much because BAT has regional management structure. The region we are in is Eastern Europe + Middle East and Africa region. Due to the region we are in all the managers who are sent are from South Africa and also South Africa is the 4th biggest tobacco producer in the world. As a result we are not in contact with English but with South Africans or Eastern European top level managers. For me Eastern Europeans seem rather intelligent and logical however the South Africans are the opposite. They have this idea that if they prolong the project that they are responsible for they think it benefits them better. The thing is South Africa has become a country for 14 years and so yet there is no established social services, state pension system and guaranteed retirement benefits and so on. As a result South Africans want to work for a company as long as possible which means that they work slowly, the projects are done very slowly on purpose. I mean they want everything to be done by following every single rules and regulations. So the project can be finished in a month time but generally is finished in 6 months time.
DM: Are these South Africans mixed or African white?

CE: Both.

DM: There are some difficulties regarding this country and the divisions on its people.

CE: There is a security problem there it seems. I have gone to South Africa on a business trip and it was a bit strange. In the middle of everything you go through security checks. Towards the north of the country it gets worse but we were in the south of the country where the white population is majority. I saw the houses guarded by electric fences. The people are protected by private security companies rather than police forces as they were considered as much more powerful. The security is a problem but the major problem is unemployment.

DM: But the unemployment is everywhere globally now.

CE: Yes it is everywhere but in South Africa the companies pay less tax if they employ black Africans. There is an obvious discrimination in those terms. So the white Africanise do not want to lose their jobs but the young black Africans want their jobs so it is tense and the competition is fierce. You know black Africans were suppressed for years and years and now it is the opposite.

DM: In my research I am looking at how people work together during the integration period of the new market. Since the company has well established well over 10 years in Turkey, I presume they have passed that period a bit.

CE: If you are looking at integration issue perhaps I can talk about this: In 2008 after privatization of TEKEL, we bought 5 manufacturing plants that belonged to Turkish Government and also we bought a few tobacco brands. At the time BAT had 1000 employees and after these acquisitions the company’s number of employees has reached around 2000. That meant that everything within BAT had to be reorganized. It is like, once you have 1000 employee then you have a double number and once you have 1 plant then you have 5 more. Before acquisition, we had 4 big product warehouses then after the expansion we have 9 in total. I mean everything multiplied itself and became double in numbers. Therefore there was a chaos at the time of the acquisition period for sure. Although the company came to Turkey in 2000, in 2008 it reinvented itself all over again.

Think about all those people including experienced staff, expatriates, inexperienced graduates etc. I mean some came from other countries, some came from other companies, and some never had an experience in working for an international company before. So BAT was trying to bring all these people under one name and make them work for a mission. Therefore aftermath of TEKEL acquisition, the integration or reinvention period if you like was a difficult process.

DM: I understand that there was two integration processes for BAT. First one in year 2000 when they entered the market and the second one when they acquired government firm TEKEL and expended in Turkish market. Did they have any project team running for this expansion and second integration period?

CE: Yes most certainly they had a project team of 100 people who planned everything from A to Z. Everything was rewritten in a way. Not only did they work during the integration period but also they continued after the acquisition about 6 more months. They looked at what they have done, haven't done, what has to be corrected etc. They had a well organized team for these tasks for
DM: How long was the project for?

CE: It continued until the end of 2008.

DM: Who was in the project team, any ideas?

CE: The team included members of the staff from different departments so they looked at the integration of new standards, processes, brands and people. In Human Resource Department there is a lady who looks at only this during the integration. I mean she was working on how the company could bring all these people together and the cultural aspects of it. She apparently had worked on Koc Bank and Yapi Kredi Bank deal, the staff integration issue there. Actually Koc Bank bought Yapi Kredi Bank. What I mean there are people who solely work on this cultural integration part of the mergers and acquisitions.

DM: Where is she now? Is she still at BAT?

CE: Yes she is still here. She works on other projects. After the acquisition project, she started to work on organizational culture issue, how to improve it etc.

DM: She seems to be related to my research field.

CE: If you want I can get her contact details.

DM: That would be great.

CE: OK let me know, I will contact her for you.

DM: Thank you for your contribution so far and I will talk to you another time when we are both available.

CE: OK.

(July 2010)

B.4 Case Company: TOFAS Interviews

B.4.1 Interview I

Mrs. H. Celebi has work for TOFAS Logistics department as an project engineer for 5 years before she left the company in 2008.

DM: I remember TOFAS myself actually. The establishment of TOFAS is quite old we know that.

HB: You have done your work placement there, did you not?

DM: I thought we were together there. Or was it DOKTAS?
HB: We were together at DOKTAS but you were at TOFAS as well.

DM: That is right. Did DOKTAS have foreign investors?

HB: DOKTAS used to belong to Koc Holding but then it was bought by Finnish company. All the new engineers from our time have become directors there.

DM: I remember some of them, yes. As far as we know TOFAS is one of the oldest establishments within Turkish automotive sector, am I right?

HB: Maybe Renault was earlier but no I think TOFAS is older.

DM: Do you know anything about why they entered the Turkish market by any chance?

HB: Well I do not know really.

DM: Integration period was also long gone so it is best if we talk about culture related subjects. However I remember if there was an important project they would select people and send them to Italy for training etc.

HB: They still do it.

DM: They also had training programme for Italian language for the local staff.

HB: Again they still have that language training programme too. It is simply because there are a lot of Italians working at TOFAS. I did learn Italian too. Actually some of the Italians could speak very good Turkish so that was a plus too. Nevertheless local staff members learn Italian because they have to. I think it is a great application to be honest. We learn Italian and the Italian expatriates learn Turkish, I think that is a wonderful HR application.

DM: Were the Italian expatriates happy being there, I mean being in Turkey?

HB: I would say yes they were happy in Turkey. In fact, most of them got married and continued to stay in Turkey. So yes, they were happy to be in Turkey. Even our Italian teachers were married to Turkish people. I mean two countries and two cultures are so similar in so many levels, all those marriages were no surprise to me.

DM: Yes so similar, which is my observation as well.

HB: I mean we never had any problems with the Italians. I worked with French people at another company and it was very different there. They would not understand us; we could not make our points. Even though when we made our points clearly then they would not want to understand us. But with Italians we never really had the same problem. Maybe because it was very well established over the years but we really had no problems.

DM: Work ethics and business cultures are similar as well. I was not actively involved but I had observed that during my work placement there. There were moment of madness and a bit of a chaos and then everything was calm again.

HB: Yes
DM: Talking about the similarity in business cultures, did they really work well together with being almost the same. What I mean is that if you look at German and Turkish partnerships then you see German way of planning ahead, strict controls etc combines with more flexible Turkish style and still the partnership works very well. I mean with Italians and being so similar you expect something like a traffic jam. Did you observe that at all?

HB: No I would not say it was like that. There was a great co-operation. I compare it with my other work experience with the French and in TOFAS people worked well together. People could understand each other really well. You would not struggle in a project because the Italians already knew a lot about Turkey and how we do things so there was not any problem with the Italians. With French firm, if there is a project then it had to be done exactly the same way as it was in France. Italians however were willing to adapt their system to Turkey. So instead of running exactly the same application, Italians would adapt it for Turkey. I mean it was like making the Turkish version. For example Grande Punto is Fiat's model and when they bring it to Turkish market they made some alterations. It is the same car but it has modifications. I would imagine it would be the same for Renault. I mean they would allow some alterations for Turkish market.

DM: Did Fiat have other factories in Europe or elsewhere?

HB: Yes of course.

DM: How do they choose their expatriates to be sent to Turkey? Do you know anything about it?

HB: I know that they are careful for selecting the right people. They preferred people who can adapt the new place. They do not want somebody leave their assignment after a few months. An expatriate who is selected for Turkey has to be comfortable and compatible working with Turkish people. There were some people who came then they could not adapt or they did not like being here so they left in 2-3 months time. For example in the middle of a project we see a different project manager. It could be either this person did not like their assignment or the team leader withdrew this person. There could be different reasons to look at of course. Overall, they check the expatriates competence and adaptability levels before they send them to Turkey.

DM: Did Fiat apply any control mechanisms towards TOFAS? Was it strict or was the autonomy given to TOFAS?

HB: Every department in TOFAS has assigned people from FIAT. Most of them are Italians and they were trained in Italy. That was the obvious control application that was used. Furthermore if there was a new project FIAT would send its people to each department and they would give the feedback the FIAT regularly.

DM: Were any Turkish people assigned to work other FIAT branches in the world?

HB: Yes, we sent some to FIAT-China and other countries as well. I remember going abroad a lot because of the projects or trainings. For example for Logistics, they have organized meetings annually and all the FIAT logistics people would meet up at different locations. Actually it was not annually it was for every six months. So every six months we would meet up and go through what is going on regarding the logistics applications. These were regular meetings for us. Apart from that there were some shuffling because of projects but as I said we had our regular meetings for every 6 months. We would present each other our reports.

DM: Were there any long term assignments abroad from TOFAS?
HB: Yes there were.

DM: So it worked for both directions, in and out!

HB: There were long term assignments to India yes they stayed there for a long term. Yes it was in and out, both ways.

DM: To Italy as well?

HB: Yes. I have to say the number of people who were assigned abroad was not a vast number but there were a lot of business related trips for sure. Certain people would go abroad as an expat, if you know what I mean.

DM: I mean if there was not a big cultural difference then they would not do much to close the cultural distance, would they? Even if there were at the beginning I suppose they have done some work on that way before your time.

HB: I suppose so, I think the same.

B.4.2 Interview II (External Source)

This interview conducted by TAIK with one of the Koc Holding’s most influential managers and he is also the Koc family. TAIK interviewed Mr. Ali Y. Koc, President of the Koc Information Technology Group about the company’s joint venture with Ford Motor Company.

TAIK (Turkish-American Business Council), 2008, Interview with Mr Ali Koc, TAIK, 30 Jan, Available at: <http://www.taik.org.tr>

TAIK: What is the nature of the Ford Otosan agreement/partnership?

A.K.: Ford Otosan is a joint venture between Ford Motor Company and Koc Group of Companies. Both of them have equal shares of 41%. The company is also listed on the Istanbul Stock Exchange where 18% of its shares are currently quoted.

TAIK: How long has the partnership existed?

A.K.: The history of long-lasting Koc-Ford relationship dates back to 1928 when Mr. Vehbi Koc initiated business as a Ford dealer in Ankara. In 1959 production company Otosan was established to produce Ford vehicles as a "dealer - assembler". Over time, manufacturing of parts also started such that in 1977 first license agreement was signed with Ford. In 1983 Ford became a partner and in 1987 Ford increased its share of ownership to 30%. Finally, in 1997 Ford assumed 41% equity in the company as a co-managing partner and the name was changed to "Ford Otosan".

TAIK: Was Koc the first Turkish company to have a partnership with a foreign auto maker?
A.K.: Yes, Koc Group is the first to establish partnership with a foreign auto maker. Literally, the automotive industry in Turkey started with the visit of Mr. Vehbi Koc to Ford in order to build an assembly factory, at the end of the 50s. Koc was Ford's importer during that period. But market was small then and Ford initially didn't find the project feasible. As a result Mr. Vehbi Koc founded the factory "Otosan" himself in 1959. Legendary "Anadol", the first mass-produced car of Turkey, produced out of fiberglass was the first major accomplishment in Turkish Auto Industry. After this success Koc contacted Ford first, for a bigger investment, but couldn't convince Ford. Instead Koc made an agreement with Fiat. In 1968 TOFAŞ, Turkish Automobile Factory, Inc. was founded. So, Koc carries the deserved pride of opening a new era in Turkish Auto Industry.

TAIK: How many vehicles does Koc produce per year under the partnership?

A.K.: After being equal partners in 1997, a new gate was opened for Ford Otosan. The level of investments increased. Especially after 2001, an export-oriented strategy was brought to life in order to preserve sustainable growth and get protected against domestic economic crises. In the last 7 years, more than $1,2 bn. worth of investment was made. As a result, year-on-year production increased drastically. At the end of 2005, Ford Otosan hit the record production volume of 243,455 units. Similarly, Koc Holding's other joint venture with Fiat, TOFAŞ produced 161,400 vehicles in 2005.

TAIK: What are the top selling automobiles produced by Ford Otosan?

A.K.: The brands produced by Ford Otosan are mainly commercial vehicles. They can be listed as Ford Transit, Global Customer Satisfaction Award winner, Ford Transit Connect, International Van of the Year Award winner and Ford Cargo. Ford Transit has closed 2005 as the top selling brand in its Medium Commercial Vehicles segment with a market share of 29%. Ford Transit Connect is ranked the 2nd in its Light Commercial Vehicles segment with a market share of 24,5%. Heavy Truck Ford Cargo has reached a share of 27,4% and moved to first position in its segment.

Although passenger cars are imported from Ford of Europe, Ford Otosan has achieved a great success in the local car market also, reaching the second ranking with a market share of 10,4%. Overall, as of 2005 year end, Ford Otosan is the local market leader for the fourth consecutive year with 17% of share.

TAIK: Does Koc-Ford Otosan export vehicles as well as sell in Turkey? If so, what is the percentage of exports?

A.K.: Yes, Ford Otosan exports majority of its production. As of 2005 year end, 67% of production, 63,000 vehicles were exported. (see table above)In 2005, Ford Otosan is the largest exporter in volume with 163,000 vehicle sales, and the 2nd largest exporter in revenue with 2,061 billion USD sales, to more than 80 countries in 4 continents.

TAIK: What are the advantages of producing automobiles in Turkey?

A.K.: The automotive culture of Turkey evolved in the last 50+ years. It has established strong roots in the sector more than any other country in its region. The strength of entrepreneurship led to partnerships with world's leading manufacturers. Manufacturing facilities are equipped with the state-of-the-art technology and Turkey has been successful in attracting most up-to-date models for production. The work force is well-educated, motivated and competitive. Cost structure is
competitive based on high productivity. There is a well-developed component industry / local supplier base. The infrastructure for commercial and financial activities as well as telecommunication and transportation is also highly developed. It has a growing local market with young population and high potential. Turkey has the longest practice of global market economy and is the only country in the region where international capital movements are liberalized. The Automotive sector in Turkey has had long term relations with the European Union. Since the accession to EU talks has started recently, Turkey has even better prospects for the future. When all these factors are combined, it is obvious that it is really advantageous to produce vehicles in Turkey.

TAIK: What are the advantages of a foreign partnership?

A.K.: Foreign direct investment partnerships can create great opportunities for the partners: The international partner can bring product excellence, brand excellence and provide entry to international markets. The local partner can bring innovative flexibility, low cost base and market dominance in growth markets. When both partners share the same values and are of the same mindset regarding growth, the joint venture partnership can take advantage of the opportunities.

TAIK: What is the future outlook for Ford-Otosan?

A.K.: Ford Otosan aims to be the local market leader for the fifth consecutive year in 2006. We are heading for 139,000 unit sales in the local market. Achieving this, the company will have attained a success level hard to replicate. In the export markets, our goal is to sell 165,000 units and generate an exports revenue of $2.1 bn. We will continue to renew and expand our product line by the introduction of new Transit and Transit Connect models within the spring and summer of 2006. We will offer new import passenger cars to the market and compete in all car segments. With a "wider-than-a-year" perspective, we can say that with the lately announced new investment of $315 mn. We will increase the overall vehicle capacity of our Kocaeli and İnönü plants to 295,000 upa. In the future, we will continue to grow and create greater value for Ford, Koc Holding and our country.

TAIK: Please feel free to share anything else you can think of.

A.K.: Finally I would like to state that Ford Motor Company means more than just business partner to us. When the 17th of August earthquake devastated parts of Turkey in 1999, Ford Motor Company proved it was more than just an employer in the region. Ford provided full support in organizing rescue teams, building up a tent city for temporary housing, later building 116 permanent houses for the homeless and contributed more than $2.5 million to relief efforts along with us.

(30 Jan 2008)
These quotations are taken from an article which is based on a meeting with automotive editors and Mr Kamil Basaran, Chief Executive of TOFAS, in 2012. The article was published by Hurriyet Newspaper in 14 Aug 2012. The article claims that Tofaş, Fiat's Turkey partner, has been left as the only profit-making partner of the Italian automotive giant's plant in Europe, according to company officials.


Mr. Kamil Başaran, the chief executive of the company:

“Although less affected than other automotive brands, Fiat is still [suffering] losses. But Tofaş had become Fiat's most profitable and healthiest operation in Europe. Tofaş’s performance will increasingly continue as the crisis is overcome.”

“The capacity usage ratio [at Tofaş] has hit the highest level at around 80 percent.”

“Exports to Italy and Spain decreased 37.8 percent and 25.3 percent respectively. But we entered the German and British markets by manufacturing for Opel and Vauxhall. These markets made up 20% of TOFAS’s total exports. And with Doblo [a light commercial vehicle] we have grown in South America. The share of this region in our total exports has risen from 0.8 percent in 2011 to 8% now.”

Mr. Kamil Başaran quoted Fiat-Chrysler Chief Executive Sergio Marchionne’s words: “Turkey gives us great confidence amid the European crisis.”

[Reporter: Emre Özpeynirci, Hurriyet Press]; (14/ August/ 2012)

B.5 Case Company: US Air Force Interviews

B.5.1 Interview I

Mr C. Meric has worked for US Airbase in Yalova in 1970s for 3 years.

DM: Could you tell me why American decided to lounge military bases in Turkey, particularly in Yalova?

CM: At that time there was a clear threat from old Soviet Union over the straits (Istanbul and Canakkale). Turkey joined the NATO in 1950’s as far as I remember and then in different parts of Turkey starting from Black Sea region such as Sinop, Adana, Izmir and Karamursel near Yalova. Americans also had radars around Gemlik to watch Russian movements as well. After the collapse of Russian Federation and end of cold war some of the bases were not needed any longer. I would say after 1974 the American base near Yalova lost its importance due to the reasons I told you.
earlier. I worked at the Yalova base from 1966 until 1968.

DM: So can we say you worked for Americans directly?

CM: Yes

DM: So the Americans employed local people, what were their criteria apart from the knowledge of English?

CM: Apart from English, well they were expecting their personal to be honest, trustworthy, reliable, hardworking etc. Also they had a system in which they could differentiate the staffs who was working and who was not. They used to pick the worker or staff of the year. End of the year they awarded the staff who did not miss out the shifts due to sickness or any other reasons, worked hard etc. They were giving the selected staff a bonus salary and a certificate.

DM: Were the Turkish staff happy to work there or being there?

CM: Of course they were pleased. The salaries were above the average salaries at that time. It was even higher among the members of staff that were doing the same job. Occasionally there were problems such us some of the Americans complaining about employing local people on their base. There was one incident in which I could see that coming to the surface. I was given a pass card for some facilities and I used stay over the night at the base one night a week. Sometimes I was going to their cinema with that card and on one occasion I heard some American saying I should not use their facilities. After a mild argument with him, the case went to the legal office and there I complained about the obvious racism against me. I told them this is your base but this is my country and I can not take any abuse from anyone in the base. The day after the incident the person involved came to me and apologised. My manager at the time Captain Buston also interfered on my favour on this case as far as I remember. I mean there were a few incidents but in general they were easygoing.

DM: What did you observe about American national culture while you were working for them?

CM: There were generally two types of backgrounds that I could see. The officers were very well trained by the military but anything below that level such as sergeants or junior officers were quite different. They were high school graduates and for them the military was an easy way to access some sort of career. They had 5 year renewable contract with the military. I mean they could renew their contract or leave once their contract ended. They had something called military university for this type of people who want to complete their degree or have a proper degree; it was run during the evenings. Studying a degree could improve their chances of promotion.

CM: During my time there I did not see anything wrong with them; I mean there were small incidents but nothing major.

DM: Can you compare American and Turkish national cultures and also business cultures?

CM: They seemed too laid back and at times reluctant to work hard. They tend to get upset when extra work required. However the Turks were different. Turkish personnel tend to complete the tasks properly without complaining too much. For that reason they did not have problems with the members of Turkish staff. They thought us a lot of things, I can not deny that. Their life standards were much higher than us at the time. For example the television entered Turkey around 1965 and it was black and white. But the Americans had coloured TVs in their homes so they were very well advanced at the time regarding the living standards.
DM: What were their work ethics and values from your point of view?

CM: They back you up as long as you show that you are an honest person. They do not fire you easily as you see in Turkey with Turkish employers. In Turkey they can kick you out over ridiculous reasons whereas it was the opposite with Americans. They would only end your contract if the department or section you work in was not longer in need by the military. They also had private companies that provided services to the military base. I remember a company called Reynolds. I mean as long as you do your job properly and you are honest, the Americans would back you up and protect you employee rights. They also provided trainings and an education needed. So I can only praise them for that as I saw their support.

DM: Did you see any conflict over cultural differences? Would you say they employ local people who can adapt their system easily?

CM: Yes they selected their local staff carefully of course. Firstly you must have a good command of English and you should be able to express yourself properly in English.

DM: I am asking more about the conflict? Were there any?

CM: There were some. Some had an attitude problem, mainly looking at Turkey as a third world country. However I have met really nice people and become good friends… I kept in touch with some of those friends for a long time.

DM: You mentioned about other bases in Turkey. Did they have the same type of management? Do you know anything about it?

CM: As far as I know yes. The base manager was an American colonel. His second man was a Turkish colonel or with a similar military title. Although it was under American management, there was a Turkish influence on the management of the base as well.

DM: So there were some Turkish officers as well?

CM: Yes. After the Turkish invasion of Cyprus, July 1974, there was a strain in our relationship with Americans. There was an embargo applied to Turkey. The embargo indicated that Turkey could not use any of the NATO military equipment for Cyprus invasion. In return the Turkish government at the time under PM Mr. Ecevit brought new legislation on these American bases. They had to have Turkish officers and Turkish colonel as well. Therefore after 1974 the management of the base was 50:50. They could not act freely; they had to ask Turkish colonel to approve their acts.

DM: Were there any problems after this new application?

CM: Nope. I would say no. The Turkish officers and the colonel were very well educated. In fact they were educated in abroad, they had very good English. They were competent and very much in charge. I mean I remember that none of the American airplanes could take off without his permission. In the past they could act as they liked but after the arrival of the Turkish officials the Americans could not move freely any longer. But then once the old Soviet Communist had collapsed, there was no urgent need to check their activity therefore the base has become liability for the American military budget.

DM: Did they shut down all the bases around the Black Sea region?
CM: No but most of them ha to face the closure. Yalova did, Sinop did, Gemlik Radar Station did. Incirlik-Adana has continued and still is active today. Adana is NATO base anyway.

DM: OK, thanks a lot.

B.5.2 Interview II

Mr F. Livingston has been working for US Air Force as a higher ranked officer (Major) and has been assigned to work in many international locations. After receiving an official military approval, he agreed to take part in this research by question answer format.

Q1: Did the management of the base include any Turkish military men? (In 1970s, Turkish government brought a restriction to the American bases that they must have a Turkish officer equally ranked to the highest ranked American military person so that there was a control over their activities in Turkey)

FL: The base commander is a Turkish officer who outranks the American wing commander. There were no Turkish military personnel assigned to the American organizations below the group level.

Q2: Did the base employ Turkish staff in the base?

FL: The majority of the base operations agencies were Turkish national employees. In addition, several contractors and sub-contractors were Turkish companies or American companies with Turkish employees. Several unit positions (Wage Grade, WG) were filled by Turkish employees. General Service (GS, salaried positions) had to be held by a US Passport holder due to security requirements, however for some of these positions dual citizenships were authorized. In my unit, half the port workers (stevedores) the data records office and the resource advisor (financial officers) were Turkish.

Q3: What were their criteria in order to find the right local staff to employ?

FL: The civilian personnel office in the Force Support Squadron handled hiring, personnel record keeping, administration and firing for all civilian personnel, Turkish and American. I have no direct knowledge of the hiring policies or procedures as all our positions have been filled and our employees tend to stay with the job until retirement.

Q4: Have you ever observed any conflicts between Americans and the local staff?

FL: Conflicts related to doing things differently rather than personal differences among the staff. Different cultural approaches to problem solving and conflict resolution were evitable. Most employees had experience with various American sub-cultures so the majority of the conflicts came from the American employees who had a 18-24 month tour. Most of these were young people unfamiliar with dealing with different cultures. Most actions and procedures are governed by detailed instructions, especially in the air transportation field were processes are established by US and International law.
Q5: Your observations on cultural differences / similarities between Americans and Turks on their national cultures?

FL: Turks in the Adana area are more similar to Americans than dissimilar. The cultural interactions are on par with mainstream American culture of the 1950s and 1960s, so older Americans have an easier time interacting with Adana area Turks than some of the younger Americans. Turks in their 20s and early 30s were culturally similar to Americans of the same age.

Q6: More importantly, what is your take on the business cultures of two countries? Are there any differences between two? (Such as time keeping, honesty, trust, loyalty, objectivity, team orientation, task orientation, obedience etc)

FL: Business methods are similar however Turkish employees are more family oriented than Americans. Americans tend to spend more hours working where Turks place more value on time spent with family, thus project times in Turkey tend to be longer than what Americans are used to. Job satisfaction was higher than with our Turkish employees, however Turkish employees were more engaged with their fellow employees (even their American employees) and had a higher personal fulfillment rating than their American co-workers. Nepotism was prevalent and invasive.

Q7: How would you define American work ethics? Any observations on Turkish work ethics?

FL: Graft and gratuity was accepted and expected by Turkish employees and officials while American employees were severely disciplined for any hint of impropriety. This led to ad hoc methods to "legitimize" bribes as "local operating fees" and was often factored into operating costs along with higher pilferage rates.

Q8: Did the management employ any international human resource applications in the base to make the staff work together?

FL: The Air Base Wing employed a Turkish national as their cultural liaison. He provided Turkish cultural awareness training to new American employees, taught Turkish language lessons at the on-base college, assisted the protocol office with Turkish visitors and was available for any American military personnel to assist with interaction with local Turkish government agencies. He also provided translation services for official purposes. Any other human resources applications were the purview of the Force Support Squadron and I was not privy to it.

Q9: If there was a conflict between the local staff and American staff, what was the managerial response to solve it peacefully?

FL: Conflicts between American and Turkish employees were handled at the lowest supervisory level. Usually this was resolved by the supervisor acting as a mediator between the two until and understanding or agreement was reached.
Q10: Were there any control mechanisms that the base management would set upon their Turkish staff like set of certain rules to follow etc?

FL: Turkish national employees had to abide by US law and Air Force Instructions (regulations) the same as their American counterparts. In addition the Turkish Air Force base commander imposed additional requirements such as curfew (operating hours for base access), base access screening and registration as well as approval authority for Turkish national contracted staff.

Some additional observations~ US Federal Law requires small businesses, minority owned business and high percentage handicapped employee business be given preference when bidding for government contracts. In addition, the Status of Forces Agreement (SOFA) between Turkey and the US specified that a certain percentage of all contracts (and some that are sole source) be awarded to Turkish owned businesses.

B.5.3 Interview III

Ms A. Yasar has worked as contracted staff for the Incirlik Airbase until she left her position.

Q1: The purpose of the American base in Adana / Turkey?

AY: Establish multi-lateral security and support agreements between Turkey, America and their NATO commitments.

Q2: Could you explain your working experience at the Incirlik Airbase?

AY: The Turkish military rules were very strict and confining. Working with Americans was very comfortable. The expectation of Turkish employee work ethics was high and important to them, but they treated us well. I felt a sense of welcome and belonging from the Americans.

Q3: So you worked for a Turkish company but it was hired by Americans. How did the Americans influence your company? Good or bad?

AY: Americans forced my company to treat us better and provide necessary equipment. They made the company comply with all the conditions of their contract with us such as transportation, wages and scheduling. The Americans ensured we received proper training and certification for our duties, which the company used for other security contracts. The Americans treated us better than the company did.

Q4: Do you know any information about the management of the base? Are there only American officers? Are there any restrictions towards the base from Turkish government or military?
AY: I am not familiar with the base management, however the Turkish military was in charge of the base. The Turkish military was all over the base. The Turkish military had strict rules about base access for Americans and Turkish visitors.

Q5: What are your observations regarding the American and Turkish cultures?

a) National Cultures:

AY: Americans are very friendly and easy to talk to. I felt that they were more willing to provide help without an expectation of reward. Turks I worked with were very helpful and looked out for the subcontractors, however they were very territorial in protecting their status and privileges.

b) Business Cultures:

AY: Valued the chain of command and adherence to procedures.

c) Work Ethics:

AY: Both displayed strong work ethics. Job accomplishment was important to both groups.

Q6: Do they interact well? How you observed any conflicts between the Americans and local workforce in the base?

AY: They worked well together. If a conflict happened they would complete the task then resolve the conflicts. The Turks talked to each other to resolve the conflicts between themselves without involving the Americans. If the conflict was between Turks and Americans then they would involve the chain of command to resolve the issue.

Q7: If there was a conflict among the staff, what were the managerial responses to solve them?

AY: These issues were resolved behind closed doors so I did not observe the process. If it was a contract violation, the supervisor would review contract with the individual or company supervisor, state their expectations and give a time limit on when they expected the problem to be resolved. Chain of command was very important to them.

(March 2012)

B.6 Case Company: FAURECIA Interviews

Ms H. Beyaz has worked in automotive sector over 10 years and an Industrial Engineer within various positions. She has worked in Logistics Department at Faurecia-Turkey.

DM: Could you introduce the company to me please? Which sector were you in?

Havva B: OK. Faurecia produces plastic injectors in automotive sector. Apart from that, torpedo
part and door panels. It was a French company but it had branches everywhere in the world.

**DM:** So in Turkey they had the branch in Orhangazi-Bursa, close to the automotive sector.

**Havva B:** Yes.

**DM:** When did they enter the Turkish market? Do you know?

**Havva B:** I am not sure the exact year really but it can be found on the internet.

**DM:** I will look it up. So you were not there during the integration period. When you entered the system was already there, wasn’t it?

**Havva B:** Yes I was not there during the integration period.

**DM:** As it was on the automotive sector I would imagine the reason to enter the Turkish market was being close to the main customers particularly Renault or they saw the gap in the market.

**Havva B:** The main customers were Renault and Ford so I would imagine there could be some links but I can not say it with confidence.

**DM:** Some of the big companies tend to build their own supply chain industry in the surrounding area.

**Havva B:** Renault was the main customer so both being French origin, I do think it affected the choice on the location if nothing else.

**DM:** Which department did you work for? Was it in Production Planning?

**Havva B:** Logistics- Product Shipping

**DM:** Shipping, I see. What did you do there? Could you talk about it please?

**Havva B:** After receiving the orders, all the packaging, designing the packaging, shipping it locally or internationally and preparing the digital receipts in the system. After designing the packaging also I was designing the layout of them in the shipping tracks. Logistics particularly on shipping products.

**DM:** How long ago did you work for them?

**Havva B:** 9 years ago according to my calculation.

**DM:** The headquarters were in France, was not it?

**Havva B:** Yes, in France.

**DM:** You said they had subsidiaries in many countries then how did they control them? Regionally or giving them the autonomy?

**Havva B:** OK. I will try to tell you what I know and see whether it would answer your question. Faurecia had “Faurecia Excellence System” and every subsidiary had to follow this system. You get your certificate for this system and if you are not good enough to obtain this certificate you lose
your main customers Renault and Ford. They look at all sorts of criteria including the shipping points. For example Turkey was struggling with the shipping in this system. There were some regulations on customs in this Faurecia Excellence System. Turkey's custom system was not compatible and it was down to the government regulations on customs. So there were some serious problems but still we could work around it. I mean the reason that I was employed as a project engineer was to make sure the shipping and transport related part of the Faurecia Excellence System could be installed properly. In the system you are marked max 100 points and you have to get over the certain points in order to continue shipping. If you get into the low score and stay there for sometimes you cannot continue shipping the products to Renault for instance. That was quite important for them and twice a year they were coming to mark how we were doing. We did not have problem to do a good job but as I said there were some problems with custom system in Turkey so. But it was not related to us, it was the legislation.

**DM:** How did you report your results and how you were doing? Was it directly to the headquarters in France or was there any regional union?

**Havva B:** I am not sure really. Our CEO was Turkish and he was located in Istanbul for Faurecia. I mean the head office and top manager were in Istanbul but I am not sure how he was connecting to the headquarters in France.

**DM:** Did Faurecia acquire another company and its facilities in Orhangazi or did they set up completely new facilities for themselves?

**Havva B:** They did acquire and I kind of knew the name of the acquired company. It is tip of my tongue but I can’t remember the name right now. I mean if it is important I can find out later on.

**DM:** No worries I only asked to find out the type of the foreign investment.

**Havva B:** The acquired company was in similar business, close to what Faurecia was doing. I mean I do not know what they have changed after the acquisition but I am sure the acquired company was producing plastic injectors as well. It was not a French company but was it a local one that I am not so sure.

**DM:** You said you were in Orhangazi and the head office was in Istanbul but have you observed any visitors, expatriates, project people from France?

**Havva B:** Yes sure. I also remember our CEO used to blackmail us in cheeky way saying if we do not well would end up having a French manager over here. In fact we heard about this in other branches in other countries. There is something quite interesting to be mentioned. There was only one chief executive who was local happened to be our Turkish manager. All the other executives all around the globe were French. Only we had the local person as an executive manager. Simply if they thought the manager was not up to his game, they would send the replacement.

We have had lots inspectors from France. They would come and check the system and sometimes I used to call them for the inspection as well. I also used to call them to get help about the system so we did a lot of projects together with French people. I mean for all the projects we had a French colleague.

**DM:** Do you know anything on why they preferred a Turkish national as an executive here but nowhere else? Would it be a common sense to send a French executive here too.

**Havva B:** I do not know but it was the fear factor for us injected regularly that he was the only local
executive and if we did not work hard and do the things right we would end up with an expatriate which could change everything upside down for everyone. Relocating people or job loses etc were said within this conspiracy.

DM: What was your experience and observations for this French company? Would you say it is different than working for a local company?

Havva B: Yes it is very different.

DM: Can we talk about these differences?

Havva B: It was different because you could feel the presence of the foreign investors. When I worked for Ormuksa I could do things and get the approval from my manager. For Faurecia there were standards for everything and particularly for shipping so you must follow those standards at all times. For example for FIFO rule, you can not just do it the way you like. Faurecia Excellence System was very comprehensive and you have to comply with this system. There was no room for change within this system. When we object the parts of the system due to the Turkish legislation or business environment needs, there was no positive response for changing or adapting the system.

DM: As my research covers the problems or conflicts between the investors and the local employees or partners for the joint venture cases perhaps we can extend these points a bit more. I look at the differences between business cultures as well as national cultures between the partners.

Havva B: They really were not being very understanding. I mean we could manage the logistics part of the excellence system but the custom related issues were beyond our control but still they would cut points from us for the reasons that were related to the Turkish government legislation. Custom related issues were all about the law that covers that field. Many meetings were done to tell them that but it was quite fascinating that you could not tell the problems to anyone. They were not interested in. Even the simple shelving system had to be done accordingly to a set of standards. You call the shelves A,B,C etc. But it can be said it has advantages and disadvantages. If you can install the excellence system then it is great, I mean in many ways it made my job easier I must say. For instance for a shipping lets say you look it up in the system and it tells you all the steps that you need to take. Sometimes it was dead easy. Let’s say you want to apply Kanban system there and there are so many types to choose from as you know.

DM: Yes.

Havva B: But you can get into the system and take the Kanban application from there. It had all the details such as kanban card printouts and even the card numbers and product names I mean everything were there. You could prepare things quickly however the system also had parts that you could not adapt to Turkish market and it was major problem as well. Perhaps the problematic areas were not necessarily in my department but my colleagues in other departments had problems.

DM: How were the HR applications in Faurecia? Was everybody Turkish?

Havva B: Interestingly everybody in Orhangazi was Turkish. There were some foreign people coming and going for the projects. Head office in Istanbul might be different a bit. I wonder though how they took HR applications from Faurecia Excellence System because there was a big salary waiving going on there. There was not a starting salary for a job position, it was based on the start up negotiations and they tend to employ people on different salaries all the time. I found it absurd. I
even looked it up in the system whether it was allowed that way there and actually it was written that everybody in similar position should receive the same start up salary. Everybody should know each others salary due to the homogeneous policy in the system. You should get what you deserve but in Turkey that was not applied and you could hear all sorts of weird stories about the salaries. You could not imagine that you would see two different salaries for the same role in the same department when you work for a foreign invested firm. There you go.

**DM:** Did they do performance analysis or feedback regarding HR?

**Havva B:** No, no it was really bad at these types of applications.

**DM:** Could you compare French business culture and Turkish business culture? So was it different when the French project people would come to Faurecia-Turkey?

**Havva B:** They were very rigid and tough. Everything had to be done the way they thought was right. Maybe it is a bit an insult but sometimes they did not have a clue about the different needs of each country. I think possibly they just could not understand what we were trying to say. That must be why they did not even try to be more flexible.

**DM:** Imagine yourself doing the same job in a local company, would it be better or worse?

**Havva B:** I worked ORMO which was Turkish owned company but it was in textile not automotive so it is a different sector so it is difficult to compare. Let me think. I mean the worst one was ORMO. However I think it would have been better if they were all in the same sector. Frankly I do not have that chance to compare yet ORMO was the worst one that I have worked for.

### B.7 Case Company: JTI Interviews

Mr G. Giray has been working for JTI in Turkey for 5 years.

**GG:** I work for JTI (Japanese Tobacco International)

**DM:** Who are the main shareholders for this company?

**GG:** The main owner of JTI is Japan Tobacco. The headquarters of the firm is in Japan.

**DM:** I did an interview with another participant who works for BAT.

**GG:** BAT is one of our main competitors as we are in the same sector. BAT and JTI are two of the top three global tobacco companies.

**DM:** Which department have you been working?

**GG:** IT department.

**DM:** IT, okay thank you. Do you have expatriates in JTI? (Foreign people assigned by the
headquarters) Do you associate with them in the IT department?

**GG:** Yes we have but I am not in contact with them directly it has to be said. There are not many expats though in number wise. Overall there not many of them and I do not face them but because JTI is a global corporation we do have some expats in Turkey too.

**DM:** With reference to your work experience, did you work any other companies which had foreign investors?

**GG:** Another one? Hmm let me think. No I did not. They were Turkish companies.

**DM:** So this is the first one.

**GG:** Yes that is right.

**DM:** I know this is a bit too general but could you your observation on the positives and negatives of working for with foreign partners in Turkish market? What are the differences in the structure and working environment etc., compared to your previous work experiences in Turkish companies? Let's start with the plus points!

**GG:** Plus points. I could say they are more institutional. I worked for Turkcell and they were also institutional too because they were big. JTI due to its size on global scale you do feel it so it was a bit more institutional. It is more of an international environment so that you do tend to interact with foreign people compared to if you work for a local company. It is a different kind of feeling to be part of a big company. The other plus is the location. It is located in Izmir and working for a foreign company in Izmir is a big plus or let's say a good reference for one's career. Among the good local firms, working for JTI is good of course. Apart from that working conditions are slightly better than the Turkish companies. Generally speaking I can sum up like that.

**DM:** If we look at the more sensitive area, can we talk about the negative points related to working for the foreign companies in Turkey. You made positive points very clear such as future career enhancement, receiving good perception etc.

**GG:** I do not really think there is something negative because it is a foreign company. Like any other company there are some minus points for JTI however I do not think they are related to the foreign owners.

**DM:** Looking at the cultural aspects, could you compare Turkish and Japanese cultures? How do these cultural aspects affect the control mechanisms on the local staff?

**GG:** I think it is very important to make this point clear early on. The name of JTI suggests it is Japanese company but in fact there is not much of a Japanese influence. For instance the headquarters of the Japan Tobacco International is in Geneva. JTI is the name for the global operational part of Japan Tobacco which means that in JTI there are many people from different nationalities. Geneva is the chosen location for the headquarters. By all means the big bosses are in Japan but we do not see them really. I have been here for 5 years and I have seen the Japanese bosses maybe once or twice. We see other managers below those one more often so we are on regular contact with people from other countries than the ones in Japan. It would be better to say it is a combination of cultures than Japanese culture about JTI as all the JTI subsidiaries all around the world interact with each other. Does it make any sense?

**DM:** Yes sure. When did JTI enter Turkish market? You said you have been with them for 5 years
GG: Well, longer than my time. Their operations were done by RJ Reynolds. As you know this is another famous global brand. JT has acquired this company all over the world except for the US market. This was the way they have entered Turkish market. As far as I know AG Reynolds brand continues in the USA only right now but rest of the world they were sold to JTI. I am not 100% sure about the exact date for it but I think it was 1999.

DM: Obviously you were not there when they have done the acquisition and the integration but from the people from that time have you heard ant training programmes etc for adaptation to the new market?

GG: I do not think I can give you a proper answer for that. I was not close to that time or operation. Having said that I can say there are quite a large number of people who have been working here for 15 odd years. For keeping these people suggests that they have done some activities to keep these people or to complete their integration in Turkey. That would be a guess than a sound knowledge though. I have not heard any specific application regarding your question as I said my career at JTI started much later than that time.

DM: You said JTI is a global giant in tobacco sector and has many subsidiaries around the world. Do they train you or inform you about the corporate culture or company values? How do they make people work together globally?

GG: They do not have such training programme or activity directly related to the corporate culture I would say. Nevertheless there are some activities to make sure that there are not any problems in the corporation regarding working together effectively. There is no discrimination at work. I mean a few weeks ago we have done a focus group and we were asked whether there was any discrimination among the staff due to their religion, race etc. It was to find out the existence of any favouritism towards certain groups. We certainly do not feel any discrimination upon us. Apart from this I have not received any training like if you go to a business trip to this country you need to be aware of this and that. I mean we have done business trips but we went to the place and we were guests and we tried to adapt the place ourselves. We did not go through any orientation.

DM: Maybe the tobacco sector does not require this type of orientations compared to other sector. I mean my working experience was in automotive sector and for example Toyota was quite adamant to bring their Japanese work culture as a whole to Turkey. For example everybody wearing the same clothes, working like a family unit. Same Japanese model was applied in Turkey. Whereas JTI seems so international perhaps they do not have strict Japanese system attached to its subsidiaries.

GG: Yes I understand but even for JTI you can not be completely independent from the Japanese ownership. Important changes in law or legislation in Japan does in fact affect your work in Turkey. You can see this influence clearly. That’s to be said yet I can not say that Japanese owners have a model made of certain values and traditions and therefore to be applied globally. We do not have that. Secondly as I said at the beginning this is highly institutionalized company. Yes we have the owners in Japan but we are directly liked to the headquarters in Geneva. That might well change things a bit for us. I mean we can say we belong to the Europe more than Japan. That possibly creates a major difference compared to other Japanese global companies. In JTI there is not a major influence of a one specific national culture or specific working model to be applied globally. So for one position there could be a Russian, then maybe a German or French etc; all people from different nationals come and go.
DM: Can we talk about the spoken language. In your department you speak Turkish most of the time I suppose.

GG: In IT yes we use Turkish. Within the territory of the factory, Turkish is used.

DM: All the visitors coming and going do you use English?

GG: Yes English is used for them.

DM: Due to the Japanese ownership, were there any requirements to learn Japanese?

GG: No, Japanese language was not required from the staff. I have not heard anyone speaking Japanese so far.

DM: There are some companies require knowledge of the foreign partner's language. For example TOFAS gives Italian classes to its staff or Renault expects its managers to speak good French.

GG: No we do not have that. In fact some of the non-office workers do not know good English but that is OK. If you are doing your job well and you are not connected to anybody abroad then you do not need to speak English.

DM: With reference to the human resource application, what are the differences between the Turkish companies you worked for and JTI?

GG: JTI is involved in training its staff in a professional manner. At the beginning of each year there is a training planning for that year considering all the needs for the staff. They try to cover all the needs for the staff training. I mean they spend time and money for the training programme. It is a positive thing so every year there are training programmes available for us. Apart from that for the last few years JTI management has been trying to receive more feedback about the company, how the management doing, how they approach to its staff etc. These are all positive things and I do not see other companies doing that as much. Plus they do not do it themselves they use independent firms to do these things. They employ professional companies to do these jobs.

DM: Is it better to use independent companies to do HR applications?

GG: I think it is better because first of all the employees might not be too open if it was done directly by the JTI management. Secondly if the HR department of the company did this feedback programme you might question their competence and level of knowledge on a specific application. There is a question mark? There are companies that do that professionally so it is only logical to hire them I think. These companies do their surveys etc and get the analysis and meanwhile the staff feel safe about the confidentiality issues and the management give assurance that it is not going to shared and the confidentiality will not be breached. I believe people are more sincere that way. I am more open and sincere that way, I think. For me to see the company I work trying to excel itself regardless how good they think they are is a very positive thing. Compared to other companies I worked for these are the positives I see in JTI, investing in these kind of applications.

DM: If you are offered to work abroad, would you take it?

GG: As an expat perhaps yes, but if the assignment does not include coming back to Izmir city and secure position that I have left behind I would not consider it. That would not be a good deal for
Ms N. Guveli has work experience in construction industry and project management over 10 years. She preferred to participate in the research format of question-answer in writing.

Q1: Could you talk about the sector in which the company with foreign investment is active?
NV: Railways, transportation sector. Railway construction sector.

Q2: How many years have you worked for this company?
NV: I worked for them in between 2003-2009 as a planning manager in Logistic Department.

Q3: When did the foreign investors enter Turkey?
NV: In 1999 with the railway construction project agreement.

Q4: Could you give any information on the entry mode of the foreign company?
NV: It started as a joint-venture between local firm ALARKO and Spanish specialist company OHL for Ankara-Eskisehir Railway-Phase I, commissioned by Turkish State Railways which is governed by TC Transportation Ministry. It worked under the name of Alarko-OHL.

Q5: Could you comment on the factors why this joint venture was formed? (Factors such as risk factors, speedy market entry, local partner’s resources, know-how, technology transfer etc.)
NV: OHL would complete a speedy integration through a local partner. Local partner has provided quality work force and good platform for OHL to do technology transfer. Alarko has enough knowledge to carry this partnership for the project.

Q6: Could you comment on the main factor which affected foreign partner to entry decision to Turkish market?
NV: I believe the main reason was speedy train technology was new in Turkey.

Q7: Could you mark the factors which affected foreign partner to entry decision to Turkish market?
(1 = Not important / 7 = Very Important)
Further comments: Turkey’s position in Middle-East and Asia, market potential of Turkey are important. And also Spain and Turkey share the Mediterranean culture.

Q8: Have observed or experienced any conflict/difference between the local staff and foreign expats during making important decisions?

NV: There were some problems perhaps with people who have lower level education or never have been out of country, coming from remote areas in Turkey. There were no problems with Turkish people who are highly educated and who have good knowledge of organisational culture.

Q9: In case of conflict, what kinds of procedures have been followed to solve the problems?

If there was a case of being indecisive which was wasting time for the project, foreign partners had more influence on decision making particularly for emergency cases. I believe, it was necessary and effective.

Q10: Did the foreign partners have applied any methods or applications to improve the performance of the local staff?

NG: Yes they did. They applied more western management style, highly intellectual and scientific, distant from eastern style cleverness. It was much easier to work with that style and it was more fun for us.

Q11: Is high performance awarded in your company? (If “yes”, what kinds of applications and awards have been brought forward?)

NG: Turkish partners did not have any special applications but the Spanish partners had some!

Q12: Which is more important in the organisational culture of your company? Have you observed differences between local managers and foreign partners on this field?
a) Employee orientation: Employees are valuable and one of the core elements of the organisation.

b) Job orientation: Completion of the job is very important therefore right person should be selected.

NG: Both Spanish and Turkish companies are job oriented. However the difference is the foreign partners do not forget the employees are important too. They focus on motivating people continuously with promotions and fair salary policies.

Q13: Which element was more important in the corporate culture of your company? Why?
   a) Flexible approach with regards to completion of tasks, time and budget
   b) Controlled approach with regards to completion of tasks, time and budget

NG: In contracted works/projects the budget control is quite important yet there could be some flexibility at times with the over budget. However the profitability is important and budget control is important in that sense. For the long run, prolonged and over budgeting could result in loose of prestige and power in the market/industry.

Q14: Have you observed differences and conflicts between Turkish business culture and foreign partner’s business culture? Could you explain your observations please?

NG: Most certainly there are always conflicts. However, any conflicts with partners were managed by the local people with strong corporate culture. The cultural bridge was built and as a result the productivity level has been increased, so it was useful.

Q15: In your opinion, how did the cultural differences affect activities of the company/partnership in Turkish market on the long run? (Positive / Negative/ No effect)

NG: I would say positive because all the Turkish staff wanted to work with foreign partners for the future.

Q16: Do foreign investors/partners apply any specific international human resource applications and central control mechanisms in Turkey? Could you explain please?

NG: Yes but they were not forceful or difficult, e.g. in planning, accounting etc. Both partners have applied their own control system and then the results and calculations were compared and united. There were human sources injected for this joint venture and the continuation of this was secured through negotiations, such as if you take this team out of project and I would want you to take that team out of project etc.

(Fb 2012)

B.9 Case Company: MERCEDES BENZ TURK Interviews

Mrs A. Avci has worked for multinational corporations over 15 years. She has participated in this research with regards to her experience at Mercedes Benz Turk in Aksaray, Turkey.
DM: Let’s start with Mercedes Benz’s entry to Turkey. It was a long time ago but could you tell me how and why they entered to Turkish market?

AA: Well my memory is not that good. It was a long time ago, 40 odd years they have entered Turkey. I think it was related to the automation. The partnership was between Otomarsan and Mercedes and I think it was PM Turgut Ozal period. Mercedes was the first major foreign investor in automotive sector. It this partnership there is a small share which belongs to the government. In Mercedes Benz plant, they produce lorries and big vehicles for the Military Defence. Big vehicles are rather important within military for transport and logistics etc. So I am not sure as much about why they entered but it is possible that there was a deal with government and foreign investors. They opened their facilities in Aksaray-MUS. The Turkish government owned 1%, Mengerler owned 11% etc, and foreign local partnership has started.

DM: Do you have any information regarding the type of integration. Was it high level integration, was it low level integration?

AA: I really can not say anything about it because it was a very long time ago. It is a period that I have no knowledge of it but I think Candan know people here in BAT who could talk about integration period clearly really. For Mercedes the integration period happened many years before my time so whatever I say would not be useful for your research.

DM: OK. We can pass the section that you do not know. We can move on to the section 3 in which we can talk about the human resource applications. Did they bring any specific human resource management applications for the local work force?

AA: Yes OK. Mercedes is a very professional company, one of the best in the world. They do not have a global strategy that they apply everywhere. They apply localized strategies in each country that they are in. Therefore even if the HR department in Mercedes-Turkey apply some of their global applications, they look at the Turkish market, its needs etc and as a result they can adapt or renew their applications accordingly to the Turkish market. Because of that there are no big problems or clashes which could be significant enough to mention. Plus there was a labour union within the company and any problems that local work force experienced were reported to them. The government never had to intervene for that regard. There were a lot of negotiations going on between the labour union and the management. There was not any case which went to the court of law so everything has been sorted.

There was another thing. In 2008-09 there was serious economic crisis in Turkey. In that time Mercedes was also affected badly, they had increasing unsold stock and the sales were not good at all. At that particular difficult time, Mercedes did not make any of its staff redundant. Instead they found another solution: They have transferred the staff from Mercedes Konya factory to the factory in Istanbul where they produced Mercedes buses & coaches. It set a great image as a company that if you work for Mercedes you can get retired there. So it is a great example for its peers but of course it is a powerful corporation so it did that way because it could.

DM: If we look at the subsidiary control mechanisms, what would you say about Germans? I presume the headquarters were in Germany?

AA: They had control but they did not have control the sales or operations. The control was more in the information systems for example for not using any CRM programmes but using their own IT systems design specifically for Mercedes in Germany. Because I worked in IT, that was the only disadvantage for me but there was not such control when it comes to sales. I mean if the Turkish subsidiary reached the target then it was enough for the headquarters. By all means there are
certain criteria for quality standards due to its reputation but overall I would say the autonomy was given to Turkey. If I compared it to BAT I would say it is the complete opposite. I believe either approach is wrong, it would be better to find the middle ground. I mean when you enter a new market with its environmental needs, legislations etc, if you follow a globalized approach then it leads to failure so adaptation is important. Mercedes was quite good at balancing it global policies around its branches.

**DM:** Did you have expatriates in Turkey sent from headquarters?

**AA:** Expatriates? Yes I got it, yes we had. I mean there were a lot of expatriates from Germany, at the same time there were also a lot of Turkish people who were sent to Germany as well. It worked both ways so there was an open doors for people’s career.

**DM:** So they did it in both directions?

**AA:** Yes that is correct, in both ways.

**DM:** Were there any conflict between the foreign expatriates and the local staff?

**AA:** Not really, they were very happy with the way Turkish work force and so much so they transferred Turkish staff to Germany. The only thing that I can say though is that there were certain positions which had to be filled by Germans and that is related to the corporate strategy. There may well be problems because of that but as I said career doors were open. It was not open only to Germany, it was on global basis. I mean the sales director went to Japan for instance. It was quite common in Mercedes to move around I would say.

**DM:** I see. If you were to compare German and Turkish business cultures, what are the similarities and differences did you observe?

**AA:** The difference, well, the decision making approach or taking an initiative was different but Germans gave autonomy to the Turkish branch so there was not a conflict on that terms. Germans take their time when it comes to taking an initiative so they are rather slow compared to Turkish people. If we look at the similarities I would say although Germans do things slowly they are very much task masters like Turks so the final result and completing tasks are essential. I think it is an important simile. German were very careful with their budget control but possibly Turks are a bit less careful when it comes to following strict budget. For example Germans plan 20 years ahead regarding expansion and setting future targets whereas Turks are more into live the moment or lets say pass the day mode so less future oriented. I can't think of anything on this. 

Deniz : Thank you…..

(May 2012)

**B.10 Case Company: TAZE SUT Interviews**

**B.10.1 Interview I**

Mr S. Simsek has been working at Taze Sut as a production manager for 2 years.
DM: Could you tell me about how and why the foreign investors come to Turkey? Ismail tried to explain a bit but his voice was not so clear on the phone.

AS: Your voice is not so clear now so I did not understand your question. Could you talk slowly please?

DM: OK. Can you summarize what you know about Taze Sut to start with please?

AS: Taze Sut is an American Dairy Farm in Foca/ Izmir under Israeli technical consultancy. It has 1500 dairy cows. It was established 5 years ago. Israeli technical support is critical as they play an important role in providing all necessary know-how in production, feeding the stock, fertilisation and health related issues etc. They are all done by Israeli consultancy and with Israeli brands. However the owners of this dairy farm are still Americans. Israeli consultants are more in the management of the farm but the tasks are done by Turkish staff. Among Turkish technical staff, there is one zoo-technician, two veterinarians, one vet technician, one production manager and 25 labours and in total around 40 staff. What else can I say? The daily production level is much higher than the others in the same industry average 38-39 kg. The system is based on keeping their body temperature stabilized and creating more like a wintry atmosphere. With keeping the environment stabilised regarding temperature, more less fooling the animals in that terms, Taze Sut can keep its productivity level high.

DM: Thanks! I understand a bit more of their system, yet my research field is not within the technical area. I am interested more the organisational and investment part of the farm. Can you hear me well?

AS: Yes

DM: As far as I understand there are the Americans as the main investors and then the Israelis as the technical consultants and the Turkish staff who do the work in the farm. I was wondering more about the management section of the farm. How these people interact with each other? I asked the same thing to Ismail too. He said Israelis and Americans control all the technical side of the management. The other parts of the managerial decisions are made by the Turks. What do you think on that? Do you agree?

AS: Yes he is right. For example, in case of employing new people, the management has to consult the Israelis first. If the Israelis see the person fit for the job then the management can go ahead with this employment. In contrast to new employments, Israelis are not keen on laying off workers unless they really have to do.

DM: I see.

AS: For example if there was a case of systematic problem or a set back then the management still has to consult Israelis. They have to contact them directly and explain the problem and propose a solution then wait for their final approval. Therefore Israeli consultancy is rather important for the farm as if the Israelis say do option A the management has to do option A. So that is how it is.

DM: Ismail said he has been working for Taze Sut over 10 months, almost a year. Considering it was established 5 years ago, he was not there to see the integration period. Integration period means mostly the first 2 years of a company establishing itself and its operations within its sector.
So Ismail was not in that period.

**AS:** Ok I have some knowledge on that period as well.

**DM:** I am looking at the level of integration: was it high or was it low? With high integration as you know the investors generally brings and apply their own procedures?

**AS:** Their own what?

**DM:** Their own procedures and their know-how.

**AS:** Most certainly. They completely brought their own procedures, their own rules. By that, they have tried make a same farm model as they would use in Israel. However if you ask how successful they have been regarding building the same farm model here, I would say it can be rate as 80% success.

**DM:** 80% success as you rate it, is that right?

**AS:** Yes.

**DM:** For that missing 20% success rate, where do you think the obstacles come from?

**AS:** Completely it comes from labour or staff problems. And also internal politics I would say.

**DM:** I see.

**AS:** Yes, labour problems, political problems and sometimes even religious problems occur. Sometimes local workers are complaining about working for foreigners particularly Israelis. Welfare of the animal is an issue too. In Turkey sometimes the treatment of an animal can be harsh whereas with Israeli system you can not even shout at an animal therefore the wellbeing of the animal is very important.

**DM:** I understand so there are differences in mentality. Okay. Here is the other thing. Do you see differences in work mentality, business culture and work ethics?

**AS:** Firstly the language different. Jokes aside yes the language is different. Then there are cultural differences as well. Of course the religion is different.

**DM:** Let’s just look at the cultural differences in business mentality.

**AS:** They separate the working hours for work and for the proper breaks for instance. However when they bring this mentality to Turkey, it does not fit too well. Because the systems must continuously roll on 24/7, then of course labour problems come out. For example some workers do not want to work night time, most of them want to work day time and stay with his family during the night time as it is seen normal working life. Obviously the same workers have to work shift works and work night shifts. When they work night time their performance drop to 60 % and this reduces the overall performance too.

**DM:** Is it that the Israelis work very hard, perhaps more than Americans and expect the same?

**AS:** Yes they work very hard but also they do not tolerate any mistake no matter how small it may seem. So if you make a mistake then it comes right back to you, there is not a great deal of
understanding or giving a second chance type of tolerance at all. Whereas with Turkish people we would warn the person involved about not repeating the mistake and encourage the person carry on with extra care and so on. With Israelis they take a drastic action on mistakes, for instance they cut it from the salary or from the total hours worked. If you are late for work lets say 15 minutes, then they cut this from your salary.

**DM:** That is interesting. So the workers discipline is expected to be the same as in a farm in Israel.

**AS:** But there is the other thing. If the work has not been completed by 5 pm, then they make you work extra hours without paying those hours. So they use Turkish mentality of using people without paying them. So if you are late for work they use Israeli way of cutting from the salary but if the work is incomplete before you finish work they use Turkish way of stay a bit longer and finish it, but no payment for it of course.

**DM:** I see, they combined two mentalities you say.

**AS:** Yes:

**DM:** You gave some valuable information from your observations, thank you. From what you are saying there is a strict control over how things are done around there.

**AS:** Well, you can say that but the control is done by the Turkish management. Technical control and overall control is done by Israelis.

**DM:** Do you have any expats there?

**AS:** The consultant and some vets are foreigners. They are from Israel.

**DM:** Do they live in Izmir?

**AS:** No they come and check time to time. Consultant comes every fortnight.

**DM:** So you do not have an expat living in Izmir and working for Taze Sut at the moment?

**AS:** Yes that is right.

**DM:** Yes thank you for your help on my research.

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**B.10.2 Interview II**

Mr I. Gokhan has been working for Taze Sut for 2 years.

**DM:** How long have you been working for Taze Sut?

**IG:** It has been 10 months now as a vet.

**DM:** Could you give more information on how and when it started?
IG: It started in 2007-08. The live stock was bought from Australia, America etc. What was your topic exactly?

DM: I am looking at the integration period of the foreign investment and cultural related problems at that period and possible effect on the overall FDI integration performance.

IG: Sorry I could not hear the whole thing. Your voice comes and goes.

DM: It is the same for yours.

DM: I tried to gather information on Taze Sut but there is not much information on it online at all.

IG: No there isn’t on the internet. Maybe some information regarding productivity but that is all. Well the thing is it is managed from Israel. Israeli Consultants produce services to the American owners. They are in the decision making process. Israelis then chooses this region to open a dairy farm and they are actively involved everything about the farm.

DM: When they entered the Turkish market did they bring their own system? I am trying to understand the level of integration whether it is low level or high level?

IG: Israeli system completely. Everything about the dairy farm is done the way they would have done in Israel like feeding the live stock or getting the milk or producing the new live stock etc. Even all the health checks are done by the Israelis. So whatever they do in Israel has been applied here in Turkey too.

DM: Yes, I see. So they have trained the staff when they opened the dairy farm and applied their system as I understand.

IG: Yes there is no difference a farm in Israel or in Turkey, exactly the same.

DM: They applied the know-how, yes.

IG: Well they come every week to do the checks. Mondays generally. I mean every week they are here. 3 days they are here and 4 days they are back in Israel. So they are actively involved and they check everything regularly. The American owners however come less often. Once a year or twice a year they come and check the farm.

For the HR management I would say it is under the local management. Number of staff and staff assignments are done by the Turkish managers.

DM: I presume you have to use English for the visitors.

IG: Yes whoever deals with the Israelis and the Americans have to speak English well.
DM: Finally can we talk about the Israelis’ control mechanism on the management of the farm

LINE IS GONE AGAIN! (No recording through speaker)

IG: Health checks and the feeding of the live stock are done by the Israelis and HR management is done by the Turks.

(Oct 2012)

B.11 Case Company: EXPEDITORS Interviews

Mr Y. Ozcelik has working experience at abroad and he has been working for Expeditors since 2003.

DM: Could you give information about the foreign invested company? Which sector that you are in? Which year did they enter the Turkish market? And also can we talk about the foreign investor as well?

YO: It is called Expeditors in “logistics” sector. It is a “forwarding” company and work as Expeditors (under its own name) in Turkey and we have 6-7 offices around Turkey on regional base. 10-12 years ago they have entered the Turkish market as Expeditors. We had another partner, a local company, at that time. Then the Americans bought the local partner Tupa. Approximately for 12 years they have been active within international logistic field.

DM: How long have you been working for them?

YO: Under Expeditors name, I have worked since from the beginning, so I would say since 2003.

DM: So you know the time when they bought the local partner, is that right? Could you give me more information on why did the American investors come to Turkey?

YO: These types of firms in logistics tend to control the local firms abroad. They are supposed to be homogenous so all the inputs and outputs, the profits/loss margin can be seen and also they look at in which sector they operate within the market. Because of the partnership the local firms have to share these data with the foreign investors anyway. That is what happens in general.

DM: OK, I see. Would you say the Americans saw a gap in the Turkish market? I did not understand their motive as much.

YO: I would not call it “a gap”, you need to take a view of international business. Domestic companies in Turkey were providing a service to the certain sectors however under the wings of a global company like Expeditors the local companies can expand locally and internationally quickly. So it is a big advantage for the local partner.

DM: Where is the headquarters of the company? Perhaps you have said it but I missed it.

YO: Cietal, USA.

DM: OK. What was the name of the local firm that was bought by Expeditors?
YO: Turnak (or TOPAK)

DM: Going back to the integration period, how long did it take for the Americans to establish within Turkish Market after they bought the local firm?

YO: I can not hear everything clearly on the phone but I guess you are asking about the length of the integration period and what has been done during the integration period?

DM: Yes, that is right.

YO: The foreign investors particularly paid their attention towards the personnel, finding the right people. The important recruitment criteria were, their language skills of the person in secondary languages particularly English and academic background. If they were particularly educated abroad then it was a big plus too. They employed a few people that fit their high standard. These initial people paid their part in the future recruitment elimination process later on as well. I am one of them so to speak. We are actually actively play our part in the employing new people during the interviews, elimination tests etc. We did not have big problems at all.

DM: OK, I see. In case of the local firm acquired, what happened to them? Did the Americans bring their own system? How did they integrate it? Regarding high integration and low integration, sometimes the foreign investors give automation; sometimes in opposite direction the parent company apply strict control over the Turkish partner or Turkish subsidiary? Most of the cases they bring their system, train the people they employ and secure a smooth transaction with high integration.

YO: Yes, it was the case.

DM: Going back to the question about the possible problem occurred during the integration period, did you observe any cultural clashes with regards to business culture or national cultures?

YO: There were some problems of course. When we talk about work ethics, it would be unfair to separate Turkish work ethics or business culture from Mediterranean countries. I would say working culture of the Mediterranean countries is quite different than Northern American countries (including USA and Canada). The way they analyse things and their perspective are different. By all means there were some problems during the integration period such as responding quickly, searching things quickly etc. Similar problems still can be observed if and when we have staff turnover, adapting the new staff.

DM: OK. How did the foreign investor react towards the problems during the integration period?

YO: Training, training, training. Training the staff is the way to minimize the problems. Even now, we still have staff trainings in our Izmir branch certain days of the week at suitable hours. Trainings are related with the system integration, the plans that are set with the American partners, what we need to do, how it needs to be done etc.

DM: Let’s talk about the control mechanisms that American partners applied to the Turkish subsidiary. Have they applied strict managerial controls system or flexible one where the Turkish subsidiary given autonym with regards to making decision on critical points?

YO: Yes they gave flexibility. In situations like this, people controlling other people on personal level would be an unhealthy application in a constitutional organisation. Giving autonomy is the
best way to control your subsidiary in my mind.

DM: Could you name any application that American investors brought for that purpose?

YO: Well transport related services if there is an enquiry regarding receiving information, and if they get a late response, incorrect information or no response in some extreme cases it could be a problem down to the insufficiently trained staff. Our system is good enough to point out the problem and the staff. All necessary trainings are given so that we do not have big or reoccurring problems.

DM: Apart from employing well educated people like yourself and giving a lot training afterwards, what other HR applications which were put forwards by the Americans? Did they employ anything specific to Turkey or standard global applications?

YO: Of course Americans have their own applications but also we have our own characteristics from our business culture. I mean wherever you work you need to adapt. If you work in France then you need to adapt to France. If you work in Mediterranean countries then you have to adapt too. I would not say Turkey as on it is own, Turkey is in a group along side with Greece, Italy. Americans have said before, among these Mediterranean countries Turkey is the one that they felt they could integrate their system the easiest. Further the subsidiaries in Turkey do tend to manage autonomy pretty quickly. I can say this with confidence that Turkey is at the top of the list of European countries that Americans do not experience problem to do business with. The awards which were won over the years within logistic have proven that is the case for Turkey. 3 consecutive years Turkey became number one in Europe.

DM: Turkish and American work culture seems compatible so there is no surprise there. What can we say about the staff turnover? Are the staff happy working there?

YO: … There are different factors to consider when you answer the question of job satisfaction such as the salary factor. Within the sector, its salary policy can be considered as medium so not high or not low. Apart from that they follow the rules for health and safety act for its staff. There has not been a breach of the law or anything. Within the rules and regulations the members of the staff are treated. For all the reasons mentioned Expeditors is one of the best companies to work for in this sector.

DM: Do you have assigned people from the headquarters there in Izmir? Any expatriates?

YO: No we don't. All the staff members are Turkish.

DM: So as you said you have autonomy and therefore you act alone but report to the headquarters.

YO: We have the system anyway. We use the same IT system, here and there everything is the same. Within the certain rules, the decision making mechanism belongs to us here. I would say it is same for Americans, Germans and us. As a result we have the freedom to make our own decisions.

DM: Going back to the beginning, when they entered the Turkish market, did they send anybody from the USA or Europe for integration project?

YO: Yes of course. For the integration period, they came over here and some of the Turkish team
went to the USA. All the researches have been completed with regards to the location, the requirements for the business and the communication between the partners. For the good communication there had to be certain criteria and they had to be clear for both parts. Does it make sense?

DM: Yes sure.

YO: There are certain standard to be followed and it is quite important. The level of standards which were required by the American investors was set up properly.

DM: So after they finish the set up process these project people left, didn’t they?

YO: Yes. Well they did not stay to long anyway. The critical points have been managed by them during the set up and that was it.

DM: I think we cover quite a bit and I do not want to access you’re my allocated time with you. Thank you very much for your time.

YO: You are welcome. ..........

(May 2012)

B.12 Case Company: AMYLUM NISASTA Interviews

Mr A. Ulke runs his own export-import company and he has worked for Amylum Nisasta in late 1990s.

DM: Thanks for your time. I have a few questions so the interview is not going to take a long time. You used to work for a foreign invested firm before you established your own company. Could you talk us through about your experience and about the company to start with?

AU: The company, I worked is named Amylum Group. The headquarters were in Belgium at the time when I worked. They had 14 production units (factories) in the West and East of Europe. What they were doing was to produce sugar and sugar related production by using starch and wheat. In some factory units they were producing some sort of alcohol too. But the main productions were crystal syrup and glucose, the main ingredients for sweeteners and such. They entered Turkish market with 50:50 partnerships with American ADM Group. After I left the company as I heard that the Belgium partners have sold their share to English Company Tale & Lyne and later on they also sold their shares and only American ADM Group is left. You need to double check it though.

DM: So it is under 100% foreign ownership at the moment?

AU: At the moment it is full foreign ownership, that is right. When I started to work for them it was wholly owned by Belgium partners. Before my time around 1997 it was 70% Amylum Group and
30% Paksoy Group. Before just I started Paksoy Group sold its share completely to the Americans.

**DM:** Can you talk about the work environment. Did you have any expats sent by the headquarters? What was the percentage for the local (Turkish) work force?

**AU:** Well I can tell you this. When I started to work for them, there was an ongoing project of increasing daily production capacity of 300 tons of corn up to 600 tons of corn. Considering that was the project put by the foreign investors, we had many visitors and technical aid coming from abroad therefore quite a few foreign workers came to work on this project. The aim was to make sure the local staffs were well trained and the project was going smoothly. I mean a lot of foreign people were coming and going at the time. In fact there were a few of them were on a contract with which they were to live in Adana/Turkey so the accommodation and other facilities were given to them during the project period. The project manager, electric and equipment manager and his engineers, mechanic group with its engineers and the processors were among these foreign work forces. Apart from the mechanics department foreign staff who stay longer times, the remaining foreigners did not have to stay too long as they were teaching the know-how and go back to their countries. The number of local work force, I mean the Turkish workers were about 300 people (builders and the company's local workforce together). By time the number reached 600 but after getting into automated system the need for number of people decreased of course. The time that I left them, the personnel number went down to 215 and there were talks that there would be further reductions.

**DM:** Can we talk about the real motivation of these foreign investors to get in Turkish Market in a first place now? What was their aim to do so?

**AU:** Well, the corn production has started in Turkey since late 1970's and it is one of the main ingredients of the sugar/ sweetener production. Prior to that period the sugar manufacturing was made mainly from sugar beets and the corn production was relatively new in Turkey. There was no production facility to process corn to sugar anyway at that time. Then in late 1980's the very first factory was established in Samsun if I remember correctly. However that factory could not develop as such and had to be closed down shortly. Then in Adana, sorry in Burdur there was another factory for processing corn to sugar but its faith was the same unfortunately. Then Paksoy Group and Cinar Misir firms in the early 1990s started their production facilities in this sector. Cinar Misir has brought all the technical knowledge and knowhow from abroad. Whereas Paksoy Group employed the main staff including technical members of the staff etc and opened a plant here but they could not run the business as they would have liked as it was revealed lets say. As they could not succeed in the sector properly after a while the business could only run its costs, more less break even point and no profit stand. Then the management team has decided that they were not get any better at this sector as their main production line was on the liquid cooking oil and similar products, they sold their main shares around 70% to foreign Amylum Group and left it for good.

Why a foreign company needed to enter Turkish market is because corn based sugar production was relatively new in Turkey and they wanted to establish themselves and take their share in this. By all means it was a smart move as there were more of these types of factories came along. Around the same time, I mean after two factories established in Adana, Pendik Nisasta which belongs to Ulker Group started, Pendik Nisasta was working for Ulker group’s needs rather than Turkish market. Then there was Kargi group’s investment in Bursa. They were already in the market but their production interest was more into corn seed marketing initially. Then they turned to producing sugar (glucose) and starch from this factory. Their facilities were quite old so they decided to upgrade their technology within their new plant in Orhangazi/Bursa with a daily capacity of 1000 tons.
DM: There is one in Orhangazi as well.

AU: Yes Kargi Group invested in Orhangazi plant. When they were doing that so in Orhangazi, Amylum Group did investment in Turkey too. However year 2001 affected Turkish business environment badly. At that time, one of the restrictions that IMF brought was on sugar production and related policies. From that time, I mean from 2001, there was no permission given to any new plant for sugar production. At the moment there are only 5 active factories where the sugar and sugar related products are produced in Turkey. There are still strict restrictions on increasing their capacity as well. The reason is that the government has to protect sugar production from sugar beets and sugar beet farmers in Turkey. Of course there is a big difference between sugar/glucose production from corn and from sugar beets.

DM: Now, in my project I look at the integration period of these companies with foreign ownership. From what you have said so far, I am not sure that you were working for them during their integration period. But you know what I mean by the integration period, the first 2-3 years of the investment. I look at the difficulties occurred at that time, non-financial issues such as any problems between the local work force and assigned expatriates, headquarters and subsidiary in Turkey etc. Were there problems such as communication, language, cultural differences etc.? Did they affect the overall performance of this investment at that period? Do you know or did you hear anything related to these issues?

AU: I can say this: I fact, I did catch the integration period in a way I was there nearly in the end. When they brought this partnership with Paksoy Group, the Turkish counterpart did not have much hope left in this sector. The idea for them was to sell this factory to the foreigners and carry on with their main sector which was liquid cooking oil. As a result the foreign partners came with power into this partnership as they had then majority of the shares. They put their own systems into action as they came along and they had their own future plans etc. For human relations were there big set back or problems? Well, I would say no as Paksoy Group has well lost any interest in this factory and sector therefore the newcomers had their own say in most of the things if not everything. For the local force it was actually better. If you think of it, you are in a situation where you don’t get paid regularly and have a fear of losing your job as the business can go bust, then the new owners come and everything gets regulated, you are get paid, the factory reaches its potential in production etc. Once you get into this situation then the local workers were happy to go along with the new rules and procedures as they did not want to lose their jobs over unnecessary conflicts. By time all the small conflicts were ironed.

DM: Were there any differences or conflicts regarding business cultures?

AU: Actually there were a lot of differences. For example, the time I started my career as an engineer, in Turkey the very concept of “Health and Safety” for labours was not well developed. I mean it was the first thing came to everybody’s mind. When we started to work with Belgium Company, they gave special importance to regulate health and safety rules and reducing the number of work-based accidents, increasing the awareness, investing in protective measures against accidents in work place etc. The idea was the human health has to be put ahead of anything else. Pervious to the foreign investors there was the old fashion Turkish mentality about health and safety: “nothing can happen to us, carry on working”. That was the first thing that foreign investors wanted to demolish, that mentality. As a result, the human health and safety procedures were put as priority. I would say it was the first change that was put into action. The second thing was valuing sensible thinking rather than sensitivity or logical thinking over emotional reactions lets say. Do what your job descriptions tell you to do so kind of mentality started. Boss and subordinate relationships were made slightly different. Old fashion despotic managerial approach, I would not say it is common anywhere now anyway, was replaced with the idea that
every worker is encouraged for their involvement towards making the company and investments better. For that purpose they brought some competitions such as logo competition or any suggestion regarding increasing the productivity etc.

**DM:** Considering Belgium and Turkish national and business cultural differences, what do you think about the effects on overall investment performance? From what you said it all seems rather positive but as you know there is the European country culture and then the Turkey as the unique culture. There are differences as you would expect. So did these differences made a positive or negative impact on the investment performance during the integration period?

**AU:** Regarding the performance it had to increase the there was need for positive impact from foreign investors as it was the purpose. As you know there is the break-even point for companies, the point that indicates how much you need to produce to cover the costs of the production and companies target to pass that point and make profit after all. Looking at the financial point of view the company was under immense pressure under Turkish management and then the foreign investors were there to put a lot of money into this struggling business to do better then break even point and increase the sales, productivity etc. I mean that was the idea anyway to accept the foreign investment. What the Belgians brought was the productivity: increasing productivity, producing more at standard unit time, increasing sales, bringing satisfaction among the employees and the stakeholders. By all means these are the common business or trade mentality rather than Belgian business culture. As the companies aim to make profit out of the business they are in, the Belgian were there to make that happen and therefore they invested in this company. The second purpose of the investment was that they could not produce all the products in every factory for instance Bulgarian factory could easily produce starch (/amylum) but they could not produce glucose from it, even if they could then they could not sell it the Bulgarian market. Whereas in Turkey, producing starch was difficult and rather expensive but producing glucose proved to be rather profitable. In this case what the Aymlum Group did was to producing starch in Bulgaria and then bringing it to Turkish factory in Adana and producing glucose and selling it in Turkish market or if needed other factories. As a result of all this, the money was going around and it was all good. Amylum Group’s factories tried to reach high level of profitability.

Did this policy run for a long time or has it worked? Unfortunately no! The group has divided into sub-groups: West Group and East Group. East group made money and West group used this money therefore caused the downfall.

**DM:** I see

**AU:** By time JMI saw this and decided to sell its shares.

**DM:** OK. For the third and final stage I look at the managerial responses in two sections: management control systems and international human resource techniques. As you were saying the headquarters were in Europe.

**AU:** Yes in Belgium.

**DM:** How did the Belgium headquarters react during the integration? Did they send some expats?

**AU:** Yes they did but they left right after the initial project. I mean there are not any expatriate left in Turkey as there is no further investment in Turkish factory at the moment as far as I know. Beginning of 2001, a Belgian head manager was sent for the factory. It is my observation that, there were a lot of conflicts between local work force including line managers, department
managers, engineer level workers etc and this Belgian expatriate. It was rather him as a person was the reason, as we thought that he was not doing as the top manager what he was assigned to do. I thought he could have been a great sales manager but he could not be a great top manager for the factory. If you are the top manager in any organisation you must pay attention to all the aspects of the management, operations etc. Whereas for him, the most important aspect of all was to do sales, sales and sales again; nothing else really. Production was not important as it had to be done anyway. Human resource management was not important as people had to work anyway. As far as I am concerned, his approach was wrong. I was working as the purchase manager as the time and there were other department managers, in total 6 of us started to have problems with him from this point and onwards. At first I told myself that OK perhaps there is a problem with the cultural differences in business perhaps as we are Turks and he is Belgian. Then among the 6 department manager there was the Dutch Sales Manager and Belgium and Holland being very close geographically and language wise, we thought they got along very well. After I left I learned that our Dutch colleague has left the factory and yet stayed with Amylum Group. My conclusion was that he was having the same problems like us, the Turkish ones. I have spoken to him about it later on as well. This Belgian manager’s approach was contra productive in terms of the organization as a whole unit. For example in human resource activities, we felt that people were written of quite easily rather than using the option of relocating them somewhere else in the factory. For me it was wrong and harsh. Maybe it gave the strict message among the staff but I would have liked the option of thinking alternative solutions rather than just telling them "go". There was not any single case of relocating and putting the person on trial period instead it was all about just pack your bag type of decision with him. This approach was not liked among us at all yet from 2000 until 2010 this person was still top manager at the factory so. My Dutch colleague was telling me, I quote "we still make profit despite of our manager". What I understood was he also did not like his approach and management style at all, particularly in human resource applications.

**DM:** With reference to the human resource application was there any difference before the foreign investors and after the acquisition?

**AU:** We did not have or called it human resources it was more The Personnel Department. There was a talk regarding closure of the human resources at the factory just before I left. The intern memo said they just wanted a personnel department for the factory and a chief as a head of Personnel. They though it was enough to have only Personnel as a small department as it was not seen as important as other departments. Even the time I was working there I could see that trend. If there was any problem related to human resources the message was clear: you can go if you don’t like it. The problem was taken into consideration or what the employee was complaining about taken seriously, or searching for the truth. Do you want to work? Yes or no!

**DM:** Did you observe that the Turkish managers or their ideas were suppressed by the foreign investors? Would you say local work force were not valued?

**AU:** Well, perhaps it was unique to our company I am not sure but we had two types of managers, senior managers and junior managers. You know what I mean as they are in English anyway so that you can understand it easily.

**DM:** Sure

**AU:** We were the 4 junior managers and then we had 2 senior managers. They were above us I would say. There were differences between what we said and what they said, differences in opinions. What we said was going through logical elimination or evaluation lets say 3 to 4 times whereas their decisions were put into action without any logical evaluation or second consideration. By time we saw that some of their decisions were wrong, it came to the surface. As
we say in Turkish, there is a common logic to reach in the end regardless you are senior or you are junior. I might be lacking experience but if what I can come up with a good application then that should not make any difference. However with the seniors their decisions were put into action without critical reasoning. What I understood was our general manager, the Belgian one, valued the senior’s opinions more than ours. He did not reason them either. Sometimes, I would not say always, sometimes their decisions were wrong and they affected the whole operations negatively so a result. For example they could not regulate the policy regarding unit price and the new general manager completely ignored that problem. For me it was a result of human resource error after all.

**DM:** Lets talk about the language issues; did you use English a lot?

**AU:** Of course. By all means we did communicate in English with the foreign assignments. There were different nationals, for example we had someone from old Yugoslavia, before the separation, for the Electronics and Material department; our Mechanics Chief was from New Zealand; Process Manager was an American; the Project Manager was an Belgian; sometimes there were some staff coming from England as well but the first three were at the factory at all times during the integration. Of course the common language for communication was in English.

**DM:** Initially I thought, in Belgium they speak Dutch and French and I presumed they might have put French over English as the communication language but they preferred English and possibly they asked for good level of English from the local staff who held commendable positions.

**AU:** Yes most definitely. The Belgian general manager was from the French part of Belgium. He spoke French, Dutch or German, English and he had stayed in Hong Kong for a while, he might have known those languages as well yet English was sufficient communication tool for all of us in the end.

**DM:** The last question is related to the level of integration. As you know when there is integration, the level of integration can be either high or low.

**AU:** For me, the level was high, 70% and so. The changes put into action in a short time and they did not struggle with set backs as much. For the language again, the head of departments had good English and then the new comers among the local staff were more high flyers so they had good English anyway.

**DM:** Thank you Aydin, I think you gave detailed information in many areas. I have to ask for the oral consent purposes is that any information that you gave has any privacy concerns?

**AU:** No, no you can use any of it. As I told you after I left I heard that a lot of my colleagues left as well due to the conflicts with the general manager. As we say in Turkish, we did not get along as he was saying opposite of everything we said. What he said was right for him so that his decisions had to be applied and as a result my other friends left too. The sales manager, process manager who was an important person in my opinion, another colleague and I left so 4 key people left, lets not say key people 4 department managers left. Human Resource manager has left as the department was downgraded to Personnel Department only. Plant manager (Isletme) was changed, Quality Control and Lab. Manager stayed, machinery control and repair stayed. I mean 3-4 friends stayed from that time but the others including myself are gone for good. Our careers did not last long there as you observe in Japanese firms where you can see yourself getting retired in the end. It would have been nice to go long way but it was not meant to be due to personal reasons.
DM: Thank you very much Aydin, it was a rich interview with lots of insights. Thank you for your time.

(Oct 2011)

B.13 Case Company: IP Interviews

B.13.1 Interview I

Mr A.F. Tufekci has been working for Olmuksa IP Corum plant well before it was bought for this joint venture from British company DS Smith. The interview has taken place right after the Olmuksa-IP takeover therefore the interview is based on his experience with British owners.

DM: You initially told me that you work for a British Company. However it has been sold to another firm recently. Is that correct?

AFT: It is sold to Olmuksa- IP corporations. IP is an American firm and Olmuksa belongs to Sabanci Holding. Now Olmuksa and IP have 43% of the shares each and 14 % of the shares belong to Bolsa Ekoti.

DM: Could you tell me more about your company and the sector in which you are in?

AFT: We are in packaging sector and we produce corrugated cardboard. Olmuksa has been in this sector since 1960. The company I work for was launched in 1970s. In 1999 it was sold to the English (DS Smith Holding). Since 2010, it is sold to IP + Olmuksa partnership.

DM: So you did work there when it was sold to the English partner, is that correct?

AFT: Yes, that’s right. But it was not partnership, it was the whole ownership of the English company in Turkey. So I started to work there since 2000, so I worked for the English owned company from 2000 until 2010. I am still there as Production Manager, but now the owners have changed.

DM: Alright. Do you know why the English company built this factory in Turkey?

AFT: English did not build it actually bought it, acquired it let’s put in correctly. In order to get into Turkish market, they bought the factory in 1999. If you look at the location of Corum, you can see it is right in the middle of Turkey. The consumer segmentation was based on valuable good and automotive sectors. The market was developing as they bought this factory in 1999 and in 2002 they bought another one in Borlu- Turkey.

DM: They expended, I see.

AFT: Yes, that is right.

DM: I missed the part when you said you were there during their integration period. Is that correct?
AFT: In July 1999, the English bought the company, and April 2000 I started to work there.

DM: So you were there during the integration period? Because that is the period in which I specifically look.

AFT: Yes, I was there, that is correct.

DM: What did they do to adapt the new market, particularly human resource applications? I mean when the English bought the company in Corum, what kind of things did they do to manage restructuring process? (For example, with their Turkish local force)

AFT: OK, let me explain it this way. When the English bought the company, there was a chairman (=general manager) and he was doing all the meetings or negotiations with the English investors and the local owners. When the English investors bought the company in July, firstly they wanted to get rid of the bureaucracy and bureaucratic applications which are common in Turkey. Each factory had vice general manager and they closed this position for good. They only wanted directors or managers. Instead of old fashion Turkish style managerial titles, let’s say they came up with “production director” or “production manager”. All the directors such as production director, sales director, purchase manager etc. and all managers were brought right under the general manager. In the past there was the general manager then the vice general managers and chiefs then workers.

DM: Although you joined after the acquisition but which system do you think was more effective? Can you compare them?

AFT: Compared to the old system, I think the director/manager HR structure was more effective. It was more useful if nothing else. With the old HR system it was difficult connect departments with each other.

DM: Okay. Where is the headquarters of your company in the UK?

AFT: In London.

DM: In London, OK. Did they send any staff or expatriate over to Turkey from the UK?

AFT: Well, DS Smith has regional groups such as Middle and Eastern Europe and they belong to the Kaysersberg Group in France. Kaysersberg Group was providing reports to the headquarters in London. The factory in Turkey was also linked to Kaysersberg Group. From Kaysersberg Group, there were some French expatriates. For example the technical director was from France. So the organisation was like that: England was the centre for all the linked businesses, but middle and east factories were managed by Kaysersberg-France which belonged to England located headquarters. Kaysersberg were collecting all the production reports and giving it to headquarters in the UK. The technical director was coming to Turkey once a month. There were other visitors coming every other week as well.

DM: Which department are you in? When you were communicating with these visitors or in general which language did you use?

AFT: The Production Department. We used English with the visitors of course.

DM: Sure you used English with them but I mean how many foreigners did you have at that time?
AFT: We did not have someone who stayed with us all the time.

DM: I see.

AFT: They were visiting, coming back and forth.

DM: Okay, when they were employing people, I guess they were checking the level of English, is that right?

AFT: Yes sure. Anyone who is in a position to deal with people from abroad had to speak English in Accountancy & Finance Department, Purchase Department, and Production Planning Department etc. So anyone who deals with the head office particularly England has to speak English. There was another thing, there were two factories, one was producing paper; the other one was producing cardboard so we had visitors from England a lot. For Accountancy & Finance Department, Purchase Department etc. we had visitors from France. For paper production facilities, all the visitors were from England.

DM: When you say these foreign teams were coming to help you, for what were they helping you? Was it for know-how?

AFT: Yes sometimes it was for know-how, sometimes it was for investment. We used to have some investment plans called KOPEKS. The end of each financial year was at 30th April or 1st of May; all the plans were discussed at this period. Production investments, production costs everything were planned there with the team.

DM: I see.

AFT: I mean, issues related to the costs, productivity, human resources and raw materials for the purchase department etc.

DM: Well, have you ever worked wholly owned Turkish Company at all?

AFT: After graduation in 1998, I had to complete military service and in 1999 I started to work for them. So the answer is no.

DM: That is funny in a way, being in Turkey and not having worked for Turkish company. I was going to ask you to compare but you only worked for the foreign invested company in Turkey.

AFT: No, I did not but it has changed now. However as Olmuksa belongs to Sabanci Holding which is a Turkish itself then I have started to work for a Turkish Company now. Olmuksa does not have any foreign influence whatsoever compared to how the company was before the takeover.

DM: As a result you can compare what it now with how it was before. So you can still compare.

AFT: Yes that is right.

DM: Would you compare the past and present in this case then? Although you are in a totally different structure now, I mean things are different.

AFT: Yes it is a totally different structure now. They were pleased with the English owners. There are also differences among Sabanci organisations as well. 6 factories of Sabanci work in this
sector and they have different production capacity and also different organisational structures. For this short term my observations are that foreign investors needed us more, they valued building the “trust” more.

...  
The management style was based on the person rather than the organisation so the rules were done by the person who was in power. There was no future orientation or scheduling. With English that has changed. New English owners have decided that after the automation the work force needed reduction which caused an upset among the staff. On the other hand working with regularity and future orientation were the positives.

**DM:** English tends to give quite a lot of information on the job roles and what is expected, personal development schedule etc. Did they do this with you?

**AFT:** Not to that extend no. I mean not in that way. It was not given in the written format to us but through the experience. Because through the work experience you know all the aspects of the logistics and it does not need to given to you in written form. They made us to connect one to another so we know what was on Planning or Human Resource or you name it. So we were aware of what was happening in each other’s department.

**DM:** I am quite surprised that they made people redundant. It is not very English way of doing things, not in England at least.

**AFT:** Well due to the flexibility on employment laws they did it with ease so there was no hesitation there. Right until the change in the employment law I think in 2007, that was not difficult for employers to do that so.

**DM:** Have you done personal development plans with your managers? Was it a common HR application there?

**AFT:** --- We were given certain targets to achieve on one-to-one basis. For production let’s say the given target is 12% but after talking to your manager you can agree on more achievable target of 11% . We made targets like that but for career enhancement or personal development we did not have a meeting and talk about it on personal level. DS Smith did not pursue that application but new partners OLMUKSA and IP are doing it. So English owners did not do it but the new ones are bringing these types of career planning or personal development applications.

**DM:** Can we look at the cultural collision or cohesion between English and Turkish cultures? What was their attitude towards Turkish staff or Turkish culture? What is your observation?

**AFT:** The English investors made some announcement and I remember they were coming from headquarters in England. For each location they sent the same message in the language, we had the Turkish translation. In it they indicated that they have a respect for the local culture and they will show it in the work place. A bit like a promise and the promise was well kept.

With regards to working culture we had the mentality of doing things and looking around afterwards. Whereas with English owners there was a lot of planning and sometimes we were late. So we found the common ground in the end and mixed our approaches. We were doing more planning ahead but at the same time we were doing it more rapidly after sometime working together.

**DM:** OK there is a difference and well spotted. English tend to like planning.
AFT: Yes with planning they plan every aspects of the thing and all the risks. Sometimes during this process they were missing the actual thing sometimes. We on the other hand we were doing the job alright but without through planning we were having some setbacks and problems. After a while we have reached the balance.

DM: Candan was talking about his company and it has British owners they have done some programmes related to culture. I mean how to make different nationals work together type of programme? Did you have something like that?

AFT: We did not have any cultural problems with the English. We also worked with French during the integration. French people had different approach in a way was not about how we can do this it was more like let’s do not do it and wait for it to happen. With English you would not see that, there must be a plan and you can change things but still you do follow a plan. That was the difference between British and French.

DM: On personal level what are the advantages and disadvantages for Turkish people to work for foreign companies in Turkey?

AFT: First of all, foreign investors coming to Turkey is a good thing. They follow all the legal procedures to get into Turkey. What I am trying to tell you is that foreign invested companies have internal, external and legal inspectors. Apart from the companies which are in stock exchange, companies do not have to go through many inspections. In short it is an advantage to work for a foreign company when you know that they have to follow the regulations more than others due to the inspections. Secondly it is good for the personal development. The third point is that it boosts the economy because of the incoming money.

DM: So you do not see any disadvantages?

AFT: No not really. It also changes the way the business is done. Regarding our suppliers, we were working with so many different firms. There were local businesses in Corum. Our Purchase and Merchandise Director was from France and we used to take him to these local businesses and that gave them new business opportunities. I mean they were doing export to France. In the long run the local businesses were changing the way they do business.

DM: Can we talk about the control mechanisms that foreign investor apply open the local partners? How do you see it? Is it flexible or is it authoritarian?

AFT: There was not an authoritarian style as much. Regarding taking the initiative or making the key decision they were given us enough freedom. Going back to the disadvantages of the foreign investment is that transferring the technology here. There was a tendency to transfer old technology to Turkey. They do not bring the technology they use in their country perhaps the reason is that logically it is not a good idea. For instance, I can talk about paper industry, in Turkey extra shifts are on one day but In England it can spread over 6-7 days so automation is crucial to reduce labour costs. If and when they bring the same technology that would mean that it is rather expensive and the return on investment period is rather long. So I think that maybe is the reason for not bringing up to date technology to Turkey.

DM: So would you say they do not look at Turkey as a developing country with cheap labour offerings?

AFT: No I do not think so.
DM: I remember you coming to the UK?

AFT: Yes I have visited the factory in the UK and I had a chance to compare them.

DM: Did you see any differences? Did you have enough time to observe them?

AFT: I stayed there around 10 days. When I looked back, I can say that there are quite obvious differences between a Turkish worker and a British worker. Turkish workers are more involved with the company here. Over there they do things because they are obliged to do it. Turkish workers are willing to make sacrifices if they have to therefore you can be more flexible with the rules here but in England you cannot bend the rules. The other thing that drew my attention was about the lunch breaks. In Turkey all the companies and factories including ours give lunch menu to their staff. I did not see that in England, they have to arrange it for themselves. It is not only in England it is a common thing in Europe.

DM: Yes it is common.

AFT: I did not see any sharing either. I mean if you take your food and sit with others you would offer your food to others. I did not see that there. One goes and sits the lounge or kitchen area and eats by themselves. The other difference was the number of female workers in the production line.

DM: Was it surprising to you? Does the job involve lifting etc?

AFT: It can be heavy and we do not have female workers in the production line so. Also the working hours were different.

DM: The full time working hours is 39.5 hours as far as I remember. In Turkey it is 45 hours a week.

AFT: They have to do 45 hours in Turkey as I told you about triple inspection for the foreign owned companies so they have to obey the law. There are rules for extra hours like maximum 30 hours per month per person, annually 240 hours etc.

DM: Why did you come to the UK? Was it for training or observation?

AFT: For training. From OLMUKSA toward the transaction period to the new owners I was to work as plant manager so I went through training for my position.

DM: Did they change the whole system once the acquisition completed?

AFT: Yes sure, we used more automation, more IT tolls in production.

DM: If the Turkish company open a subsidiary in the UK, would you say the business cultures would collide?

AFT: There are differences between the Eastern and Western business cultures and when they come here we adapt to them and tend to change our way a bit. The lack of flexibility and strict rules mean that Turkish companies would struggle in the West and they tend to go to Eastern European countries instead. ..................
1. Amerikan IP’nin Türkiye’deki genel performansını nasıl değerlendiriyorsun?

IP’nin türkiyede ki performansı çok tatminkar değil. geri dönüşüm tesisleri ile entegre olmuş tesislerle rekabet gücü düşük. kraft kağıdı abden ithal ediyoruz. bu durum kraftli üretimlerde avantaj sağlama da toplam çıktında yeterli olmuyor

2. Amerikan yatırımcıların yerli çalışanların verimliliğini artırıcı faaliyetleri hakkında bilgi verebilir misin?

Amerikan yatırımcıların yerli çalışanların verimliliğini artırıcı faaliyetleri hakkında bilgi verebilir misin?

3. Yerli calisan personelin is memnuyeti hakkında bilgi verebilir misin?

Yerli çalışan personelin is memnuyeti hakkında bilgi verebilir misin?

4. IP sahipliği altında gönlü isten cıkma orani (staff turnover) nedir? (Yüksek/düşük)

Yüksek ve bu durum ipe yanılış aktarılmış maalesef

5. Yabancı yönetici atandi ise yerli calisanlarla iliski nasıldı, problemler yasandı mı?

Yabancı yönetici atandi ise yerli calisanlarla iliski nasıldı, problemler yasandı mı?

6. Amerikan firma IP nin is kulturunun nasıl degerelemdiriryorsun? (İs odaklı mı yoksa isçi odaklı mı?)

Amerikan firma IP nin is kulturunun nasıl degerelemdiriryorsun? (İs odaklı mı yoksa isçi odaklı mı?)

7. IP’de teknoloji ve bilgi transferi nasıl yapıldı? Yapıldı ise transfer verimliliğini nasıl degerelemdiriryorsun?

IP’de teknoloji ve bilgi transferi nasıl yapıldı? Yapıldı ise transfer verimliliğini nasıl degerelemdiriryorsun?

8. Amerikan ve Turk kulturleri arasındaki farklıklar firmanın Türkiye’deki operasyonlarını etkiliyor mu?

Amerikan ve Turk kulturleri arasındaki farklıklar firmanın Türkiye’deki operasyonlarını etkiliyor mu?

9. IP firmasinin Turkiye piyasasına integrasyonu ve gelecegi hakkında yorun yapabilir misin?

IP firmasinin Turkiye piyasasına integrasyonu ve gelecegi hakkında yorun yapabilir misin?
eğer ip geri dönüşüm kağıt entegrasyonunu sağlamaz ve sabancı dan kalan hantal bürokratik yapıyı kırmaz ise çok hızlı büyüyen bu sektörde rekabet edemez duruma gelecek. Tüm büyük küresel oyuncular Türkiye oluklu pazarına giriyor. Yani Avrupa da ki rekabet Türkiye ye de taşınıyor. Ip Amerikada ürettiği kraft kağıtını pazarlayabileceği market olarak görüse avrupayı çok sıkıntı bir geleceğ olur.

(Nov 2013)

B.13.3 Interview III (External Source)

These quotations are taken from an article which is based on a press release of Sabancı Holding’s CEO Mr. Zafer Kurtul and Sabancı Holding’s Industry Director Mr Mehmet Pekarun. The article was published by Milliyet Newspaper in 20th Sep 2012.


ZK: "Sabancı Holding 13 milyar dolara yaklaştıran net aktif değeri ile karlı büyümeye odaklanmıştır. Ülkemizin geleceği için güveniyoruz. Ülkem son yıllarda ekonomik anlamda realmente çok önemli gelişme gösterdi. Sabancı Holding olarak daha fazla rekabet avantajı yaratabileceğimiz alanlara odaklanmak, sermayemizi bu alanlara aktarmak istiyoruz"


B.14 Case Company: HSBC BANK Interviews

Ms E. Simsek has been working for HSBC for 7 years, she has participated the research by face to face interview however wanted her participation is limited to question-answer format in writing due to limited approval of the management.

Q1: Could you talk about the sector in which the company with foreign investment is active?

ES: In banking and finance sector

Q2: How many years have you worked for this company?

ES: 7 years in retail banking

Q3: When did the foreign investors enter Turkey?
ES: In 1990s I believe.

Q4: Could you give any information on the entry mode of the foreign company?

ES: It entered the Turkish market earlier but acquisition of Demirbank was a big step for HSBC to establish in Turkey.

Q5: Could you comment on the factors such as risk factors, speedy market entry, local partner’s resources, know-how, technology transfer etc. for the entry mode?

ES: Quick market penetration I would think!

Q6: Could you comment on the main factor which affected foreign partner to entry decision to Turkish market?

ES: Turkey has a big population and a developing country. It is the only and main British banking brand in Turkey.

Q7: Could you mark the factors which affected foreign investor to entry decision to Turkish market?

(1 = Not important / 7 = Very Important)

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<th>Factors</th>
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<tbody>
<tr>
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<td>Research and Development Intensity</td>
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<td>International Experience</td>
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<td>Infrastructure &amp; Agglomeration Benefits</td>
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<td>Market potential</td>
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<td>Labour costs and education level</td>
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<td>Business and Economic Climate</td>
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<td>Other factors (economic and politic situation of the host country)</td>
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<td>Exchange rate fluctuations</td>
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<td>Risks on sharing technology and knowledge with the local firm</td>
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Further comments: It has to be said that HSBC offers different products in each market under its name. It has to be parallel to the regulations of the country that they are in so there are possible differences. I would say that HSBC as a British brand also has received vicious mail campaign during the Iraqi War due to Britain’s military involvement in the region at the time. Obviously the political tension towards certain countries affects foreign brands regardless of their relatedness...
Q8: Have observed or experienced any conflict/difference between the local staff and foreign expats during making important decisions?

ES: Now we have an assigned foreign director from the UK, previously we had a Turkish general director. There was a meeting in Bursa where he introduced himself and seemed rather friendly. There is a new application named “open space” (~ translation) with which the staff can reach and contact the general director directly. There used to be a lot of bureaucracy. Most of the requests are returned quickly yet moving towards an application process takes a long time. Whereas with other Turkish banks, taking an initiative or making decisions on customer requests can be left to the branch manager or the financial advisor with a bit more flexibility. With HSBC though, everything is done within rules and regulations, meaning less flexibility. Some of the personnel from Demirbank time said they were valued more as a part of the organisation. So the flexibility on personnel is not quite the same and the work load can be quite demanding. At time we know the times that we do not have time to have lunch but now the new manager has addressed that issue so that the staff are given time for lunch break!

Q9: In case of conflict, what kinds of procedures have been followed to solve the problems?

ES: Conflict situations or requests from customers which are specific to Turkish market are dealt with positive approach by the management. However the approval process is quite lengthy.

Q10: Did the foreign partners have applied any methods or applications to improve the performance of the local staff?

ES: Yes there are applications. Staff training facilities and career advising facilities are provided and the career path for staff is planned according to overall performance. There is a chance to work in the UK or other locations of HSBC overseas.

Q11: Is high performance awarded in your company? (If “yes”, what kinds of applications and award have been brought forward?)

ES: Yes, we have bonus system.

Q12: Which is more important in the organisational culture of your company? Have you observed differences between local managers and foreign partners on this field?

a) Employee orientation: Employees are valuable and one of the core elements of the organisation.

b) Job orientation: Completion of the job is very important therefore right person should be selected.

ES: It is very much job oriented, I mean customer service oriented due to the sector that we are in. Job must be finished no matter what. I mentioned about the lunch breaks and working with no breaks at times. However it is a bit better now. The new managing director made it clear that he is there to listen to staff related problems and solving them as well.

Q13: Which element was more important in the corporate culture of your company? Why?

a) Flexible approach with regards to completion of tasks, time and budget
b) Controlled approach with regards to completion of tasks, time and budget

**ES:** It is controlled and highly regulated. A flexible approach followed by Turkish banks is not applied at HSBC. Rules and regulations are important. So we follow British mentality on that ground.

**Q14:** Have you observed differences and conflicts between Turkish business culture and foreign partner’s business culture? Could you explain your observations please?

**ES:** I mentioned about the flexibility. In certain situations the business deals with customers might require minor adjustments. Customer services are highly regulated and so any requested adjustments are double checked by the headquarters for the legality issues. Customer services are followed by strict rules and regulations. I believe it is the same in the UK. With reference to queuing system and issuing a ticket for the customers does work for the till operations and customers got used to it. However it can not be applied for personal banking services. To say wait for your ticket number to a customer from villages lets say would not work in Turkey. They take it personally and show emotional response to that. We would loose a lot of customers because of that. Turkish people do not like to wait too much and certainly do not like queuing. It would be normal in the UK but not here.

**Q15:** In your opinion, how did the cultural differences affect activities of the company/partnership in Turkish market on the long run? (Positive / Negative/ No effect)

**ES:** No effect

**Q16:** Do foreign investors/partners apply any specific international human resource applications and central control mechanisms in Turkey? Could you explain please?

**ES:** Yes they do. They apply job satisfaction surveys for the staff. The customer service has to be done properly and they have “shadow/undercover customer” application so an assigned person comes as a customer and marks the HSBC staff the way they serve him/her. I mentioned about “Open Space” application in which the top managers are right at the end of an e-mail so they are approachable! With this application we can reach out the very top managers.

(Feb 2012)

**B.15 Case Company: PHILSA Interviews**

Mr E. Ozdemir has been working for PhilSa for 5 years. He has chosen to participate this research with question-answer in writing format.

**Q1:** Could you talk about the sector in which the company with foreign investment is active?

**EO:** It is in tobacco sector.
Q2: How many years have you worked for this company?
EO: 5 years in Accountancy & Finance Department as a manager.

Q3: When did the foreign investors enter Turkey?
EO: In 1993

Q4: Could you give any information on the entry mode of the foreign company?
EO: It was a joint venture.

Q5: Could you comment on the factors why this joint venture was formed? (Factors such as risk factors, speedy market entry, local partner’s resources, know-how, technology transfer etc.)
EO: It was the government condition that foreign investor had to have a local partner.

Q6: Could you comment on the main factor which affected foreign partner to entry decision to Turkish market?
EO: Turkey was a big and profitable market for the tobacco companies. Furthermore the other big foreign brands were not in the Turkish market yet when the company entered Turkey.

Q7: Could you mark the factors which affected foreign partner to entry decision to Turkish market? (1= Not important / 7= Very Important)
EO:

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<td>Labour costs and education level</td>
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<td>Exchange rate fluctuations</td>
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<td>Risks on sharing technology and knowledge with the local firm</td>
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Further comments:
Q8: Have observed or experienced any conflict/difference between the local staff and foreign expats during making important decisions?
EO: No

Q9: In case of conflict, what kinds of procedures have been followed to solve the problems?
EO:-

Q10: Did the foreign partners have applied any methods or applications to improve the performance of the local staff?
EO: There is no specific application just for the Turkish staff; they treat all their staff equally.

Q11: Is high performance awarded in your company? (If “yes”, what kinds of applications and award have been brought forward?)
EO: Yes, every year we have “Managing and Appraising Performance-MAP” meetings, according to these meeting the staff get salary increase and promotion scale identification according to their performance during the year. Apart from that we have high performance is awarded with “excellence award” or “ABCD award” system.

Q12: Which is more important in the organisational culture of your company? Have you observed differences between local managers and foreign partners on this field?
   a) Employee orientation: Employees are valuable and one of the core elements of the organisation.
   b) Job orientation: Completion of the job is very important therefore right person should be selected.
EO: Not in an obvious way by any means but the applications show the job orientation is in the organisation culture. No, I have not observed differences between local and foreign partners.

Q13: Which element was more important in the corporate culture of your company? Why?
   a) Flexible approach with regards to completion of tasks, time and budget
   b) Controlled approach with regards to completion of tasks, time and budget
EO: I would say "b". Generalized rules are applied precisely. No, I have not observed differences between local and foreign partners.

Q14: Have you observed differences and conflicts between Turkish business culture and foreign partner’s business culture? Could you explain your observations please?
EO: I have not seen any conflict between the local staff and foreign staff or partners as an employee or as a manager.

Q15: In your opinion, how did the cultural differences affect activities of the company/partnership in Turkish market on the long run? (Positive / Negative/ No effect)
EO: No effect

**Q16:** Do foreign investors/partners apply any specific international human resource applications and central control mechanisms in Turkey? Could you explain please?

EO: They do not have any specific application for Turkey or Turkish staff. They have standard applications that they use for all the partners and international staff. What they do is that, they apply the standardized applications with efficiency and on equal ground.

(Feb 2012)

### B.16 Interview Protocol

Table B.16.1 General framework for the semi-structured interviews

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<tr>
<th>Introduction</th>
<th>General Information</th>
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<td>Your name</td>
<td>Company/Subsidiary age</td>
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<td>How interview will be conducted</td>
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<td>Oral consent</td>
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I want to thank you for taking the time to meet with (talk to) me today. My name is Deniz Meric and I would like to talk to you about your experiences in working for/with multinational company in Turkey.

The interview should take less than an hour. I will be taping the session because I do not want to miss any of your comments. Because we are on type, please be sure to speak up so that we don’t miss your comments.

All responses will be kept confidential. This means that your interview responses will only be shared with research team members and we will ensure that any information we include in our report does not identify you as the respondent. Remember, you don’t have to talk about anything that you don’t want to and you may end the interview at any time.

Are there any questions about the interview before we start?

Are you willing to participate in this interview? (for oral consent)
opinion

- Use probes as needed

- How and why the foreign investors choose to enter Turkish market? (Motives, process, problems etc.)

**Phase 2: Market Integration Period**

- Standardization process
- Any changes in informal communications and written reports
- Management team structure
- Foreign expatriates assigned for the Turkish market?

**Phase 3: Market Establishment Period**

- Headquarter-Subsidiary relationship
- Subsidiary’s level of functional autonomy
- Comparison of the cross-cultural business cultures (positives and negatives)

Closing

Is there anything more that you would like to add?

I will be analyzing the information you and others gave me and if you are interested I’d be happy to send you a copy of research report summary to review once it is complete.

Thank you for your time, much appreciated.

Appendix C  Joint Ventures in Turkey

C.1  FDI Law on Joint Ventures in Turkey

Subsequent to the enactment of Law No. 4875, foreign investment in Turkey is no longer subject to the approval of the General Directorate of Foreign Investment of the Undersecretariat of the Treasury of the Prime Ministry of Turkey (the “FIGD”). The basic purpose of Law No. 4875 is to encourage direct foreign investment and to change, in general, the investment process from the authorization and approval system to the information system. No approvals and/or authorizations
are required to be obtained by foreign investor other than those required of local companies in establishing a company or participating in an existing one in Turkey.

Under Article 4 of Law No. 4875 foreign investors must notify the FIGD of the statistical information on their respective investments in Turkey, in accordance with the procedures and principles to be set out in the regulation to be prepared by the Undersecretariat. Such information is required only for statistical purposes, and may not be employed as a means of evidence.

In addition, two new concepts are included in the definition of “foreign investment” in Law No. 4875:

- not only citizens of foreign countries but also Turkish citizens resident in foreign countries will be regarded as foreign investors, and
- the acquisition of shares of a minimum 10% or an equal proportion of voting rights through stock exchanges, or participation in an already existing company or establishment of a branch office is also defined in the scope of a foreign investment.

Under Turkish law, generally joint ventures are deemed to be ordinary partnerships and are subject to the Turkish Obligations Code number 6098 (“TOC”). Article 620 and subsequent articles of the TOC relevant to the ordinary partnerships are also applicable to joint ventures. However, under Turkish Law, while joint ventures can be established as ordinary partnerships they can also be established by incorporating a commercial entity or by participating in an already established commercial entity.

By the admission of the Foreign Direct Investment Law No. 4875 ("Law No. 4875"); foreign investors may incorporate or participate in all kinds of companies, which are open to local investors in Turkey in line with the “equal treatment” principle.

On the other hand, to incorporate an ordinary partnership or a general partnership, Joint Stock Company type (anım şirket) ("AS") is particularly preferred where shareholders with potentially conflicting interests come together for joint ventures since it is possible to establish classes on the shares of an AS. Furthermore, under the Turkish Commercial Code no. 6102 (“TCC”), provisions relating to limited liability company (limited şirket) ("LS") governance are less thorough and clear than those relating to AS governance. As well as those reasons, AS is preferred by foreign investors because LS shareholders, unlike AS shareholders, may be liable for amounts owed by the LS to government authorities for taxes, duties and charges if the company cannot make the required payments. The liability of the shareholders of LS in this respect is not limited to their respective capital contribution in the joint venture company.

An ordinary partnership (adi şirket) does not hold a legal entity status. Ordinary partnerships can be established by two or more persons, with or without a written partnership agreement. Among all the entities, ordinary partnership is the only entity which does not require a written agreement for its establishment. A partnership’s assets are jointly owned by its partners. Similarly, partners of an ordinary partnership are jointly, severally and unlimitedly liable against the creditors of the partnership. Therefore, an ordinary partnership can neither sue nor be sued because it does not have the capacity to act as a legal entity.

There is no particular Turkish legislation which overall govern the joint venture contracts. Articles 620 and subsequent articles of the TOC apply to a joint venture, should it be incorporated in the form of an ordinary partnership. Furthermore, joint ventures may be established in the form of ordinary partnerships or by incorporating a commercial entity or by participating in a commercial entity already established.

Furthermore, provisions of the TCC will be applicable to joint venture contracts, and the relevant provisions of Law No. 4875 will also be applicable to such joint ventures should there be any foreign component.
C.2 The Structure of the Joint Venture

The issues which are mutually agreed on by the parties in the joint venture agreements should also be incorporated in the Articles of Association of the company (the “AoA”). Otherwise, it is likely for the parties to encounter the problem of whether the joint venture agreement prevails over the AoA or vice versa should there exist conflicting provisions among those in a joint venture agreement to the AoA.

There are two types of companies which are mostly preferred by foreign investors when forming a joint venture in Turkey, namely an AS and an LS. The LS is a simpler structure which takes the same amount of time as an AS to incorporate but may in the long run be easier to administer. While an AS is by far the more common choice, an LS may be preferable when the sole objective is to establish a fully owned subsidiary with minimum capitalization and administration requirements.

Certain attributes of a joint stock company incorporated in Turkey are summarized below:

- **Shareholders and Capital**
  - There is no requirement with regards to number of the shareholders for a joint stock company, single shareholder is sufficient,
  - The minimum capital required under the TCC for a joint stock company is TL 50,000, (approximately €21,630. EUR as of October 1, 2012).
  - 25% of the subscribed capital has to be prior to the registration of the company before the relevant trade registry.

**Corporate Documents**

The AoA is the only corporate document required for a joint stock company. Issues which are not addressed in the AoA of the company are governed by the provisions of the TCC. The shareholders may establish various classes of shares and allocate special voting, dividend and liquidation privileges to such classes. Usufruct certificates and founders’ shares for participation in profits are also possible. The AoA of a joint stock company is registered in the trade registry and is therefore a matter of public record.

**Shareholder Rights**

- to participate in the shareholders meetings,
- to cast one vote per share,
- to review the annual report and financial statements,
- to bring legal action against shareholders’ decisions,
- to participate pro rata in the shareholder’s existing shareholding in each capital increase except as may be restricted by the AoA,
- to transfer its shares in the company except as may be restricted by the AoA,
- to receive a pro rata share of dividends except as may be restricted by the AoA,
- to receive a pro rata share of any proceeds arising from liquidation of the company except as may be restricted by the AoA.

**Shareholder Obligation**
The primary obligation of a shareholder is to pay the outstanding portion of his capital subscription as and when called by the board of directors, or by the shareholders where such power is reserved to the shareholders in the AoA of the company. In the event that a shareholder is in default on the payment of his capital commitment, the board of directors of the company may revoke all rights of shareholder and expel such shareholder from the company. Furthermore, shareholders have the obligation to maintain the confidentiality of commercial secrets of the company and this obligation remains binding even after neither of them is a shareholder in the company.

Decision-making Process:

In the AoA of a company, issues regarding to the decision-making process may be provided. A simple majority shareholding is sufficient to control a joint stock company for most purposes. The TCC contains a very limited number of super majority requirements for shareholders’ meetings and decisions. It is possible for the shareholders to add to the list of super majority decisions or to provide for higher (but not lower) quorum and voting requirements than those stated in the TCC.

A shareholder holding more than 50% of the shares will be able to control all decisions in all the categories described above except for the first category, provided he is represented at all shareholders meetings.

Notwithstanding the foregoing, where there are different classes of shares, any decision which adversely affects the rights of shareholders holding a specific class of shares will also need to be approved by a special assembly of such shareholders. The quorum and voting requirements for such a meeting are the same as those required for the third category of decisions discussed above.

The Board of Directors’ and Officers’ Liabilities:

Directors of a joint stock company may be jointly or severally liable for their actions. To the extent that authority is delegated by the board to officers (i.e. managerial employees with signature authority granted by the board) such officers may also be liable in the same manner as the directors.

Generally, directors and officers are not personally liable for agreements and transactions executed on behalf of the company. However, directors and (to the extent of their delegated authority) officers are jointly liable towards the company, the shareholders and the company’s creditors where they negligently or intentionally fail to perform their duties as provided for in law or in the AoA.

The standard of care expected from a director or an officer is that of a prudent businessman and to the extent that such a standard of care is demonstrated, the relevant director or officer will be relieved from liability. In particular, a director will not share the liability caused by a damaging action or a decision of the board if, with respect to such action or decision, he casts a negative vote, registers his objection in the minutes of the meeting and promptly notifies the auditors of his doubts concerning such action or decision. A director will also not be liable if he is absent with cause from the meeting in which such damaging action or decision was discussed and resolved.

The board may delegate all or part of its authority to an officer of the company. Within the scope of duties so delegated by the board, liability on the basis of negligence will fall solely upon the relevant officer and not on any director.

The ongoing liability of a present or former director or officer will terminate either by explicit release by shareholders’ decision or through shareholder approval of the company’s annual report and financial statements.

There are a number of other circumstances, such as misrepresentations concerning the company, failure to disclose conflicts of interest or competition with the company, which can result in directors or officers becoming liable for their actions. • Deadlock in Joint Ventures
In Turkey, as elsewhere, deadlock in management and operation is the most common legal issue of joint ventures, and it is a long-standing issue. The put/call option is probably the best way to resolve issues in instances of deadlock. The provisions of the put/call option are very commonly used in 50%-50% joint ventures in Turkey. The option and the procedures to be followed should be included both in the AoA and also the Joint Venture Agreement of the company in order to prevent potential disputes between the parties. There are no specific provisions in the TCC in connection with deadlocks except for one provision providing that in the event that a deadlock occurs at the Board of Directors‘ level in connection with a decision; the issue is discussed in the following meeting and should the deadlock continue in the second meeting as well, the issue will be deemed to be dismissed.

Joint venture shareholding structure including more than one class of shares is rather preferred by the investors. By dividing the shares into classes, nominating directors, deadlock procedures, the transfer of shares is more easily assessed. Negative control rights may be granted to certain groups of shares under the AoA of the joint venture company.

**Preemption right.** This is more commonly used with share transfer restrictions in the joint venture agreement and/or the AoA for the purposes of avoiding the transfer of shares of the joint venture to an outside before offering them to the existing joint venture partner.

**Termination.** Adequate documentation should exist in order to provide clearly the cases of termination of the joint venture.

**Minority Rights.** The laws may not be satisfactory to protect the rights of the minority shareholders, therefore adequate written agreement should exist between the parties listing out both the positive minority rights and the negative control rights by means of veto rights and blocking powers.

**Purpose.** The main purpose of the joint venture and the way it will operate, authorizations, including any limitations, must clearly be agreed between the joint venture parties at the outset.

**Competition Laws.** Competition issues are also important in Turkey for joint ventures. Pursuant to item (c) of Article 5 of Communiqué no. 2010/4 on the Mergers and Acquisitions Subject to Permission of the Competition Board ("Communiqué No. 2010/4"), joint ventures which emerge as an autonomous economic entity possessing assets and labour to achieve their objectives, and which do not have any aims or effects restricting the competition among the parties, or between the parties and the joint venture are deemed to be mergers and acquisitions between undertakings under Article 7 of Law no. 4054 on the Protection of Competition ("Law No. 4054"). In accordance with Article 5 of Communiqué no. 2010/4, in order for a merger or acquisition to be legally effective, approval of the Competition Board, either explicit or implied, must be obtained. There are specific conditions which must be met in order to render the notification compulsory: these are the "notification necessity thresholds" set forth under Article 5 of the Communiqué no. 2010/4. Therefore, any transaction which falls under the scope of the definition of a merger or acquisition and which exceeds the thresholds should be notified to the Board.

Communiqué No. 2010/4 provides for a threshold which is based on the relevant market share, or alternatively, the sum turnover of the enterprises in the relevant markets.

Should the Competition Board determine that a joint venture has not been constituted as defined in Article 5 of Communiqué no. 2010/4, the joint venture will not be subject to Communiqué no. 2010/4, in which case, it will fall under the scope of Article 4 of Law no. 4054, which states the unlawful and prohibited agreements under Law No. 4054. Parties to an agreement, which may be deemed to infringe Article 4 of Law No. 4054, can apply to the Board in order to obtain an individual exemption if the agreement in question cannot benefit from any block exemption.
M&As are slightly different from each other. An acquisition is, in very simple words, the purchase of one company by another company. Most likely, it takes place as an acquisition of a smaller company by a larger company. On the other hand, a merger occurs more like combining of two or more companies to become just a single separate unit of business.

For an M&A transaction to be sound, legal, operational and financial due diligences should be conducted. Pursuant to such due diligences, condition precedents should be specified and accordingly share sale agreements and shareholders agreements should be fulfilled and performed in order for an M&A transaction to be materialized.

The rules that M&A are regulated under changes country to country. As to how M&A activities are realised in Turkey are specified under Turkish respective codes. Turkish Commercial Code is one of the Turkish laws that M&A activities are regulated. Turkish tax laws, the Law on the Protection of the Competition and Capital Market legislations are other regulations that M&A activities are applied.

D.1 M&A under Turkish Commercial Law

Under Article 146/1 of current Turkish Commercial Code; Mergers are defined as the establishment of a new commercial company through uniting of two or more commercial companies with each other or joining of one or more commercial companies to another commercial company.

Thus, this definition means that there are structural elements for the merger;

There should be at least two commercial companies before the merger. At least one commercial company will be transferred to another commercial company with its rights and obligations. Dissolving company or companies' partners will become the partners of the new established or transferee company. As a result of the transfer, at least one company in case of an establishment of a new company and at least two companies in case of an acquisition will be dissolved. As a whole, all the businesses and assets of the dissolving company/ies with its/their all the rights and obligations will also be transferred to the transferee or to the new company established. At least two commercial companies will become solely one commercial company.

The New Turkish Commercial Code which will become effective as of July 1, 2012 was promulgated in the Official Gazette on February 14, 2011.

Pursuant to Article 136 of the New Turkish Commercial Code, Companies can be merged in two ways:

a) Acquisition of a company by another company, technically called “merger by acquisition” or

b) Union of two companies under a new company, technically called “merger by formation of a new company”.

In the application of Articles 136 to 158 (all related to M&A) of the New Turkish Commercial Code, the company accepting the merger is called “transferee” and the company that is joined is called “assignee”. Merger occurs when the shares of the transferee are acquired by the shareholders of
assignee on the basis of an exchange ratio in return for the wealth of assignee. The merger contract can include cash payment for withdrawal, as stated in Article 141/2 of the New Commercial Code. Pursuant to Article 136/4 of the New Commercial Code, it is stated that the transferee takes over the assets of assignee as a whole through merger. The company merged by acquisition collapses and is deregistered from Trade Registry.

The New Turkish Commercial Code also specifies the mergers which will be valid mergers;

According to Article 137 of the New Turkish Commercial Code,

Joint stock companies can be merged with joint stock companies, cooperatives, unlimited liability companies and commandite companies, provided that unlimited liability companies and commandite companies should be the transferee. Personal companies can be merged with personal companies, stock companies and cooperatives. However, it should be noted that on such transactions, cooperatives and stock companies should be the assignee. Cooperatives can be merged with cooperatives, stock companies and personal companies provided that cooperatives are the transferee.

It should be noted that the New Turkish Commercial Code has been amending and clarifying the provisions of M&A matters regulated on the current Turkish Commercial Code.

The shareholders of the assignee have the right to make a claim on the shares and rights in the transferee at a value that matches their existing partnership shares and rights. The value of the assets of companies participating in the merger, the allocation of the voting rights and other significant matters are taken into account while assessing the said right to make a claim. An equalisation benefit can be provided while determining the change in partnership shares, providing that the partnership shares assigned to the shareholders of the transferee do not exceed one-tenth of their actual value. Shareholders with non-voting shares in the assignee are granted non-voting shares or shares with voting rights of the same value. Equal rights at the assignee or a reasonable consideration is given in exchange for preferential rights in the existing shares of the transferee. The transferee must grant equal rights to holders of the dividend shares in the assignee or to purchase such dividend shares at their value on the date the merger contract is signed.

According to the New Turkish Commercial Code, the resolution on the merger should be submitted to the authorised organs of the companies such pursuant to what the law requires, the New Turkish Commercial Code also demands certain majority of the votes in order for such resolutions to be approved. As soon as the merger resolution has been adopted by the companies participating in the merger, managing bodies apply to the Trade Registry to have the merger registered. If the transferee has increased its capital as a requirement of the merger, the amendments to the articles of association are submitted to the Trade Registry. The assignee is dissolved upon the registration of the merger at the Trade Registry.

Current Turkish Commercial Code does not specify any obligatory majority votes for the mergers taking place. It only does specify that the resolution duly approved according to the procedures and conditions on the amendments of the companies’ articles of association should be registered and announced.

The merger takes effect upon the registration at the Trade Registry. All assets and liabilities of the assignee are automatically transferred to the transferee upon the registration.
D.2 M&A Activities under Turkish Capital Market Legislation

Under the Capital Markets Communiqué on the Principles Regarding Merger Proceedings, Series: I, No.: 31, (“Communiqué”) the principles to be observed in merger proceedings through acquisition of a corporation or through the establishment of a new corporation, in case at least one of the parties is a publicly held corporation are set forth.

It is required that the financial statements of the merging corporations, which will constitute the basis of the merger proceedings, are to be drawn up in accordance with Capital Markets Board regulations regarding accounting standards, and to be subjected to special independent audits within the framework of Capital Markets Board standards regarding independent audits. In case financial statements to constitute the basis of merger have been subjected to independent audits as per Capital Markets Board regulations, the special independent audits shall not be required. The merging corporations are required to base the merger proceedings on consolidated financial statements if the corporation in question is required to draw up consolidated financial statements, and solo financial statements if otherwise. In case the period between the date of the financial statements to constitute the basis of the merger and the date of the general assembly meeting in which the merger agreement will be given final approval is more than 6 (six) and less than 9 (nine) months, it is required that the most recent financial statements of the merging corporations are required to disclose to the public as of the date of the publication of the notification form regarding corporations of which shares are traded in Istanbul Stock Exchange, are to be drawn up and disclosed to the public as an annex of the notification form. In case developments to affect the shareholders’ equities and financial statements on the basis of which the merger ratio was calculated, or causing a change of the merger ratio takes place up until the date the merger agreement and the notification form is approved by the Capital Markets Board;

a) Independent auditor firm to audit the financial statements which will constitute the basis of merger shall draw up a report on the impact of the developments in question on abovementioned financial statements.

b) The report drawn up by the expert institution within the framework of Article 8 of the Communiqué shall be updated within the framework of the developments. In case the general assembly decisions regarding the dividend payments by the merging corporations are taken after the date of the financial statement which will constitute the basis of the merger, it is necessary to take into account the effect of the dividend payment during the calculation of the merger ratio. According to article 324 of TCC, a corporation of which capital is uncovered as per the balance sheet drawn up on the basis of the sale price of its assets shall not be an acquirer in a merger proceeding.

D.3 M&A Activities under Turkish Competition Legislation

The Competition Law and the Communiqué No. 2010/4 on Mergers and Acquisitions Requiring the Approval of the Competition Board (“Merger Communiqué”) are the relevant legislations on merger control in Turkey.

Article 7 of the Competition Law governs M&A activities, and authorises the Competition Board to regulate through communiques which M&A activities should be notified in order to gain legal validity. Merger Communiqué is the primary legal instrument in assessing merger matters in Turkey. The Merger Communiqué sets forth the types of mergers and acquisitions which are subject to the Competition Board’s review and approval.
The Merger Communiqué defines the scope of the notifiable transactions in Article 5/I of the Merger Communiqué as follows:

merger of two or more undertakings; acquisition or control by an entity or a person of another undertaking’s assets or a part or all of its shares or instruments granting it the management rights.

Under Article 5/II of the Merger Communiqué:

“Control can be constituted by rights, agreements or any other means which, either separately or jointly, de facto or de jure, confer the possibility of exercising decisive influence on an undertaking. These rights or agreements are instrument which confer decisive influence in particular by ownership or right to use all or part of the assets of an undertaking, or by rights or agreements which confer decisive influence on the composition or decisions of the organs of an undertaking.”

“Control shall be deemed acquired by persons or undertakings which are the holders of the rights, or entitled to the rights under the agreements concerned, or while not being the holders of the said rights or entitled to rights under such agreements, have de facto power to exercise these rights.”

Therefore, M&A activities resulting in a change of control may be subject to the approval of the Competition Board.

Article 7 of the Merger Communiqué sets new and only turnover based thresholds as follows;

if the total turnover of the parties to a concentration in Turkey exceeds TL 100 million and the respective turnovers of at least two of the parties individually exceed TL 30 million; or the worldwide turnover of one of the parties exceeds TL 500 million and the Turkish turnover of at least one of the other parties exceeds TL 5 million,

the merger transaction may be subject to the Competition Board's approval.

There is no specific deadline for filing for the approval but it should be made before the closing of the merger transaction. Under Article 10 of the Merger Communiqué, a merger transaction is deemed to be "realised" on the date when the change in control occurs.

Failure to notify when it is required will occur monetary fines, invalidity and termination of the merger transaction.

D.4 M&A Activities under Tax Regulations

M&A activities’ tax regulation has been implemented through the Law Regarding Amendments on Certain Laws and Decree-Laws which amended the Law on the Corporate Tax and other laws on various taxes. Under Amended Article 38 of the Law on the Corporate Tax, it is stated that following transactions shall have the force of law as the demerger or exchange of shares. Transfer of all assets, receivables and obligations over value in account of a capital company fully amenable, by means of dissolving without liquidation to a current or newly establishing two or more capital companies subject to full obligations of a legal taxpayer in consideration of granting of participation shares representing the capital of the transferee capital company to the partners of the predecessor company (Cash payment as much as of a part of %10 of the nominal value of the participation shares which will be granted to the partners of the predecessor company does not constitute an obstacle for the transaction to be deemed as a demerger.). Providing real assets and participation shares with the production facilities, service businesses and intangible rights in connection with these facilities and
businesses, raw materials, semi-manufactured and manufactured goods stated in the balance sheet of a capital company fully amenable to a current or newly establishing a capital company fully amenable, in order for such assets to be granted to the partners of the transferrer company over value in account, as a capital in kind in consideration of participation shares of the transferee company.

Acquisition of shares of a capital company by another capital company fully amenable by means of acquiring the management and the majority of the equity shares of such company in consideration of granting participation shares representing the capital of this capital company fully amenable to the partners of the company (Cash payment as much as of a part of %10 of the nominal value of the participation shares which will be granted to the partners of the predecessor company does not constitute an obstacle for the transaction to be deemed as a exchange of shares.). Regulatory accounts for the assets and obligations shall be transferred with the related asset or obligation account. Amended Article 39-A of the Law on the Corporate Tax states that in the transactions, if the following conditions are met, only the incomes of defunct companies will get taxed until the date of transfer; profits directly resulting from the merger does not get calculated and taxed.

1 - The defunct company and the merged company submit their transfer declaration which is jointly signed by those parties to the tax office that defunct company is subject to within fifteen days as of the date of the merger, and they also attach the balance sheet of transfer to such statement.

2 - The merged company undertakes to pay all the tax obligations payable and will be payable and fulfill all other obligations through a declaration statement in connection with the transfer declaration statement. accrued and discharged the institution shall pay the tax debts and fulfill other obligations connected with a declaration of transfer declaration is committed. The local authority on goods in this respect may also request collateral from the merged company.

Under Amended Article 39-B, it is specified that in the demergers realized according to Amended Article 38 (1), if following conditions are met, the incomes of the company that became annulled will be taxed only until the date of the demerger, the incomes directly arising from the demerger will not be calculated and taxed.

The divided company and the company/ies who acquired the assets of such company submit a declaration statement signed by them to the Tax Registry where divided company is subject to withing fifteen dayes as of the date of the demerger and to such statement, they also attach the written statement of Trade Registry Directorate which displays the balance sheet and income schedule of the date of the demerger, demerger contract and new capital structure of the companies who transferred the assets of the divided company.

The undertakings transferred the assets of the divided company undertake to be jointly and severally liable for the tax obligations accrued or will be accrued until the date of the demerger of the divided company and fulfill their obligations with a covenant in connection with the statement of demerger. Local Authority may request security from the divided company and the undertakings transferring the assets of the divided company on this matter.

Under Amended Article 39-C, it is stated that in the transfers and demergers taken place according to Article 39, in order for the incomes occuring until the date of transfer or demerger to be taxed, earnings calculated as of the date that the resolution of authorised board of company on the transfer or demerger is registered with the Trade Registry are declared with the corporate tax return to the tax office that the company becoming defunct is subject to within fifteen days as of the date such resolution is announced. Balance sheet of transfer or demerger and income table should be attached to corporate tax return. Under Article 29 of the Expenditure Taxes Law dated 13.07.1956 and numbered 6802, the earnings arising out of transactions of merger, transfer,
demerger, exchange of shares being done pursuant to provisions of the Law on the Corporate Tax are exempt from the taxes and duties of bank and insurance transactions tax. It should also be noted that the agreements on the merger, transfer and demergers are held exempt from the stamp tax according to Stamp Tax Code dated 1.7.1964 and numbered 488.

Appendix E  Foreign Direct Investment Law of Turkey

Law No. 4875                   Date of Endorsement: 05.06.2003

Purpose and Scope

Article 1 - This law is laid down with an attempt to stimulate foreign direct investments; to protect the rights of foreign investors; to define investment and investor in line with international standards; to transform the current screening and approval system into a notification based system for foreign direct investments; and thus to regulate the principles in order to increase foreign direct investments through established policies. This law comprises the treatments to be applied to foreign direct investments.

Definitions

Article 2 - The terms used in this act shall have the following meanings:

a) Foreign Investor:

1) Real persons residing abroad possessing foreign nationality and Turkish citizens residing abroad, and

2) Foreign legal entities established under the laws of foreign countries and international institutions, that effect foreign direct investments in Turkey,

b) Foreign Direct Investment:

- Capital in cash in the form of convertible currency purchased and sold by the Central Bank of Turkey,
- Stocks and bonds (other than Treasury bonds) and other forms of capital in kind participation in the companies,
- Machinery and equipment,
- Industrial and intellectual properties,

that are acquired from abroad, or;

i) Establishment of a new company or a branch office

ii) Participation in an already existing company either by acquisition of shares except through stock exchanges or by acquisitions of minimum 10% of shares or an equal proportion of voting rights through stock exchanges, by means of;

- Reinvested earnings, financial claims, or any other investment related rights of financial value; and
- Commercial rights for to the exploration and extraction of natural resources, that are acquired in Turkey, by foreign investors.

c) Undersecretariat: The Undersecretariat of Treasury.

Principles of Foreign Direct Investments

Article 3 –

a) Freedom to invest and national treatment:
Unless there are no international agreements or special legal provisions to the contrary;

1- International investors are free to make direct investments in Turkey

2- International and Turkish investors are subject to equal treatment.

b) Expropriation and Nationalization

Foreign direct investments in accordance with current legislation cannot be expropriated or nationalized except for a public propose upon prompt, adequate as well as effective compensation.

c) Transfers

Foreign investors may freely transfer profits, dividends, proceeds from the sale or liquidation of all or any part of an investment, proceeds derives from their commercial activities as well as payments under license, management agreement, technical assistance agreements and repayments of foreign credit principal and interest through banks and private finance institutions.

d) Acquisition of an immovable / property

Foreign investors may freely acquire of an immovable or have limited rights in rem through a legal entity incorporated under Turkish Law, that foreign investors may only acquire of an immovable where Turkish citizens have right to acquire of an immovable.

e) Settlement of disputes

For settlement of disputes arising from investment agreements subject to private law and disputes arising from exclusive public service provisions and concession agreements made between foreign investors and the Turkish State, in addition to authorized local courts, the parties to are entitled apply to national or international arbitration or other means of dispute settlement channels, provided that the conditions in the related regulations are fulfilled and the parties agree thereon.

f) Assessment of the value of capital in kind

The capital in kind is valued within the regulations of Turkish Commercial Law. However, the shares of companies residing abroad will be accepted as foreign capital share of foreign legal entities and the values determined by the courts of the home country, or other relevant authorities in the home country, or any other international credit rating agency’s valuations will be accepted while adding to Turkish company as capital in kind.

g) Employment of foreign personnel

Working permits for foreign personnel to be employed in companies, branch offices and organizations to be established within the scope of this Law will be granted by the Ministry of Labour and Social Security.

Other principles and procedures of particular feature that will specify which foreign investor companies and organizations are deemed to be within the scope of this application and the definitions of key foreign personnel to be employed and their working permits will be regularized by a directive to be jointly prepared by Undersecretariat of the Treasury and the Ministry of Labour and Social Security in accordance with the provisions of Article 23 of Law 4817 dated 27 February 2003 on Working Permits for Foreign Personnel.

Provisions stipulated in Article 14, paragraph 1, sub-paragraph (b) of Law 4817 will not be applicable to foreign personnel to be employed within this framework. The conditions under which the provisions stipulated in paragraph 1 of Article 13 of Law 4817 will be applied to key foreign personnel employed, will be specified in the directive to be prepared.

h) Liaison offices
The Undersecretariat may grant permission to foreign legal entities in order to open a liaison office in Turkey provided that they shall not engage in any other commercial activities.

**Determination of policies and information requests**

**Article 4 -**

Taking into account the development plans, annual programs, general economic status of the country, trends in international investments and the opinions of related public institutions and private sector professional organizations; the Undersecretariat is authorized to establish the general framework of policies relating to foreign direct investment, by taking into account general economic conditions, annual welfare programs, and its aims as well as tendencies occurring globally in international foreign direct investment. The consent of the Undersecretariat is necessary for any amendments to be made in the laws and regulations in force concerning foreign direct investments and for any legislative drafts thereto.

The Undersecretariat, aiming at establishing and developing an information system on foreign direct investments, is authorized to request statistical data related to investments from all public establishments and authorities and professional organizations of the private sector.

Foreign investors will submit the statistical data concerning their investments to the Undersecretariat, in accordance with the procedures and principles stipulated in the Directive to be prepared by the Undersecretariat. The subject data, except for statistical purposes cannot be used as any means of proof.

**Miscellaneous Provisions**

**Article 5 –**

a) Existing with foreign investor companies;

All companies established pursuant to the Law No: 6224 dated 18 Jan. 1954 shall be subject to this Law, reserving their granted rights.

b) Directive;

The application procedures of this Law will be regulated by a Directive to be prepared by the Undersecretariat within one month following the publication of this Law.

c) Repealed Provisions; Law for the Encouragement of Foreign Capital with No: 6224 dated 18 Jan. 1954 is repealed. Any references made to Law No: 6224 in the laws and regulations are considered as made to this Law.

d) "Amendments on the provisions of this Law are to be regularized only by adding provisions to this Law or by affecting revisions thereto".

Provisional Article 1 – The provisions of the decrees, communiqués and circulars, in effect, which are in conformity with this Law, shall remain to be in force until new regulations to regularize the implementation of this Law take effect.

**Effectivity**

**Article 6 –** This Law shall come into force on the date of its publication.

**Enforcement**

**Article 7 –** The provisions of this Law will be enforced by the Council of Ministers.

Source: Turkish Commercial Code under Article 146/1, 2012, published in the Official Gazette, Available at: <http://www.mondaq.com/turkey/x/421348/M+A/Private+equity/Mergers+And+Acquisitions+In+Turkey>
Appendix F  Research Procedures and Data Collection

F.1  General framework for the in-dept interviews

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<th>Standard Questions</th>
<th>General Information</th>
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<td>• No more than 15 open-ended questions</td>
<td>• The business sector</td>
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<tr>
<td>• Ask factual before opinion</td>
<td>• Company/Subsidiary age</td>
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<tr>
<td>• Use probes as needed</td>
<td>• Size</td>
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<tr>
<td></td>
<td>• Ownership structure</td>
</tr>
</tbody>
</table>

**Entry to Turkish Market**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• How and why the foreign investors choose to enter Turkish market? (Motives, process, problems etc.)</td>
</tr>
</tbody>
</table>

**Integration Performance**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Standardization process</td>
</tr>
<tr>
<td>• Any changes in informal communications and written reports</td>
</tr>
<tr>
<td>• Management team structure</td>
</tr>
<tr>
<td>• Foreign expatriates assigned for the Turkish market?</td>
</tr>
</tbody>
</table>

**Market Establishment**

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Headquarter-Subsidiary relationship</td>
</tr>
<tr>
<td>• Subsidiary’s level of functional autonomy</td>
</tr>
<tr>
<td>• Comparison of the cross-cultural business cultures (positives and negatives)</td>
</tr>
</tbody>
</table>
Dear Participant,

My name is Deniz Meric and I am a PhD student at Anglia Ruskin University-Cambridge (UK). For my research project, I am examining “FDI in Turkey: Do investing companies seek to integrate people and cultures?”

Because your company has acted as a foreign investor in Turkey, I am inviting you to participate in this research study by completing the attached e-survey. The e-survey will require approximately 5 minutes completing. It covers cultural difference related specific questions. There is no compensation for responding nor is there any known risk. Participants do not have to include their names. Copies of the project will be provided to my supervisory team.

If you choose to participate in this project, please answer all questions as honestly as possible and return the completed survey online. Participation is strictly voluntary and you may refuse to participate at any time.

Thank you for taking the time to assist me in my educational endeavours. The data collected will provide useful statistical information regarding how foreign investors integrate different business cultures in Turkey. Please inform me if you would like a copy of the results.

If you require additional information or have questions, please contact me at the number listed below.

Yours truly,

Deniz Meric (PhD Student)
Anglia Ruskin University- Cambridge
Lord Ashcroft International Business School
(+44) (0) 7870327936

Supervisory Team

Prof. Emanuele Giovannetti - Professor of Economics (emanuele.giovannetti@anglia.ac.uk)
Prof. Gary Packham- Deputy Dean (Research and Enterprise) (gary.packham@anglia.ac.uk)

Lord Ashcroft International Business School
Anglia Ruskin University
East Rd / Cambridge CB1 2PT / United Kingdom
(+44) (0)1223 698 2248
F.2.2 E-Survey in English

FDI (Foreign Direct Investment) in Turkey: Performance implications of cultural differences during integration period

Survey Topic: Cultural differences between business partners on work related norms, values and ethics

Answers marked with * are required

Participant Name (optional):

Name of the work place (Optional):

Your nationality:

Nationality of the business partner:

Communication

How would you rate (1 to 5) the communication between the foreign investors and the Turkish business partners?

Communication type

1 (Distant) 2 3 4 5 (Open) Reset

How would you rate (1 to 5) the relationship build-up period between the foreign and Turkish business partners?

Relationship build-up period

1 (Slow) 2 3 4 5 (Fast) Reset

How would you rate (1 to 5) your business partner’s need for background information in order to complete the task?

Need for background information

1 (Low) 2 3 4 5 (High) Reset
### Networking (Gathering enough information before decision making)

**How would you rate (1 to 5) your business partner’s networking approach before making decisions?**

<table>
<thead>
<tr>
<th></th>
<th>1 (Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (High)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information needed before decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reset</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Time Management

**How would you rate (1 to 5) your business partner’s attitudes regarding time concept?**

<table>
<thead>
<tr>
<th></th>
<th>1 (Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (High)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multitasking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concentration level during the task</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Following plans strictly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Persistence on time commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reset</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Information Flow

**How would you rate (1 to 5) the speed of the information sharing within the organization?**

<table>
<thead>
<tr>
<th></th>
<th>1 (Slow)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (Fast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The speed of information sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reset</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**How would you rate (1 to 5) the flow of the information within the organization?**

<table>
<thead>
<tr>
<th></th>
<th>1 (Controlled)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (Free)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The flow of information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reset</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Cultural Difference

**How would you rate (1 to 5) the “cultural difference” between the partners in...?**

<table>
<thead>
<tr>
<th></th>
<th>1 (Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (High)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reset</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Do you think cultural differences between the partners have affected the overall performance?**

- Yes
- Maybe
- No

**How has cultural distance affected the integration performance of this investment in Turkish market?**

- Positively
- Negatively
- No effects

<table>
<thead>
<tr>
<th></th>
<th>1 (Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (High)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reset</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

F-94
F.2.3 E-Survey in Turkish
# FDI (Foreign Direct Investment) in Turkey:

**Survey Topic:** Cultural differences between business partners on work related norms, values and ethics

<table>
<thead>
<tr>
<th>Katılımcının Adı Soyadı:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Firma Adı:</td>
<td></td>
</tr>
<tr>
<td>Yatırımcı Şirketi (tarih):</td>
<td></td>
</tr>
</tbody>
</table>

---

**İletişim (Communication)**

| Firmaizdaki yabancı yatırımcılar ile Türk çalışanların arasındaki mevcut iletişim istinafı konusundaki ilgili aydınlık derecesi (1 ile 5 arasında) puan verir misiniz? |
|---|---|---|---|---|---|
| İletişim tipi | 1(Uzak) | 2 | 3 | 4 | 5(Yağış) |
| Reset | | | | | |

| Firmaizdaki yabancı yatırımcılar ile Türk çalışanların arasındaki mevcut iletişim istinafı konusundaki ilgili aydınlık derecesi (1 ile 5 arasında) puan verir misiniz? |
|---|---|---|---|---|---|
| İlgili türm switch | 1(Uzak) | 2 | 3 | 4 | 5(Voltsa) |
| Reset | | | | | |

| Yakın ortaklarınından iş sürecindeki bilgi toplama eğilimini değerlendirdiğiniz, (1 ile 5 arasında) puan verir misiniz? |
|---|---|---|---|---|---|
| Karar vermeden önceki bilgi toplama sayesi | 1(Uzak) | 2 | 3 | 4 | 5(Voltsa) |
| Reset | | | | | |
### Öngörelime Faaliyet (Networking Activity)

#### Yabancı ortaklarınızın iş süreçindeki bilgi toplama eğilimini değerlendirir, (1 ile 5 arasında) puan verir misiniz?

<table>
<thead>
<tr>
<th>1 (Zayıf)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (Yüksek)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geni plan bilgi edrime eğilim</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Zaman Yönetimi (Time Management)

#### Yabancı ortaklarınızın zaman kavramıyla bağlantılı eğilimlerini değerlendirir, (1 ile 5 arasında) puan verir misiniz?

<table>
<thead>
<tr>
<th>1 (Zayıf)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (Yüksek)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aynı anda parıltılıografía</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>İşe odaklanma</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planlan tab bir seri değiş uygulama</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zaman sınırına ugrun iş görmeme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Bilgi Aşısı (Information Flow)

#### Organizasyon içindeki bilgi paylaşım hızını değerlendirir misiniz?

<table>
<thead>
<tr>
<th>1 (=yavaş)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (=hızlı)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilgi paylaşım hızı</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Organizasyon içindeki bilgi ağırm değerlendirir misiniz?

<table>
<thead>
<tr>
<th>1 (=açık)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (=sankab)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilgi ağırm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

F-97
Kültür farkları (Cultural Difference)

Yabancı Türk ortaklığında “kültür farkı” seviyesini aşağıdaki alanlarda değerlendirir misiniz?

<table>
<thead>
<tr>
<th>1(Ölçü)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5(Türk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>İş kültür</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ustalık Kültür</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Yabancı ve yabancı ortaklar arasındaki kültür farkı çıkartının “eğlence performansını” etkiledi mi?

- Evet
- Hayır

Yabancı ve yabancı ortaklar arasındaki kültür farkı çıkartının Türk piyasasına entegrasyon performansını nasıl etkiledi?

- Pozitif yönde etkili
- Negatif yönde etkili
- Etkisi olmadığı

Kültürel Değerler (Cultural Values)

Aşağıdaki kültürel değerlerden hangilerini yabancı ortaklarınızda gözlemlediniz?

- Doğruluk
- İlgizanlık
- Adil olmak
- Ciddiyet
- Bağlılık
- Dinlen
- Gürültüs
- Çalısınız
- Risk alma
- Teşvik
- Réstiten kızma
- Sakinlik
- Doğru olma
- Bağlılık

Aşağıdaki kültürel değerlerden hangilerinin “eksiği”ni yabancı ortaklarınızda gözlemlediniz?

- İlgizanlık
- Ciddiyet
- Risk alma
- Bağlılık
- Dinlen
- Gürültüs
- Çalısınız
- Réstiten kızma
- Sakinlik
- Doğru olma
- Bağlılık

FDI (Foreign Direct Investment) in Turkey:

Performance implications of cultural differences during integration period

Survey Topic: Cultural differences between business partners on work related norms, values and ethics

Aruba-AIBS
Cambridge CBI ITP
United Kingdom
www.anglia.ac.uk

DANİEL MERIC
PhD Student/ Part Time Lecturer (LAIIBS/ARU)
Supervisors:
Prof Emmanuele Giovannielli
Prof Gary Packham

deniz.meric@anglia.ac.uk

KATILINIZ İÇİN TEŞEKKÜRLER!
F.2.4  E-Survey Results

(i)  Distribution of the survey among the case companies

![E-Survey Distribution % by Case Companies](image)

- **JTI**: 4.4%
- **Expeditors**: 3.3%
- **Amylum**: 3.3%
- **PHILSA**: 2.2%
- **US AirForce**: 3.3%
- **Taze Sut**: 4.4%
- **IP**: 8.8%
- **FNSS**: 1.1%
- **DANONE**: 3.3%
- **TOFAS**: 5.5%
- **OHL**: 8.8%
- **Mercedes Benz Turk**: 38.5%
(ii) Overall results

### Communication

<table>
<thead>
<tr>
<th>Communication type</th>
<th>1 (=Distant)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (=Close)</th>
<th>Number of Respondents</th>
<th>Number of respondents who skipped this question</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2% (2)</td>
<td>4% (4)</td>
<td>22% (20)</td>
<td>39% (35)</td>
<td>31% (28)</td>
<td>89</td>
<td>2</td>
</tr>
</tbody>
</table>

### Relationship build-up period

<table>
<thead>
<tr>
<th>Relationship build-up period</th>
<th>1 (=Slow)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (=Fast)</th>
<th>Number of Respondents</th>
<th>Number of respondents who skipped this question</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2% (2)</td>
<td>12% (12)</td>
<td>23% (21)</td>
<td>34% (31)</td>
<td>25% (24)</td>
<td>90</td>
<td>1</td>
</tr>
</tbody>
</table>

### Need for background information

<table>
<thead>
<tr>
<th>Need for background information</th>
<th>1 (=Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (=High)</th>
<th>Number of Respondents</th>
<th>Number of respondents who skipped this question</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3% (3)</td>
<td>4% (4)</td>
<td>25% (23)</td>
<td>32% (30)</td>
<td>34% (31)</td>
<td>91</td>
<td>0</td>
</tr>
</tbody>
</table>
How would you rate (1 to 5) the relationship build-up period between the foreign and Turkish business partners?

How would you rate (1 to 5) your business partner’s need for background information in order to complete the tasks?
Networking (=Gathering enough information before decision making)

How would you rate (1 to 5) your business partner’s networking approach before making decisions?

<table>
<thead>
<tr>
<th>Information needed before decision making</th>
<th>1(Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5(High)</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2% (2)</td>
<td>5% (5)</td>
<td>28% (26)</td>
<td>38% (35)</td>
<td>25% (23)</td>
<td>91</td>
</tr>
</tbody>
</table>

Chart

Number of Respondents 91
Number of respondents who skipped this question 0

How would you rate (1 to 5) your business partner’s networking approach before making decisions?

![Bar chart showing Networking](chart)

Time Management

How would you rate (1 to 5) your business partner’s attitudes regarding time concept?

<table>
<thead>
<tr>
<th>How would you rate (1 to 5) your business partner’s attitudes regarding time concept?</th>
<th>1(Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5(High)</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multitasking</td>
<td>1% (1)</td>
<td>12% (11)</td>
<td>32% (28)</td>
<td>34% (30)</td>
<td>19% (17)</td>
<td>88</td>
</tr>
<tr>
<td>Concentration level during the task</td>
<td>0% (0)</td>
<td>2% (2)</td>
<td>25% (23)</td>
<td>38% (34)</td>
<td>32% (29)</td>
<td>89</td>
</tr>
<tr>
<td>Following plans strictly</td>
<td>2% (1)</td>
<td>5% (5)</td>
<td>22% (20)</td>
<td>30% (27)</td>
<td>40% (36)</td>
<td>90</td>
</tr>
<tr>
<td>Persistence on time commitments</td>
<td>2% (1)</td>
<td>3% (3)</td>
<td>23% (21)</td>
<td>35% (32)</td>
<td>35% (32)</td>
<td>90</td>
</tr>
</tbody>
</table>

Chart

Number of Respondents 91
Number of respondents who skipped this question 0
How would you rate (1 to 5) your business partner’s attitudes regarding time concept?

![Bar Chart]

Information Flow

How would you rate (1 to 5) the speed of the information sharing within the organization?

<table>
<thead>
<tr>
<th>Speed of Information Sharing</th>
<th>1 (slow)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (fast)</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>The speed information sharing</td>
<td>3% (3)</td>
<td>5% (5)</td>
<td>18% (16)</td>
<td>50% (44)</td>
<td>22% (20)</td>
<td>88</td>
</tr>
</tbody>
</table>

Number of respondents who skipped this question: 3

How would you rate (1 to 5) the flow of the information within the organization?

<table>
<thead>
<tr>
<th>Flow of Information</th>
<th>1 (controlled)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (freely)</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>The flow of information</td>
<td>10% (9)</td>
<td>21% (19)</td>
<td>23% (21)</td>
<td>33% (30)</td>
<td>11% (10)</td>
<td>89</td>
</tr>
</tbody>
</table>

Number of respondents who skipped this question: 2
How would you rate (1 to 5) the speed of the information sharing within the organization?

How would you rate (1 to 5) the flow of the information within the organization?
Cultural Difference

How would you rate (1 to 5) the "cultural difference" between the partners in..?

<table>
<thead>
<tr>
<th></th>
<th>1 (=Low)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (=High)</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Culture</td>
<td>3% (3)</td>
<td>7% (7)</td>
<td>21% (19)</td>
<td>40% (36)</td>
<td>26% (24)</td>
<td>89</td>
</tr>
<tr>
<td>National Culture</td>
<td>14% (13)</td>
<td>25% (22)</td>
<td>24% (21)</td>
<td>25% (22)</td>
<td>19% (9)</td>
<td>87</td>
</tr>
</tbody>
</table>

Do you think cultural differences between the partners have affected the overall performance?

<table>
<thead>
<tr>
<th></th>
<th>% of Respondents</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>30.77%</td>
<td>28</td>
</tr>
<tr>
<td>Maybe</td>
<td>23.08%</td>
<td>21</td>
</tr>
<tr>
<td>No</td>
<td>46.15%</td>
<td>42</td>
</tr>
</tbody>
</table>

How has cultural distance affected the integration performance of this investment in Turkish market?

<table>
<thead>
<tr>
<th></th>
<th>% of Respondents</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positively</td>
<td>37.08%</td>
<td>33</td>
</tr>
<tr>
<td>Negatively</td>
<td>16.85%</td>
<td>15</td>
</tr>
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How would you rate (1 to 5) the "cultural difference" between the partners in..?

[Bar chart showing the distribution of responses for Business Culture and National Culture]
Do you think cultural differences between the partners have affected the overall performance?

- Yes, 31%
- Maybe, 23%
- No, 46%

How has cultural distance affected the integration performance of this investment in Turkish market?

- Positively, 37%
- Negatively, 17%
- No effects, 46%
## Cultural Values

Which of these values would you associate with your business partners the most?

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(iv) Survey results by the country of origin
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F-113
### Prior Research to Investigate the Correlation between CD and Invested Affiliate Performance

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<th>Dependent Variable</th>
<th>Findings</th>
<th>Conclusion</th>
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<td>Hu &amp; Chen (1996)</td>
<td>JVVs</td>
<td>2442 joint ventures in China formed b/w 1979-1990. Range of industry segments.</td>
<td>China to: US, Europe, Japan, Hong Kong clusters</td>
<td>CD approximated using country of origin as dummy variable</td>
<td>% of Success</td>
<td>Chi Squared = 11.569 **</td>
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<td>Sim &amp; Ali (2000)</td>
<td>JVVs</td>
<td>59 private sector JVVs from both developed and NIE countries w/ &gt; 3 yrs operations in Bangladesh.</td>
<td>Bangladesh to: Asia and Europe clusters</td>
<td>Perceived CD measured by survey questionnaire on 9 items.</td>
<td>Longevity</td>
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<td>Moozini, Shane &amp; Singh (1998)</td>
<td>Cross-Border Acquisitions</td>
<td>52 firms that engaged in cross-border acquisitions in Italy between 1987 and 1992.</td>
<td>Italy to: 12 other countries</td>
<td>CD calculated with Hofstede data using Kogut &amp; Singh index.</td>
<td>Stability</td>
<td>- 0.15 *</td>
<td>Weak Relationship</td>
</tr>
<tr>
<td>Mycen &amp; Tallman (1997)</td>
<td>JVVs</td>
<td>102 JVVs established by 37 Norwegian MNEs. Range of industry segments.</td>
<td>Norway to: undisclosed other countries</td>
<td>Perceived CD measured by survey questionnaire on 7 items.</td>
<td>Performance</td>
<td>Not Significant</td>
<td>Independence of CD</td>
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<td>Sim &amp; Ali (1998)</td>
<td>JVVs</td>
<td>59 private sector JVVs from both developed and NIE countries w/ &gt; 3 yrs operations in Bangladesh.</td>
<td>Bangladesh to: Asia and Europe clusters</td>
<td>Perceived CD measured by survey questionnaire on 9 items.</td>
<td>Performance (aggregate of 8 items)</td>
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<td>Luo (1997)</td>
<td>JVVs</td>
<td>116 JVVs in China formed b/w 1988 and 1991.</td>
<td>China to: other countries</td>
<td>CD approximated using developed or developing country status as a dummy variable</td>
<td>Financial Performance</td>
<td>Not Significant</td>
<td>Independence of CD</td>
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<td>Barkeena &amp; Vermeulen (1997)</td>
<td>JVVs &amp; IWOs</td>
<td>828 foreign entries (226 JV &amp; 602 IWO) of 25 Dutch multinationals b/w 1966-1994.</td>
<td>Netherlands to: 73 other countries</td>
<td>CD calculated from Hofstede data in two ways: (1) Kogut &amp; Singh index, (2) Euclidian index. Also tests several hypotheses based on individual dimensions.</td>
<td>Survival Rate</td>
<td>- 0.08 **</td>
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<td>Lassore (1999)</td>
<td>Various partnerships</td>
<td>98 partnerships in 7 asian countries. All industry sectors.</td>
<td>US to: 7 Asian countries</td>
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<td>Western Manager Satisfaction</td>
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<td>Barbekan, Shenkar, Vermeulen &amp; Bell (1997)</td>
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<td>897 foreign expansions (244 JV) of 25 Dutch multinationals b/w 1966 and 1994.</td>
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**Notes:** Significance:

- Significant
- Very Significant
- Highly Significant
Appendix H  Hoftede’s Cultural Dimension Scores for Countries

Table H1: Hoftade’s (1980) cultural dimension scores for 101 countries

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Source: The scores were collected from the researcher’s official website: http://geert-hofstede.com/

Appendix I  Historic Stock Market Prices for the Case Companies

I.1  Historical Prices: BAE Systems PLC (BA.L)

BAE Systems PLC (BA.L) = Food Machinery Corp., or FMC, then United Defense, which in 2005 was acquired by BAE Systems. (Beta 1.18 for FMC)

Source: https://uk.finance.yahoo.com/
I.2 Historıcal Prices: Danone (BN.PA)

1 Mart 1997'de Hacı Ömer Sabancı Holding ile yüzde 50 - 50 ortaklık yaparak Türk pazarına giren Fransız Danone'nin (no historical data) (Danone’s acquisition of Sabancı Holdings’ shares in Dec 2003)

Source: https://uk.finance.yahoo.com/
I.3 Historical Prices: British American Tobacco PLC (BATS.L)

BAT’s acquisition of TEKEL on 23 Feb 2008

Source: https://uk.finance.yahoo.com/
## British American Tobacco PLC (BATS.L) - LSE

### Historical Prices

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*Close price adjusted for dividends and splits.

Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)

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## FTSE 100 (^FTSE)

### Historical Prices

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*Close price adjusted for dividends and splits.

Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)
I.4  Historical Prices: Faurecia S.A. (EO.PA)

Faurecia entry period to Turkey ~ 2000

Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)

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Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)

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Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)
I.5   Historical Prices: OHL~ Obrascon Huerte Lain (OHL. MC)

(OHL’s entry period ~ 2000)

Source: https://uk.finance.yahoo.com/

Source: https://uk.finance.yahoo.com/
## I.6 Historical Prices: Expeditors International of Washington Inc. (EXPD)

**Expeditors entry period to Turkey ~ 2003**

### Expeditors International of Washington Inc. (EXPD) - NasdaqGS

**Historical Prices**

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Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)

### NASDAQ Composite (^IXIC) - Nasdaq GS

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*Close price adjusted for dividends and splits*

Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)
I.7 Historical Prices: Amylum N.' partner ADM

ADM's entry period to Turkey~ 1989

Source: https://uk.finance.yahoo.com/

Archer-Daniels-Midland Company (ADM) -NYSE: ADM's entry period to Turkey~ 1989  (Beta = 0.71)
Amylum Nisasta was established in 1989. We began producing starch and glucose syrup in 1992. In 1994 we joined Eaststarch (a joint venture between the Amylum Group (at that time a part-owned subsidiary of Tate & Lyle PLC) and Archer Daniels Midland Company (ADM)). In 2000, Tate & Lyle acquired full ownership of the Amylum Group, so today we are under the joint ownership of Tate & Lyle and ADM.

Source: https://uk.finance.yahoo.com/
### FTSE 100 (*FTSE*) - FTSE Watchlist

**6,833.46 + 23.96 (0.35%)** Apr 2

**Historical Prices**

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Get Prices

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Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)

### Tate & Lyle plc (*TATE.L*) - LSE Watchlist

**626.00 + 18.00 (2.96%)** Apr 2, 11:35AM EDT

**Historical Prices**

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Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)
I.8 Historical Prices: International Paper Company (IP)
(IP’s acquisition of its partner OLMUKSA in Jan 2013)
(IP's entry period ~ 1998)

Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)

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<td>46.82</td>
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Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)
### NYSE COMPOSITE (DJ) (NYA) - NYSE

**11,062.79 ➔ 19.31 (0.17%)** 27 Feb 22:48

#### Historical Prices

**Set Date Range**

- **Start Date:** 02 Jan 1998
- **End Date:** 02 Dec 1998

**Prices**

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*Close price adjusted for dividends and splits.*

Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)

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### International Paper Company (IP) - NYSE

**54.31 ➔ 0.36 (0.66%)** 6 Apr 21:07 | After Hours: 54.37 ➔ 0.06 (0.10%) 21:10

#### Historical Prices

**Set Date Range**

- **Start Date:** 2 Jan 2010
- **End Date:** 2 Dec 2010

**Prices**

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Source: [https://uk.finance.yahoo.com/](https://uk.finance.yahoo.com/)
I.9 Historical Prices: HSBC Holdings PLC (HSBA.L)

HSBC Bank's acquisition of DEMIRBANK on 30 Oct 2001

Source: https://uk.finance.yahoo.com/
I.10 Stock market-based financial performance indicators for investing multinationals

**Figure I.1** Stock market-based financial performance indicators for investing multinational BAT

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*Close price adjusted for dividends and splits*

Source: Historical stock market values have been gathered from Yahoo Finance (https://uk.finance.yahoo.com/)

**Figure I.2** Stock market-based financial performance indicators for investing multinational HSBC Holding

Source: Historical stock market values have been gathered from Yahoo Finance (https://uk.finance.yahoo.com/)
Figure I.3 Stock market-based financial performance indicators for FNSS’ foreign investor FMC Corporation

Source: Historical stock market values have been gathered from Yahoo Finance (https://uk.finance.yahoo.com/)

Figure I.4 Stock market-based financial performance indicators for investing International Paper

Source: Historical stock market values have been gathered from Yahoo Finance (https://uk.finance.yahoo.com/)
Figure I.5 Stock market-based financial performance indicators for investing multinational Expeditors

Source: Historical stock market values have been gathered from Yahoo Finance (https://uk.finance.yahoo.com/)
Figure I.6 Stock market-based financial performance indicators for investing ADM and Tate & Lyle

Figure I.7 Stock market-based financial performance indicators for investing multinational Faurecia
Figure I.8 Stock market-based financial performance indicators for investing multinational Danone Groupe

Appendix J National Culture Comparisons

J.1 USA versus Turkey
**Power Distance:** Within American organizations, hierarchy is established for convenience, superiors are always accessible and managers rely on individual employees and teams for their expertise. Both managers and employees expect to be consulted and information is shared frequently. At the same time, communication is informal, direct and participative.

**Individualism:** The United States is a highly individualistic culture. Americans are not shy about approaching their prospective counterparts in order to obtain or seek information. In the business world, employees are expected to be self-reliant and display initiative. Also, within the exchange-based world of work, hiring and promotion decisions are based on merit or evidence of what one has done or can do.

**Masculinity:** The United States is considered a “masculine” society. Americans tend to display and talk freely about their “successes” and achievements in life. Typically, Americans “live to work” so that they can earn monetary rewards and attain higher status based on how good one can be. Conflicts are resolved at the individual level and the goal is to win.

**Uncertainty Avoidance:** American society is what one would describe as “uncertainty accepting.” Consequently, there is a larger degree of acceptance for new ideas, innovative products and a willingness to try something new or different, whether it pertains to technology, business practices, or foodstuffs. Americans tend to be more tolerant of ideas or opinions from anyone and allow the freedom of expression. At the same time, Americans do not require a lot of rules and are less emotionally expressive than higher-scoring cultures.

**J.2 Belgium versus Turkey**

![Belgium versus Turkey chart]

Source: [http://www.geert-hofstede.com](http://www.geert-hofstede.com)

**Power Distance:** Belgium is a society in which inequalities are accepted. Hierarchy is needed if not existential; the superiors may have privileges and are often inaccessible. The power is centralized in Belgium. The way information is controlled is even associated with power, therefore unequally distributed. Power is centralized and managers rely on their bosses and on rules.

**Individualism:** Belgians favour individual and private opinions. In the work environment, the relationship with work is contract-based, the focus is on the task and autonomy is favoured. This combination (high score on power distance and high score on Individualism) creates a specific “tension” in this culture, which makes the relationship so delicate but intense and fruitful once you manage it.

**Masculinity:** A confrontational, win-lose negotiating style is not very effective in Belgium. This could mean that the decision process may be slower, as each point of view is considered so that consensus can be achieved. Belgians strive towards reaching a compromise, winning a discussion is generally less important than achieving mutual agreement.
**Uncertainty Avoidance**: Certainty is often reached through academic work and concepts that can respond for the need of detail, context, and background. In management structure, rules and security are welcome and if lacking, it creates stress. Therefore planning is favoured, some level of expertise welcome, when change policies on the other hand are considered stressful.

### J.3 UK versus Turkey

![Image](http://www.geert-hofstede.com)

**Source**: http://www.geert-hofstede.com

**Power Distance**: Britain sits in the lower rankings of PDI, it can be presumed that British society believes inequalities amongst people should be minimized. The PDI score at first seems incongruent with the well established and historical British class system and its exposes one of the inherent tensions in the British culture. A sense of fair play drives a belief that people should be treated in some way as equals.

**Individualism**: The British are a highly individualistic and private people and the route to happiness is through personal fulfilment.

**Masculinity**: Britain is a masculine society, highly success oriented and driven. A key point of confusion for the foreigner lies in the apparent contradiction between the British culture of modesty and understatement which is at odds with the underlying success driven value system in the culture.

**Uncertainty Avoidance**: The British are comfortable in ambiguous situations. There are generally not too many rules in British society, but those that are there are adhered to. In work terms this results in planning that is not detail oriented – the end goal will be clear (due to high MAS) but the detail of how we get there will be light and the actual process fluid and flexible to emerging and changing environment. Planning horizons will also be shorter. Most importantly the combination of a highly individualistic and curious nation is a high level of creativity and strong need for innovation.

### J.4 France versus Turkey

![Image](http://www.geert-hofstede.com)

**Source**: http://www.geert-hofstede.com
Power Distance: France is a society in which inequalities are accepted. Hierarchy is needed if not existential; the superiors may have privileges and are often inaccessible. The power is highly centralized in France, as well as Paris centralizes administrations, transports etc. In management, the attitude towards managers is more formal, the information flow is hierarchical. The way information is controlled is even associated with power, therefore unequally distributed.

Individualism: In the work environment, the relationship with work is contract based, the focus is on the task and autonomy is favoured. The communication is direct and everyone is allowed to speak up, voice out their opinions even more if they do not agree. The management is the management of individuals and the recognition of one’s work is expected.

Masculinity: France is a relatively Feminine country. With its famous welfare system (securité sociale), their 35 working hours/week and 5 weeks holidays per year, France cares for its quality of life and focuses more on work in order to live than the reverse. Competition amongst work colleagues is usually not favoured as feminine societies have more sympathy for the underdog. The management should be supportive and dialogue should help resolve conflicts.

Uncertainty Avoidance: Certainty is often reached through academic work and concepts that can respond for the need of detail, context, and background. Teachings and trainings are more deductive. In management structure, rules and security are welcome and if lacking, it creates stress. Therefore planning is favoured, some level of expertise welcome, when change policies on the other hand are considered stressful.

J.5 Germany versus Turkey

Source: http://www.geert-hofstede.com

Power Distance: Germany is not surprisingly among the lower power distant countries (score 35). Co-determination rights are comparatively extensive and have to be taken into account by the management. A direct and participative communication and meeting style is common, control is disliked and leadership is challenged to show expertise and best accepted when it’s based on it.

Individualism: The German society is a truly individualistic culture. There is a strong belief in the ideal of self-actualization. Loyalty is based on personal preferences for people as well as a sense of duty and responsibility. This is defined by the contract between the employer and the employee. Communication is among the most direct in the world following the ideal to be “honest, even if it hurts” – and by this giving the counterpart a fair chance to learn from mistakes.

Masculinity: Germany is considered a masculine society. Performance is highly valued and early required as the school system separates children into different types of schools at the age of ten. People rather “live in order to work” and draw a lot of self-esteem from their tasks. Managers are expected to be decisive and assertive. Status is often shown, especially by cars, watches and technical devices.
Uncertainty Avoidance: Germany is among the uncertainty avoidant countries. In line with the philosophical heritage of Kant, Hegel and Fichte there is a strong preference for deductive rather than inductive approaches, be it in thinking, presenting or planning: the systematic overview has to be given in order to proceed. This is also reflected by the law system. Details are equally important to create certainty that a certain topic or project is well-thought-out. In combination with their low Power Distance, where the certainty for own decisions is not covered by the larger responsibility of the boss, Germans prefer to compensate for their higher uncertainty by strongly relying on expertise.

J.6 Italy versus Turkey

Source: [http://www.geert-hofstede.com](http://www.geert-hofstede.com)

**Power Distance:** Italy sits in the medium rankings of PDI – i.e. a society that believes that hierarchy should be respected and inequalities amongst people are acceptable. The different distribution of power justifies the fact that power holders have more benefits than the less powerful in society. In Italian companies it is normal for a high level manager to have special benefits that his subordinates have not, i.e. a reserved parking place for his car or a larger office and a personal secretary or even a canteen only for the top managers and their guests.

**Individualism:** Italy is an Individualistic culture, “me” centred, especially in the big and rich cities of the North where people can feel alone even in the middle of a big and busy crowd. So family and friends becomes an important antidote to this feeling; but the word “friend” should not be misinterpreted because in business it has a slightly different meaning: someone that you know and can be useful for introducing you to the important or powerful people. For Italians having their own personal ideas and objectives in life is very motivating and the route to happiness is through personal fulfilment. This dimension does vary in Southern Italy where less individualistic behaviour can be observed.

**Masculinity:** Italy is a masculine society – highly success oriented and driven. Children are taught from an early age that competition is good and to be a winner is important in one’s life. As the working environment is the place where every Italian can reach his/her success, competition among colleagues for making a career can be very strong.

**Uncertainty Avoidance:** Italy has a high score on uncertainty avoidance which means that as a nation Italians are not comfortable in ambiguous situations. In work terms high uncertainty avoidance results in large amounts of detailed planning. The low uncertainty avoidance approach (where the planning process can be flexible to changing environment) can be very stressful for Italians. In Italy the combination of high masculinity and high uncertainty avoidance makes life very difficult and stressful. Due to their high score in this dimension Italians are very passionate people.
Power Distance: Japanese are always conscious of their hierarchical position in any social setting and act accordingly. However, it is not as hierarchical as most of the other Asian cultures. Some foreigners experience Japan as extremely hierarchical because of their business experience of painstakingly slow decision making process: all the decisions must be confirmed by each hierarchical layer and finally by the top management in Tokyo. Paradoxically, the exact example of their slow decision making process shows that in Japanese society there is no one top guy who can take decision like in more hierarchical societies.

Individualism: Certainly Japanese society shows many of the characteristics of a collectivistic society: such as putting harmony of group above the expression of individual opinions and people have a strong sense of shame for losing face. Japan has been a paternalistic society and the family name and asset was inherited from father to the eldest son. One seemingly paradoxal example is that Japanese are famous for their loyalty to their companies; however, company loyalty is something which people have chosen for themselves, which is an individualistic thing to do.

Masculinity: Japan is one of the most masculine societies in the world. However, in combination with their mild collectivism, you do not see assertive and competitive individual behaviours which we often associate with masculine culture. In corporate Japan, you see that employees are most motivated when they are fighting in a winning team against their competitors. What you also see as an expression of masculinity in Japan is the drive for excellence and perfection in their material production (monodukur). Notorious Japanese workaholism is another expression of their masculinity.

Uncertainty Avoidance: Japan is one of the most uncertainty avoiding countries on earth. This is often attributed to the fact that Japan is constantly threatened by natural. Under these circumstances Japanese learned to prepare themselves for any uncertain situation. This goes not only for the emergency plan and precautions for sudden natural disasters but also for every other aspects of society. You could say that in Japan anything you do is prescribed for maximum predictability. In corporate Japan, a lot of time and effort is put into feasibility studies and all the risk factors must be worked out before any project can start. Managers ask for all the detailed facts and figures before taking any decision.
J.8 Spain versus Turkey

Source: [http://www.geert-hofstede.com](http://www.geert-hofstede.com)

**Power Distance:** Spain’s score on this dimension (57) reflects that hierarchical distance is accepted and those holding the most powerful positions are admitted to have privileges for their position. Management controls, i.e. the boss requires information from his subordinates and these expect their boss to control them. A lack of interest towards a subordinate would mean this one is not relevant in the Organization. At the same time, this would make the employee feel unmotivated. Negative feedback is very distressed so for the employee it is more than difficult to provide his boss with negative information. The boss needs to be conscious of this difficulty and search for little signals in order to discover the real problems and avoid becoming relevant.

**Individualism:** Spain, in comparison with the rest of the European countries (except for Portugal) is Collectivist. However, compared with other areas of the world it is seen as clearly individualist. This has made Spaniards quite easy to relate with certain cultures -mainly non European- whereas other cultures can be perceived as aggressive and blunt. On the other hand, teamwork is considered as something totally natural, employees tend to work in this way with no need for strong motivation from management.

**Masculinity:** Spain scores 42 on this dimension and is a country where the key word is consensus. So polarization is not well considered or excessive competitiveness appreciated. Spanish children are educated in search of harmony, refusing to take sides or standing out. There is a concern for weak or needy people that generate a natural current of sympathy. Regarding management, managers like to consult their subordinates to know their opinions and, according to it, make their decisions. In politics, it is desirable to have participation of all the minorities, trying to avoid the dominant presence of just one winning party. It is the country opposite to ‘the winner takes it all’.

**Uncertainty Avoidance:** Spain is considered the second noisiest country in the world. People like to have rules for everything, changes cause stress, but, at the same time, they are obliged to avoid rules and laws that, in fact, make life more complex. Confrontation is avoided as it causes great stress and scales up to the personal level very quickly. There is great concern for changing, ambiguous and undefined situations.

J.9 Israel versus Turkey
**Power Distance:** Israel is at the very low end of this dimension compared to other countries. With an egalitarian mindset the Israelis believe in independency, equal rights, accessible superiors and that management facilitates and empowers. Power is decentralized and managers count on the experience of their team members. Respect among the Israelis is something which you earn by proving your hands-on expertise. Workplaces have an informal atmosphere with direct and involving communication and on a first name basis. Employees expect to be consulted.

**Individualism:** The Israeli society is a blend of individualistic and collectivistic cultures (54). There is a strong belief in the ideal of self-actualization. Loyalty is based on personal preferences for people as well as a sense of duty and responsibility. Communication is direct and expressive.

**Masculinity:** Israel is neither a clear masculine nor feminine society. Some elements point at more masculine features. Performance is highly valued. Managers are expected to be decisive and assertive. Status is often shown, especially by cars, watches and technical devices.

**Uncertainty Avoidance:** Israel is among the stronger uncertainty avoidant countries. In these cultures there is an emotional need for rules (even if the rules never seem to work), time is money, people have an inner urge to be busy and work hard, precision and punctuality are the norm, security is an important element in individual motivation.

**J.10 **Hofstede's Cultural Dimension Scores for Turkey**

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Source: [http://www.geert-hofstede.com](http://www.geert-hofstede.com)

(a) Power Distance
Power distance dimension indicates uneven distribution of power within an organization. High PDI score means, managers decisions are to be done without questioning them, therefore managers represent absolute power. Countries with a strong level of socio-economic welfare, low PDI and individualism scores are commonly observed.

In Turkish society, the freedom to express opinion to the managers is not given easily, authoritarian management style is widely accepted which brings hierarchical structure in
organisations. When the power is not distributed evenly as it’s observed in developing countries, individuals tend to act more collectivist way. Whereas in developed countries there is a strong feeling of individualism among the middle class in which individuals have same level of welfare.

(b) Individualism
It looks at individuals prioritizing their needs over society needs or the other way around. There is a correlation between high level of socio-economic wealth and individualism. Anatolian customs and traditions and the Islamic faith builds a foundation to collectivist behaviour, the demands from modern world and globalisation motivates people to act more individual way particularly in business environments. In Turkish political and business world, it is expected from the leaders to focus on results rather than process and to reach a solution immediately with capacity to know all the process in great detail.

(c) Masculinity
Masculinity means putting oneself upfront, performing, succeeding, money making whereas Femininity means staying at background, valuing human relations more than money, protecting environment, not showing off etc. Turkish women are seen in top managerial positions in law and management field 8%; professional and technical field 31%. In that respect Turkish culture seems masculine (e.g. small number of female MPs in the national parliament) but in fact it shows the characteristics of feminine culture. This can be related to the change in Turkish Business culture. Feminine business culture requires modernism meaning working together peacefully with ease in the society, making foundations for creativity and innovation. On the international platform, Turkish enterprises show the signs of success with innovative and entrepreneurial management style.

(d) Uncertainty Avoidance
UAI as a dimension indicates the society’s tolerance towards uncertainty. In case of uncertainty individuals show certain feelings and behaviours such as being nervous and aggressive or being relaxed and calm. By all means, some cultural and religious values may well increase stress levels. In Turkish society uncertainty avoidance level is quite high. Uncertain and risky situations create stress and because people prefer to feel safe and secure; they tend to avoid accepting their own fault and the blame culture becomes quite common. In Turkey educated young people are still seeking a career in public sector can be explain as normal behaviour regarding uncertainty avoidance.
## Appendix K  
**Key Financial Ratios for the Case Companies**

### K.1  
**Key Ratios for FNSS’s BAE Systems PLC**

#### Consolidated data

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K-145
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![Image of Key Ratios Table]

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![Image of Key Ratios Table for another year]
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Key Ratios for FAURECIA AUTOMOTOVE HOLDING

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K-147
K.6 Key Ratios for JTl's Japan Tobacco

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### Key Ratios for ALARKO-OHL

#### ALARCKO HOLDING A.S.

34347 ORTAKÖY (TURKEY)

Publicly quoted company

This company is the GUO of the Corporate Group

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**Key ratios**

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**EXPEDITORS INTERNATIONAL OF WASHINGTON INC**

Publicly quoted company
This company is the GUO of the Corporate Group

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**EXPEDITORS INTERNATIONAL OF WASHINGTON INC**

Publicly quoted company
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### ARCHER-DANIELS-MIDLAND COMPANY

60601 CHICAGO (UNITED STATES of AMERICA)

Publicly quoted company

This company is the GSD of the Corporate Group

**ReD ID number**

**Status**

US010129150

Active

### Key ratios

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**Key Ratios for OLMUKSAN INTERNATIONAL PAPER**

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<td>84.08</td>
<td>81.31</td>
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<tr>
<td>Price Earning Ratio</td>
<td>39.70</td>
<td>6.34</td>
<td>6.65</td>
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**Key Ratios**

Click on the items label or financial values to access their definition and calculation.

**Consolidated data**

<table>
<thead>
<tr>
<th>Key Ratios</th>
<th>Cons 31/12/2014</th>
<th>Cons 31/12/2013</th>
<th>Cons 31/12/2012</th>
<th>Cons 31/12/2011</th>
<th>Cons 31/12/2010</th>
<th>Cons 31/12/2009</th>
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<tbody>
<tr>
<td>Return on Shareholders Funds (%)</td>
<td>17.05</td>
<td>15.15</td>
<td>15.34</td>
<td>21.94</td>
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<td>19.91</td>
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<td>Profit Margin (%)</td>
<td>3.69</td>
<td>5.33</td>
<td>4.43</td>
<td>5.40</td>
<td>3.28</td>
<td>8.13</td>
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<tr>
<td>Return on Total Assets (%)</td>
<td>3.04</td>
<td>3.89</td>
<td>3.01</td>
<td>3.40</td>
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<td>Current Ratio</td>
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<td>1.76</td>
<td>1.78</td>
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<td>Solvency Ratio (%)</td>
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<td>25.71</td>
<td>19.61</td>
<td>24.59</td>
<td>26.94</td>
<td>22.58</td>
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<tr>
<td>Price Earning Ratio</td>
<td>40.80</td>
<td>15.59</td>
<td>22.04</td>
<td>9.79</td>
<td>17.24</td>
<td>17.49</td>
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</table>
**K.12  Key Ratios for HSBC BANK**

### HSBC HOLDINGS PLC

EL14 SHQ LONDON (UNITED KINGDOM)
Publicly quoted company
This company is the GUSD of the Corporate Group

#### Key ratios

Click on the items label to access their definition. Click on the items value to access the Original document.

<table>
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<tr>
<th>Item</th>
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<th>Cons 31/12/2013 USd</th>
<th>Cons 31/12/2012 USd</th>
<th>Cons 31/12/2011 USd</th>
<th>Cons 31/12/2010 USd</th>
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<tr>
<td>Return on Shareholders Funds (%)</td>
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<td>6.31</td>
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K.13 Key Ratios for PHILIP MORRIS INTERNATIONAL
K.14  Accounting-based financial performance indicators for investing for the case companies

Figure K.14.1 Accounting-based financial performance indicators for investing FMC Corp. and BAE Systems

Source: The key financial ratios based on historical financial data were gathered from Osiris database (http://www.bvdinfo.com)
Figure K.14.2 Accounting-based financial performance indicators for investing multinational Danone Groupe

![Danone Key Ratios](chart)

Source: The key financial ratios based on historical financial data were gathered from Osiris database [http://www.bvdinfo.com](http://www.bvdinfo.com)

Figure K.14.3 Accounting-based financial performance indicators for investing multinational FIAT Chrysler

![FIAT Chrysler Key Ratios](chart)

Source: The key financial ratios based on historical financial data were gathered from Osiris database [http://www.bvdinfo.com](http://www.bvdinfo.com)

Figure K.14.4 Accounting-based financial performance indicators for investing multinational Olmuksa IP
Figure K.14.5 Accounting-based financial performance indicators for investing multinational Phillip Morris Int.

Source: The key financial ratios based on historical financial data were gathered from Osiris database (http://www.bvdinfo.com)
Accounting-based performance

Figure K.14.6 Accounting-based financial performance indicators for investing multinational Daimler AG

Figure K.14.7 Accounting-based financial performance indicators for investing multinational Tate & Lyle and ADM
Source: The key financial ratios based on historical financial data were gathered from Osiris database (http://www.bvdinfo.com)

Figure K.14.8 Accounting-based financial performance indicators for investing multinational Expeditors
Figure K.14.9 Accounting-based financial performance indicators for investing multinational Japan Tobacco

Figure K.14.10 Accounting-based financial performance indicators for investing multinational Faurecia

Source: The key financial ratios based on historical financial data were gathered from Osiris database (http://www.bvdinfo.com)
Accounting-based performance

**Key Financial Ratios for Faurecia**

Source: The key financial ratios based on historical financial data were gathered from Osiris database (http://www.bvdinfo.com)

Figure K.14.10 Accounting-based financial performance indicators for investing multinational HSBC Holding

Accounting-based performance

**HSBC Holding Key Ratios**

Source: The key financial ratios based on historical financial data were gathered from Osiris database (http://www.bvdinfo.com)

Figure K.14.11 Accounting-based financial performance indicators for investing multinational BAT

Accounting-based performance

**BAT Key Ratios**

Source: The key financial ratios based on historical financial data were gathered from Osiris database (http://www.bvdinfo.com)