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THE EVOLUTION OF MULTINATIONAL COMPANIES: TURKEY IN PERSPECTIVE

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Danışman

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Yüksek Lisans Tezi olarak sunduğum " THE EVOLUTION OF MULTINATIONAL COMPANIES:TURKEY IN PERSPECTIVE " adlı çalışmanın, tarafımdan, bilimsel ahlak ve geleneklere aykırı düşecek bir yardıma başvurmaksızın yazıldığını ve yararlandığım eserlerin kaynakçada gösterilenlerden oluştuğunu, bunlara atıf yapılarak yararlanılmış olduğunu belirtir ve bunu onurumla doğrularım.

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ÖZET

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DÜNYADA ÇOKULUSLU ŞIRKETLERIN EVRIMI VE TÜRKIYE BAKIS AÇISI

Gültekin Selçuk YILDIRAN

Dokuz Eylül Üniversitesi
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İngilizce İşletme Anabilim Dalı
İngilizce İşletme Yüksek Lisans Programı

Çokuluslu Şirketler globalizasyon sürecini etkin bir şekilde kullanarak günümüz ekonomik dünyasının en önemli aktörlerinden biri olmuşlardır. Yalnız ikinci dünya savaşı sonrasında yeniden oluşturulan dünya düzeninde değil, milattan önce 2500 yılından beri dünya ekonomisinde önemli etkileri olan Çokuluslu şirketlerin sınırların kalktığı, her kaynağa her yerden rahatlıkla ulaşılabildiği bu günlerde tam olarak ne şekilde diğer şirketlerden ayrılabilmelerine yada çokuluslu olarak net bir şekilde sınıflandırılmalarına yönelik olarak literatürde genel olarak kabul görmüş bir ölçüm veya değerlendirme yöntemi mevcut değildir. Bu şekilde sınıflandırmaya yönelik olarak net bir ayrım yapılamaması şirket yapılarının değerlendirilmelerinde karışıklığa yol açmaktadır. Günümüz dünyasında hangi şirketin tam olarak çokuluslu, uluslararası veya global şirket olduğunu söyleyebilmek akademik olarak mümkün değildir.

Şirketlerin çokuluslululuklarının ölçülebilmesi ve değerlendirilebilmeleri maksadıyla öncelikle çokuluslu şirketlerin teorik altyapıları ve tarihsel gelişmeleri konusunda araştırma yapılmış ve elde edilen bilgilere istinaden performans değerlendirilmesi, finansal politika, şirket yapısı, faaliyet tarzı, yeni ürün geliştirme politikası, araştırma ve geliştirme lokasyon odaklanması ile üretim kaynaklandırılması boyutlarıyla bir ölçüm yöntemi geliştirilmeye

çalışılmış olup, bu yönteme istinaden Türkiye'de bulunan ve İstanbul Sanayi Odası tarafından belirlenen 500 sanayi kuruluşuna anket gönderilerek yanıt gönderenlere ölçüm yapılmış ve Türkiye'de genel merkezi konuşlu olan çokuluslu şirket bulunduğu değerlendirilmiştir.

Anahtar Kelimeler: Çokulusluluk, Çokuluslu Şirketler, Uluslararası Ekonomi

ABSTRACT

Master Thesis

The Evolution of Multinational Companies in the World:Turkey in Perspective

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Multinational Companies, which have used the globalization effectively, have become one of the most important actors in today's world economy. Not only they have important impacts on the new world system, which has been started to be established in the post world war II, but also they have had important impact on the world economy since 2500 BC. There is not a generally accepted scale or measurement method, which differentiate and classify separately multinational companies from the other companies in the literature. Being unable to make a clear classification of the companies according to their multinational characteristics provides confusion and obstacles to evaluate performance of the companies. It is academically impossible to cluster and categorize companies as multinational, international or global companies in the present world.

In order to measure and evaluate the multinationality of the companies, theoretical and historical backgrounds of multinational companies were emphasized then according to the informations, a measurement method was tried to be established by creating a scale which includes 7 dimensions such as score keeping, financial policy, manufacturing sourcing, new product development policy, structure, operating style and research and development location focus. By using this scale, a questionnaire was created and sent to

500 companies, whose headquarters are situated in Turkey, and also were determined by Istanbul Chamber of Industry. According to analysis of the respondents, it is considered that there are multinational companies whose headquarters are situated in Turkey.

Key Words:Multinationality, Multinational Companies, International Economy.

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ABBREVATIONS

MNC	Multinational Company
MNE	Multinational Enterprise
R&D	Research and Development
US	United States of America
UK	United Kingdom

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INTRODUCTION

This thesis "The evolution of multinational companies in the world: Turkey in Perspective" is analyzed because there is not a general scale and measurement for the multinationality of companies in the literature. Although there are many resources which evaluate the multionational companies, socially, historically and economically, to call a company as multinational is not clearly defined. The main argument of this thesis is dimensions such as score keeping, financial policy, manufacturing sourcing, new product development policy, structure, operating style, R&D location focus, focus, vision, orientation, strategy, marketing strategy, human resources policy, communications, behavior, investment policies and preferred form of partnership are considered as useful to create a scale for measuring the multinationality of the companies. In this thesis this measurement was tried to be created by selecting 7 of them. By using these dimensions, a questionnaire was made to get data for measuring the multinationality of companies.

a. The aim of the study:

This thesis aims to investigate if there is a multinational company in Turkey or not and why? As it is known that Turkey started its economical plan in the same time with South Korea, South Korean economy has showed more successful progress than Turkey. This situation is also the same for the business groups in both countries.

b. The limits of the study:

A scale for measurement of the multinationality of the companies is needed to investigate that if there is a multinational company or not in Turkey. This measurement was created by 7 dimensions such as score keeping, financial policy, manufacturing sourcing, new product development policy, structure, operating style, R&D location focus. More dimensions can be added but considering the length of the questionnaires which directly affect the response rate, force this thesis to focus on only these for creating the measurement.

c. The method and plan of the study:

In this thesis, secondary resources were used for literature survey. For getting useful data to investigate that if there is a multinational company which is based on Turkey, primary resources are used. In the first chapter, the theoretical background of the multinational companies was briefly explained. Since it is needed to understand the evolution of multinational companies in the world to evaluate to reasons of possible presence of the multinational companies in Turkey, historical background of the multinational companies was explained in the second chapter. In the third chapter the primary resources for the thesis are evaluated. The data which was collected from the respondents is analyzed and it is considered that there are multinational companies which are based on Turkey. In the conclusion it is argued that Turkey should implement new policies to support business groups to increase their multinational activities. For further analysis, new dimensions may be added to create a general scale for measurement of multinationality of the companies in the world. It is also argued that by adding these dimensions into measurement, classification or the companies may be certain and easy.

CHAPTER 1

THEORETICAL BACKGROUND

1.1. What is a Multinational Company?

> "Yet, the basic adjustments demanded by the globalization trend cannot take place without a struggle. Too many interests in the nation states see the economic risks and costs of the adjustments involved, even if justified in the longer term, as unfairly distributed and deeply threatening. In addition, organizations with political or social objectives… see the expanding economic power of multinational enterprises as both a threat and an opportunity; in either case, their hope is to harness the multinationals to their global objectives." (Vernon, 1998, 219)

Understanding what the multinational corporations are depends on understanding international business. It should not be forgotten that international business or multinational corporations cannot be evaluated alone but understanding and evaluating international business will explain multinational corporations clearly. Before defining the international business, domestic business should be understood well. Business operations or activities of a single nation state of which it is a citizen, can be defined as domestic business (Gilpin, 1987:5). Since domestic business is understood, international business can now be evaluated. International business and international companies are the terms that imply operations in more than one country and conducting business across national boundaries. They are generic terms and the different types of international operation that bring international companies together can be better characterized by specific terms such as sourcing of raw materials, exporting of products into foreign markets, joint ventures, licensing agreements, outsourcing of products and services, strategic alliances, or even taking equity positions in overseas ventures without significant management involvement (United Nations Industrial Development Organizations, 2006: 3).

Although modern multinational firms have been in the international business since the late nineteenth century, the term o*f Multinational Corporation was not used* until 1960. At a conference at Carnegie Mellon University, David Lilenthal explained this type of corporations as firms which operate and live under the laws of the other countries(Kobrin, 2003). Since then, the term of multinational corporations became the area of interest due to increase in the international business and globalization. There is no a widespread agreement on the exact definition of the term of multinational company. It means different things to different people. Raymond Vernon said; the term multinational enterprise is sometimes confusing and always imprecise; but what we can say in here is simply a cluster of corporations of diverse nationality joined together by ties of common ownership and responsive to a common management strategy(Gilpin, 1987: 21). The *World Book Encyclopedia* defines a multinational corporation (MNC) as "a business organization that produces a product, sells a product, and provides a service in two or more countries."(www.worldbook.com, 9.7.2009). As a governmental approach, the US Department of Commerce defines an American MNC as "the US parent and all of its foreign affiliates." A US parent is a "person", resident in the United States, who owns or controls a minimum of 10 percent voting equity in a foreign firm. "Person" is broadly defined to include any individual, branch, partnership, associated group, association, estate, trust, corporation, other organization, or any government entity. A foreign affiliate is a foreign business enterprise in which a US person owns or controls a minimum of 10 percent voting equity. A majority-owned foreign affiliate is a foreign affiliate in which the combined ownership of all US parents exceeds 50 percent (www.commerce.gov, www.bea.gov and, Global Financial Environment, www.blackwellpublishing.com :9.7.2009). Jack Behrman argued that the essence of the multinational enterprise is that it is attempting to treat the various national markets as though they were one to extent permitted by governments at least (Gilpin, 1987:22). Some scholars such as Donald Lessard who is a professor of international finance at Massachusetts Institute of Technology, classified all multinational companies into three groups. In the first group there are international opportunists who are the companies that focus on their domestic markets but engage in some international transactions. In the second group there are multidomestic competitors who are the companies that are committed to a number of national markets with substantial value added in each country but with little cross-border integration of activities; and finally in the third group there are global competitors which are the companies that focus on a series of national and supranational markets with substantial cross-border integration of activities (Lessard, 1991). With mentioning global competitors, Lessard emphasized global companies as organizations which attempt to standardize and integrate operations worldwide in all functional terms.

There are different names and terms to define and describe borderless economical operations of corporations. Throughout the history, especially since the 1950s, it can be seen terms such as Multinational corporation, transnational corporations, Multinational enterprise, global company, multi domestic company and finally metanational company in the literature. A multinational corporation (MNC) or transnational corporation (TNC) can also be called as Multinational enterprise which is a corporation or enterprise that manages production or delivers services in more than one country. This definition is the best known definition of the multinational corporation. A MNC can also be known as International Corporation. Such companies have offices and or factories in different countries but usually have a centralized head office where they co-ordinate global management of its business. This definition was also used by the US president Obama in his economic report 2009 which was submitted to congress (Economic Report of the President 2009: 131). A Multinational company or a multinational corporation had been regarded as enterprises with operations and control of assets such as factories, mines, sales offices and the like in several countries from 1950s through the 1970s. The practice of multinational companies was to operate through overseas subsidiaries, which were allowed substantial autonomy in their strategies, aimed at addressing the local conditions, and with little coordination across national boundaries. The terms of Transnational company and transnational corporation have been applied to businesses and companies with activities across national boundaries that are coordinated, integrated and differentiated in terms of strategies and operations in order to take advantage of or suit market and business conditions and opportunities.

The term “transnational” is used in connection with the pursuit of global competitiveness through the configuration; coordination and control of business activities in a way that takes into account both global and local advantages and opportunities (United Nations Industrial Development Organizations, 2006: 3). Multinational enterprises brought a new approach to foreign markets and production locations, whether through subsidiaries, outsourcing of the integration of global value chain and global production network. As it is known or accepted that MNEs are thought as giant companies from industrialized countries, nowadays there exists relatively small companies which use global approaches which are given above. A global company, also called by some authors a “globally integrated company”, on the one hand designs products and services intended to be branded and sold on a global scale, and on the other hand integrates operations in different countries to source materials and produce or acquire components that integrate its products and services. A “multidomestic company”, also called a “locally responsive company”, is one that designs products or services for specific domestic markets and allows substantial independence of its foreign-country operations (United Nations Industrial Development Organizations, 2006: 4). There is a newly proposed model of international business intended to go beyond the current transnational, multinational or global forms. In this model, an indispensable source of competitive advantage for enterprises in the future should consist of creating three areas of activity: (a) prospecting and identifying new sources of knowledge, competencies and innovative technologies around the world; (b) integrating those scattered capabilities in order to disseminate knowledge inside the company so as to pioneer new products and services; and (c) imparting the innovations into the operations network and using the global operations to leverage metanational innovations rather than just to rely on and propagate home-based concepts and developments. This kind of model is called a metanational company. In a metanational company, the headquarters should be regarded as a node in a network and no longer a centre radiating knowledge and technology to the world (United Nations Industrial Development Organizations, 2006: 5).

The perception of multinational activity being dominated by large scale corporations is started to be discussed in an early United Nations report on Multinational Corporations and their role in the world economy without emphasizing their management styles and strategy related academic interests (Rennstich,2002). There are approximately 60.000 multinational companies in the world (Kobrin, 2001). The MNCs account 25 percent of global output, one-third of it in host countries (Economic Report of the President 2000). The US based multinational enterprises account for over one half of total exports and over 90 percent of US exports to manufacturing affiliates were inputs for further processing. Research shows that multinationals in the United States, both U.S.-owned and U.S. affiliates of foreign companies were responsible for more than half of the increase in U.S. nonfarm labor productivity between 1977 and 2000(Economic Report of the President 2009: 131). It is argued that In the twenty-first century, these MNCs are expected to play an even greater role in international business because they have the know-how, money, and experience.(Kobrin, 2001). Especially the transfer of technology from multinational companies to their foreign subsidiaries can also improve the technology and know-how of the other local firms (Vega and Huergo, 2008).

Multinational corporations are situated at the intersection of production, international trade, and cross border investment. According to a definition made by Dunning in 1993, a multinational corporation is an enterprise that engages in foreign direct investment and owns or controls value adding activities in more than one country (Dunning 1993, 3). With that point of view it can be argued that MNCs have two characteristics. In their first characteristics, MNCs coordinate economic production among different enterprises and solve the coordination problem in them within a single firm structure. Working and coordinating economic activities across borders can be argued as the second characteristic of MNCs. These characteristics distinguish the MNCs from other firms (www.unc.edu, 17.7.2009)

1.2. The Motives of MNCs?

When the world economy is observed from the end of the World War II to present, it can be easily seen that it has put a major transformation into progress. Many reasons can be counted for the transformation in the world economy. Some argues that the effects of the contemporary technological revolution upon economic and commercial activities have been of primary importance. Technological developments and their economic effects such as advances in air and sea transportation which have decreased transportation costs and travel time between continents; improvements in radio, telephone, and television communications, which in conjunction with advances in transportation have facilitated the emergence of a global market; and, most significant of all, the unprecedented innovation of new products and of cost reducing industrial processes, which has profoundly altered the relationship between technology and economics (Gilpin, 1970). These technological developments in information, communication and international tourism, widespread cultural exchange and the improvement of living standards in a number of developing countries has resulted in the emergence of consumer groups in different countries and regions of the world with comparable educational backgrounds, lifestyles, purchasing power, needs for goods and services and aspirations to high quality(www.unc.edu, 17.09.2009).

With the expansionism of liberalization and free trade started to create new markets. The combination of technological developments and emergence of the new markets created powerful economic forces which directed national economies through a highly integrated transnational economy. In this highly integrated transnational economy, the traditional significance of national boundaries was blurred (Gilpin, 1971). Blurring of national boundaries brought new problems for the companies. As it is known that maximizing the benefits and stock value of the company have been the main goals of the companies, there are three strategies for the companies which they put into progress against collapse of the national borders. They may choose growth, stability or decreasing their activities. Especially, Growth is an inherent vocation of business enterprises and is also imperative for survival. The competitive pressures and the need to keep and strengthen their position in the market, force, enterprises to stay on permanent alert and explore opportunities to achieve an advantage over competitors and expand beyond the limits of the domestic markets. The expansion of enterprises into the global marketplace becomes a necessity not only because of the confines and limitations of their domestic market, but also because in a globalized world the market share in the domestic market becomes threatened by foreign competitors. Several specific factors drive enterprises to seek business development and growth through international and global operations, namely markets, cost, competitive factors and the international business environment (www.unc.edu, 17.09.2009). Observing an increasing trend in globalization of the markets has been very clear by the managers of the companies. The threats and opportunities of a globalized market drive them to seek strategies for integration and coordination with a globalized marketplace (Hult, Cavuşgil, Deligönül, Kiyak and Lagerström, 2007). This understanding emerged because of two reasons; as first: globalization drivers are increasingly more critical in all types of industries, instilling a sense of urgency among senior managers to internalize their organizations, second: senior company leaders are under increasing pressure to develop globally integrated strategies to achieve efficiency and rationalization across geographically dispersed subsidiaries. As such, the challenge of internationalizing the firm is not in obtaining a homogeneous type and quality across markets but rather in finding the best balance between local adaptation and global optimization (Samiee and Roth, 1992).

Cost factors can also be counted as one of the motives behind the multinational companies. Research and development costs for the innovations to be the market leader are too much for a company and with only a domestic market, companies cannot survive with these costs. In the car industry for example, the introduction of a new model may represent an investment to the tune of one billion dollars. In the pharmaceutical industry, the cost associated with the successful development of a new drug is of the same order of magnitude. In the consumer goods sector, the cost of promoting a new brand could be as high as $100 million. The other reason for the enterprises to put global strategies into progress is to keep or gain advantage over competitors in foreign markets and also in domestic markets. Going global creates economies of scale and consequently flexibility to win over competitors in the home market through undercutting prices if needed. On the other hand, an effective strategy to hold a competitor at bay could consist of bringing the pressure of competition into its own home market (www.unc.edu, 18.09.2009).

1.3. Measurement of A Company's Multinationality?

Although there are lots of definitions that explain what the multinational company is such as corporations which operate and live under the laws of other companies (Kobrin, 2003), a cluster of corporations of diverse nationality joined together by ties of common ownership (Gilpin, 1987), as a firm which operates in several countries simultaneously (Sanden and Vahle, 1974), as a parent company that engages in foreign production through its affiliates located in several countries and exercises direct control over the policies of its affiliates and implements business strategies in production, marketing, finance and staffing that transcend national boundaries(Root, 1994) etc, there is not a general scale or measurement method for the multinationality of a firm in the literature. In the literature, scholars focused not the evolutionary progress of multinationalism of the companies, mostly on the economical policies of the states which provide the basis and also the emergence of the multinational companies, such as capital controls of the states in the market discipline(Forbes, 2003), degree of state regulations on multinational enterprises (Safarian, 1978; Makhija, 2009; Pauly and Reich, 1997; Keohane and Oams, 1975),and impact of cost and demand uncertainties in the host country on the behavior of a multinational enterprise (Das, 1983) etc.

Let’s assume that we have a company in Turkey. This company distributes its products in about 100 countries and manufacture in over 17 countries and do research and development in four countries. As the manager of the company, we look at different investments in domestic and foreign markets. Are we managing a multinational company? Let’s also assume that we have a company. Only %1 of the personnel in our affiliates is non-nationals. Most of these are Turkish executives on temporary assignments. In all major markets, the affiliate’s managing director is of local nationality. Are we managing a multinational firm? Another example; our product division executives have worldwide profit responsibility. When we look at our organizational chart, we can see that Turkey is just a region in Eurasia as well as Latin America and Africa etc. in each product division. Are we managing a multinational company? One last example for the issue; in my company, there are at least 16 nationalities represented in my headquarters. Most of the senior executives can speak at least two languages and above %30 of the staff at headquarters are foreigners. Are we managing a multinational company? Let’s ask another question; which company is more multinational than the other? Can we give a clear answer? How can we explain the degree of multinationality of the company? Beside these questions there is another dimension about multinationality; why is it important to be a multinational firm for a company?

For the executives, being multinational is more prestigious than being a national company because multinational firms tend to be regarded as more progressive, more dynamic, geared to the future than national companies which avoid foreign frontiers and their attendant risks and opportunities (Perlmutter, 1969). The degree of multinationality of a firm is directly related with the company’s long term viability. A multinational company may use world resources, markets and opportunities to establish its strategies for growing and profitability. A high degree of multinationality of a company also offers a stronger constructive power on both host and home nation states (Perlmutter, 1969). Executives try to justify their multinationality by using different criterias such as ownership criteria, organizational structure, and nationality of senior executives and percent of investment overseas etc. but there is no exact definition or explanation which tells the degree of a company’s multinationality. To measure the degree of multinationality of the companies, some scholars try to define the common attitudes of international managers toward building a multinational enterprise by deciding the key product, functional and geographical decisions about the business(Perlmutter, 1969). These attitudes can be distinguished as ethnocentric(or home-country oriented), polycentric(or host country oriented) and geocentric (or as world oriented) but this definition as a model which is called EPG model, is not usually correlated with the multinationality of a company (Perlmutter,1969). Another approach on the degree of multinationality of a company was made by Sanden and Vahle. They tried to investigate the dependency of growth rate of a company on its multinationality in Swedish manufacturing industry. They included technology-intensity, size and profitability in that model but the results were unsatisfactory. Sanden and Vahle measured multinationality as the number of countries in which the company owned producing units (Sanden And Vahle, 1974). A different approach can be seen in the study of Hult, Lagerstrom, Çavuşgil, Deligönül and Kıyak. This approach tried to explain the relations and superiority between the functions in a global marketing organization (Hult, Çavuşgil, Deligönül, Kıyak and Lagerstrom, 2007) but as the nearest study for measuring the degree of multinationality of the companies, it is not enough.

As the aim of this study is to find if there is a multinational company in Turkey or not and if there is not, what the reasons are; a measurement for the degree of multinationality of companies is needed. To establish a scale for measurement of the degree of multinationality of a company, Warren Keegan's stages of corporate development was used as the basis of the study. As it can be seen in the Table-1, there are different variables which are used to determine the corporate development from domestic company to global company.

Table-1

STAGE	COMPANY TYPE	FOCUS	VISION	ORIENTATION
One	Domestic	Domestic market	Domestic horizons	Domestic
Two	International	Similarities in foreign markets	Self reference criterion	Ethnocentric

Three	Multinational	Differences in foreign markets	Sees each country as a unique	Polycentric
Four	Global	Reality-similarities/unifying influences and differences in world markets	Sees world complexity	Geocentric
STAGE	**COMPANY TYPE**	**STRATEGY**	**STRUCTURE**	**MARKETTING STRATEGY**
One	Domestic	Domestic	**Domestic**	Domestic
Two	International	International	**International division**	Extension
Three	Multinational	Multi-domestic	**Area-worldwide product division**	Adaptation
Four	Global	Global	**Mixed/matrix structure**	Extension adaptation Creation
STAGE	**COMPANY TYPE**	**R&D LOCATION FOCUS**	**HUMAN RESOURCES POLICY**	**OPERATING STYLE**
One	Domestic	**Domestic**	Domestic	**Domestic**
Two	International	**Home country**	People of home country developed for key positions everywhere in the world	**Centralized/top down management**
Three	Multinational	**Home and host country but not integrated**	Nationals of each country developed for key positions in their home country	**Decentralized/bottom up management**
Four	Global	**Integrated**	Best person regardless of nationality developed	**Integrated and interactive management**

			for key positions everywhere in the world	
<u>STAGE</u>	**<u>COMPANY TYPE</u>**	**<u>COMMUNICATIONS</u>**	**<u>BEHAVIOR</u>**	**<u>NEW PRODUCT DEVELOPMENT POLICY</u>**
One	Domestic	Top down	Predictable	**New products are developed to satisfy market needs in home country**
Two	International	Top down	Predictable	**New products are developed to satisfy market needs in home country**
Three	Multinational	Limited high country autonomy	Predictable	**New products are developed to satisfy market needs in each country**
Four	Global	Intensive, top down and bottom up and lateral exchange of directions, information, reports and experiences	Situational, reality of driven	**New products are developed to satisfy national and global market needs based on perception of relative opportunity**
<u>STAGE</u>	**<u>COMPANY TYPE</u>**	**<u>FINANCIAL POLICY</u>**	**<u>MANUFACTURING SOURCING</u>**	**<u>INVESTMENT POLICY</u>**
One	Domestic	**Relies on home country financial**	**Relies primarily on home country for**	Home country resources are used

		markets for financial resources	**sourcing**	for worldwide
Two	International	**Relies on home country financial markets for financial resources**	**Relies primarily on home country for sourcing**	Home country resources are used for worldwide
Three	Multinational	**Relies on each operating country financial markets for country financing**	**Relies on manufacturing host country to supply country markets**	Investment funds for each country are raised in each country
Four	Global	**Obtains financial resources from lowest cost source in world for use where needed**	**Sources product from lowest cost source worldwide to supply world markets**	Cross subsidization of projects is the norm. Funds are routinely transferred from one country to another to support global strategic objectives.

STAGE	**COMPANY TYPE**	**PREFERRED FORM OF PARTNERSHIP**	**SCORE KEEPING**
One	Domestic	Seeks licences to exploit technology and know how	**Home country score is the name of the game. Home country share of the market is the key measure of success**
Two	International	Seeks licences to exploit technology and know how	**Home country score is the name of the game. Home country share of the market is the key measure of success**
Three	Multinational	Forms joint ventures which are focused on serving the partners home country	**Separate score kept for each country. Share of market is measured on a country-by-country basis**
Four	Global	Forms global strategic	**Performance is measured on a global basis. Share of market is measured on a**

		partnerships-two or more companies with a common long term strategy aimed at world leadership.	**world basis**

Source:(Keegan, 1989:8)

In order to create a scale for the degree of multinationality of the companies in Turkey, score keeping, financial policy, manufacturing sourcing, new product development policy, structure, operating style and R&D location focus are chosen as determining variables. For collecting data, 500 leader companies will be used in Turkey. Questionnaire which is given in Appendix-1 will be send to companies and according to their answers, their degrees of multinationality will be measured with the determining variables. Likert Type scale will be used to analyze the answers of the questionnaire. After analyzing the results, the reasons of the results will be questioned and interpreted.

CHAPTER 2

HISTORICAL DEVELOPMENT OF MULTINATIONAL COMPANY

2.1. Evolution of Multinational Company until industrial revolution.

It is argued that MNEs have existed since ancient times. The first recorded MNEs appeared in the Old Assyrian Kingdom shortly after 2500 BC, when Sumerian merchants found in their foreign commerce that they needed men stationed abroad to receive, to store and to sell their goods (Eroğlu,2008). These organizations were family owned firms headquartered in the capital of Ashur opened branches in other political jurisdictions spread over what the modern states of Syria and Iraq. Between 1000 and 500 BC ancient Phoenician merchants, especially those located on the island of Tyre, which is located off the coast of today's Lebanon, created firms which traded in silver from Spain, tin from Britain, ivory from Africa and textiles from all over the Mediterranean(Jones, 2005). To emphasize the historical evolution of MNEs, it would be wisely to start from the beginning of economy in the world history.

Since the beginning of the history, mankind tried to improve the condition of living and satisfy its needs. The establishment of economy in the history started with the will of gaining more resources such as food and clothes as well as comfortable shelter. The best way for this was having more slaves to force them to work. The more people became richer, the more slaves they had. Our knowledge among the beginning of economy starts with the ancient Greek city states. Hence these states were inhabited by the intellectuals and political figures, traders started their activities to gain more influence over them. There was a little industrial activity in the means of present industrial activities. People mostly searched for capital to buy land and more slaves to use. Usury started at these city states as first in the history. Although this was not a favorable way of earning wealth because of the criticism about the moral side, people found it a very attractive way of earning wealth. According to Aristotle, earning money from the money that was lend someone, was not a moral and honest way of earning money. With the evaluation of economy, work force started to be important as the basis of the economy. Xenophon argued that the need of specialization in trade would be as important as diversification of work force which brings establishment of large cities for the need of work force.(Galbraith, 1987) The more cities enlarged their boundaries, the more economical activity started to occur. During this period, debates over trade emerged. The discussions started with the ownership issue. Plato supported an ancient type of communism by arguing that ownership could increase differences in community which would bring debates and conflicts, on the contrary, student of Plato, Aristotle supported the importance of ownership which could bring specializations in different types of work as well as trade itself(Rackham,1932). Ownership and property rights emerged as one of the most important issues of economy. According to Aristotle, there are two motives that cause men to care for things and be fond of them, the sense of ownership and the sense of preciousness.

With the invention of money, selling and buying started to be a very common activity to reach wealth. Before the invention of money, trade was occurred by changing goods or the needed things but with the invention of money, people started to aim having more money to increase their standards. The terms of market started to increase and improve during the Roman Empire(Temin, 2001). Roman Empire ruled for over four hundred years and can be mentioned as the first greatest market in the history. Its home base, the city of Rome, was located on the Italian peninsula. But it expanded to its territories in western and central Europe, including lands in the British Isles and territories in North Africa. The Roman Empire created one of the first great trading littorals in global history: the Mediterranean littoral. A littoral is an ocean or sea with all the lands on it and around it. The Mediterranean littoral covers the Mediterranean Sea, its islands, and lands around it: in North Africa, the Near East, and southeastern, south central, and southwestern Europe. Rome founded strategic outposts, provided stability, spread a common language, Latin, and tried to enforce a growing body of law, Roman law(Adelson,1960). All these elements – security, stability, language, and law – promoted the unity of the Mediterranean littoral as an arena for business(McCarthy,2006:15). Surely, all of the four factors could not be seen everywhere in the Mediterraneanlittoral and when these factors came together, their impact was not continuous over time but Roman Empire could establish littoral as a venue where cross-border and cross-water business relationships of many kinds could develop business. According to Hopkins, far more than two centuries, Roman Peace could provide business in Mediterranean free from military conflicts and pirates(Hopkins, 1983). Until 1500s, basic trade in the markets occurred regionally (Biddick1985). The pricing became an important subject for the people because the most important dilemma over trade was making trade for need or for wealth. Religious people insisted that prices should be fair but some of them stand against this idea. Archbishop of Liseux, Nicole Oresme was very popular with his ideas over pricing (Galbraith, 1987). Although traders were seen as people from lowest stage of the community, he supported trade and traders. He argued that the management of money was important and trade should be supported by the ruler. Colonial Empires supported this idea by their behaviors as the rulers.

For mentioning regional trade and economical integration as the roots of multinational corporations Roman Empire is a good starting point but to understand the first steps of transoceanic trade and economical integration, Spanish Empire should be explained as the one who pioneered transoceanic colonial empire. Starting in the early 1500s the Spanish built and empire that came to include lands in the Americas and Africa. Their largest part of sovereignty was in the western hemisphere which was boosted by the explorations which were started with Columbus. The Spanish Empire saw itself from a mercantilist view. They thought that colonies exist for the home country and prohibited bilateral and multilateral trade without the authorization of the centre which brought underground economy that decreased the revenues of the centre as it was seen in the example of Portuguese Empire (McCarthy,2006:17). These empires established regional and transoceanic economical integration which lead to the Multinational companies in present as it was written that economy without territorial boundaries provided the enlargement and growth of Multinational Companies.

2.1.1. The Chartered Companies.

The first examples of Multinational Companies through the history can be seen as the Chartered companies which receive a written document or charter, usually from a government, head of government or state, or government agency. The charter empowers the company to engage in specified activities, sometimes in a designated geographical area(McCarthy, 2006:41). When we look through the history we can see four different forms of chartered company. These four types do not represent an evolution between each other. The first one is the regulated company which was a partnership of individuals given royal letters patent that bestowed a monopoly of a specific trade. “Royal letters patent” constituted, in effect, the charter of a regulated company. The second one is the semi-joint-stock company which did not issue permanent stock in itself, but rather sold it for particular activities it was promoting. The third type was joint stock Company which was widely used in the history. This company did sell shares of stock in it. The final type was quasi chartered companies which were the voluntary associations and partnerships that lacked the legal standing of a chartered company but whose members invested their resources in joint stock and traded as if they were chartered companies (Cameron,1989).

The chartered company has historically been associated with the overseas expansion of Europe, which unfolded over more than 400 years with the beginning of the exploration of Columbus in America in 1492. Especially Africa and America were the scenes of overseas colonies and faced with different exploration, economic penetration, physical subjugation and human settlement progress from each other. Chartered companies played roles in all progresses not only in Africa but also in America but the exact role of chartered companies had in one or more of those progresses depended, in large part, on whose empire it represented and when and where. Each colonial empire had its own interests and chartered companies were there to promote these interests (McCarthy, 2006). Colonialism brought such companies for example; The Company of the West which was established in 1717 to acquire the monopoly trading concession for all of French Louisiana then extended through US states of Arkansas, Illinois, Iowa, Louisiana, Minnesota, Mississippi and Wisconsin. The Mississippi Company should also be mentioned as an example which included all of the French Charter Companies in North America. This company was a massive holding company that can be argued as one of the ancestors of today's Multinational Companies (Murphy,1997). The other important chartered companies were The West India Company and The Dutch West India Company. Especially the second one can be mentioned as the most important one because it brought a decentralized structure in economy unlike the French chartered companies which were having a centralized structure as getting direct orders from the French Monarchy. The Dutch West India Company was the first one which introduced patron system to the history. Patroons who were the owners of the lands in the colony promised people who brought 50 workers and paid the transporting costs, to give lands near rivers. For the English Colonies in North America, Virginia Company and the London Company can be counted for the chartered companies from England but these were not so important in the history.

English, French and Dutch chartered companies were important in Africa since they provided slaves to Western Hemisphere. If the impact of chartered companies on international economic integration is evaluated, one can see that chartered companies affected the international economy. These companies took the produced goods in homelands, sold some of them to Africa for buying slaves, and then transport them to North America to trade slaves for other goods for the homelands. This provided the emergence of Atlantic Economy (McCharty,2006). The other important chartered companies emerged in India such as the Dutch United East India Company(VOC) and English East India Company(EIC). Although the first European country which entered India was Portugal, Dutch and English were able to establish two of the most important chartered companies of that time because Portugal insisted on establishing a centralized authority in India, on the contrary, English and Dutch tried to establish a decentralized structure of business in India. The Dutch government founded the VOC in 1602 with a strong charter that conferred wide-ranging powers. Its charter was subject to periodic renewals, but these did not expose the VOC to the kind of turbulence which charter renewal brought the EIC(McCharty,2006). The Dutch Company (VOC) accounted for 45 per cent of the European voyages to Asia from 1500 to 1800 and a higher proportion of the tonnage. It was given a monopoly charter (in 1602), which it needed in order to organize a trade with heavy capital outlays over extended periods. By 1750, the company employed more than 12,000 sailors and 17,000 soldiers as well as administrative personnel in Asia. Over the whole period 1600–1800, the VOC sent nearly a million sailors, soldiers, and administrators to its 30 Asian trading posts (Maddison,2007:130). The VOC empire was created and maintained partially by its ability to organize sources of knowledge in the forms of laws and ordinances, correspondence, minutes of meeting, reports, criminal and civil legal records, personnel registers, accounts, inventories, drawings and maps generated by its wast bureaucratic machinery (Ward,2002). The VOC was empowered to enter into treaties and alliances, wage war, levy and collect taxes, raise troops, and appoint governors and judicial officers (McCharty,2006). In the second half of the eighteenth century, the VOC had ceased to be a profitable organization. It was dissolved in 1800, after several decades distributing dividends bigger than its profits. The profit decline had several causes. The company had very high overheads in hiring military, naval, and administrative personnel to run what had become a territorial empire. Its officers conducted an increasingly large private trade of their own in the company's ships. There was a good deal of corruption which benefited the servants, but not the shareholders of the company (Maddison,2007:131).

The outbreak of the Napoleonic wars led to a British takeover of Dutch settlements in India, Malacca, Ceylon, South Africa, and temporarily in Indonesia(Maddison,2007:130).Under its founding charter, granted in 1600, the EIC received capital for only one voyage at a time(Vance,2000). The EIC started life on the 31st December 1600. Its charter incorporated 219 knights, aldermen, and merchants as the Governor and Company of Merchants of London trading into the East Indies with a 15-year monopoly of all trade from the Cape of Good Hope to the Straits of Magellan. The Company was to annually elect a Governor and 24 Committees who were ``jointly to have the direction of the voyages, the provision of shipping, and merchandise''(Bryer,2000).This arrangement apparently made the company a semi joint stock arrangement. A new charter granted in 1657 enabled the EIC to seek capital on a permanent basis. This power transformed the organization into the traditional joint-stock company (Carlos,2005). The difference of the East India Company form the other chartered companies of England in the other countries was the support of the people in India as England wanted. This company as the most important chartered company of the England provided all the imperialistic ideas of England to come true in India. England did not manage to do this in America(Burnard,2007).The EIC, unlike the VOC, faced uncertainties and irregularities in its charter renewal. Their economical policy was similar between each other. They both tried to control markets as their military outposts.

When we evaluate the chartered companies, it can be said that these companies were important vehicles for expanding the world trade and intercontinental business ties(Vaughn,2009;Carlos and Nicholas, 1988;Hejebuu, 1998). It is also argued that charter companies realized economies of scale and could there by lower transactions costs which in turn might stimulate commerce (Carlos and Hejebuu, 2006). Some chartered companies served as historical antecedents to the multinational corporations that would emerge in 19th and 20th centuries (Carlos and Nicholas: 1988, McCharty:2006). The managerial hierarchies, developed cost controls and flows of information which were put into progress by the chartered companies are so important as the perspectives of economic integration and disintegration of chartered companies.

2.1.2. The Merchant Associations.

Another example for the starting point of the Multinational Companies can be argued as the merchant associations through the history(McCharty,2006). Merchant associations emerged in AD 1000 because of the conditions which help them to enlarge their activities. Trade was quickening in Europe, but this acceleration was occurring in an environment marked by considerable limitations which were put newly established nation-states such as England and France into progress. The barriers against continental trade were huge, since many local moneys, many local tariffs, many local laws, many idiosyncratic judges, and many local thieves were spread through the boundaries (McCharty,2006). In order to overcome these obstacles, merchants came together and establish a league which decrease the problems for trade through the boundaries so the first and the biggest one, Hanseatic League was established in 1200s. The Hanseatic League showed how economical integration is both an economic and political process. It is considered that Hanseatic League is the first example on the political influence of multinational company because the members of the Hanseatic League tried to push their governments and kingdoms to put reforms or legislative precautions into progress to decrease difficulties in trading with different countries. It is also considered that the league was an alliance of those who pursued common goals in the business arena.

Generally, for summarizing the period from 13th century to 18th century, it is considered that the most value adding activities initiated by economic entities such as the states, private corporations, families or individuals outside their national boundaries were driven by three factors. First; was the desire to foster trade and financial activities consistent with the needs of the state or that of individual producers or consumers. The second one was, acquiring new territories and new forms of wealth. The third one was to discover new avenues for the use of domestic savings (Dunning, 1992:97). Most of the period between 13th century and 18th century, the state was directly or indirectly in the business which took part through the overseas. Neither capital nor intermediate product markets as it is known today existed. Mostly the economical activities were occurred to advance the political and economical goals of the governments of the home countries.

2.2. Evolution of Multinational Company until WWI.

It is considered that the industrial revolution dramatically changed the ability and the incentive of firms and countries to engage in trade and colonizing activities. The cross-border movement of the people derived by the revolution brought capital, technology, management and entrepreneurship to North America. The firms started to invest abroad to find minerals and raw materials for their domestic operations. However, both market and resource seeking foreign investors aimed to produce goods and services that would advance domestic economic welfare and the colonizing policies of metropolitan governments (Dunning, 1992:99). The industrial revolution created industrial factories that we know from the companies today. It decreased the obstacles against transportation and production which directly effected the people's desires for better in everywhere (Ernst and Ozawa,2002). The desire for the better brought dimensions of economical activities that make easy to find mostly everything in most developed countries. The companies in the most developed countries tried to find new resources for their production or new products instead of producing them alone which brought an economical harmony in the operational view. As well as technological capacity of the firms, the money capital system and management techniques were also changed by the industrial revolution (Dunning,1992:99). The organizational structure of the companies also started to be changed from ownership and family managed companies to joint stock companies. The localization strategies became the general scene of the debates about the strategies of the firms. Some companies entered this race to enlarge its activities but mostly the American companies had the advantage of leading the race in the economic world. These companies were stimulated and supported by the creation of new transport and communication networks, which helped increase both the demand for and supply of the goods and services. It is considered that electricity and the internal combustion engine, the interchangeability of the parts and the introduction of the new continuous processing machinery were the main technological lynchpins of the second industrial revolution (Chandler and Daems, 1974). It is emphasized that 1870 can be argued as the beginning point of the liberalization of the companies which lead through the multinational enterprises(Dunning,1992:103;Lamoreaux,1998). The states gradually liberalized policies on charters which had been used to provide permissions for the companies to enter economical activities in the other countries, and by the 1870's most had passed general incorporation laws that made the corporate form widely available

(Hovenlkamp,1991). These laws also created financial capitalism which encouraged the investment bankers to provide support for the companies which decided to enter economical activities free from the state policies. These developments began in 1866 and reached its height 1897-1912(Grass,1938). New transportation technologies and legislative activities to encourage trade brought the movement of people as well as capital across borders, hence new companies started to emerge in the economical history of the world especially in the energy providing industry(Jones,2005). Members of Sweden's Nobel family settled in Russia in the 1870s and transformed the Russian oil industry by introducing modern technology. The resulting company was managed by members of the Swedish family, but its headquarters and decision-making was located in Russia and there was no control from a Swedish parent company. Its equity was held in various Western European countries, as well as in Russia, with German banks as the single most important international shareholder (Fursenko,1991). The very symbol of «British» banking in Asia, the Hong Kong and Shanghai Banking Corporation - in 2006 Europe's largest bank by market capitalization - was founded in 1865 by a cosmopolitan mixture of British, American, German and Indian shareholders, while the first manager was a French national(King,1984). The Russian General Oil Corporation was founded as a British Company in 1912. It consolidated a variety of oil companies active in Russia and became a very large company as a result with, by 1916, a total equity of £14 million. The head office was in London (Corley,1994).

It is considered that enlargement of the companies driven by two main reasons. The first one can be argued as obtaining and controlling the production and marketing of intermediate products which are inputs to other value adding activities of the investing firms; such investments was called resource seeking investment. The second one is to acquire control over the production of goods and services embodying intermediate products which are also produced by the investing firms. This type of investment was called market seeking investment. According to statistics most resource based investment was made in developing countries and most market seeking investment was seen in Europe and North America(Dunning,1992:105).

2.2.1. Market Seeking Investments.

According to Dunning, although the structure of market seeking MNE activity differed according to its country of origin, each was prompted by the desire or necessity to exploit perceived competitive advantages through the establishment of foreign value adding facilities. These O-specific advantages changes according to the extent of a firm's industrial or geographical diversification, the nature of its production and managerial capabilities and the market structure of the investing country(Dunning,1992:105). It can be given several examples of such MNE activities from country to country, for example; Nestle, Siemens and AEG of Germany, Philips of Holland etc. The market seeking investment companies were sharing some common properties such as being brave to take risks by investing unknown geographical regions as in the example of British American Tobacco (BAT). This venture was founded in 1902 as a result of a truce between the previously warring American Tobacco Company and Imperial Tobacco of Britain. The US market was reserved for American Tobacco and the British market for Imperial Tobacco, while the new BAT was allocated tobacco production and marketing in the rest of the world. It pioneered an extensive multinational manufacturing operation and sold 12 billion cigarettes in China alone by 1914. BAT was British registered, but initially US controlled and managed. However the US influence was diluted after American Tobacco was ordered to be dissolved on anti-trust grounds in 1911, and by the early 1920s British managers and shareholders were dominant. BAT had effectively "migrated" to Britain, and it has remained one of Britain's largest multinationals (Cox,2000). More examples can be given as a market seeking investment until 1914 such as Goodyear tire and Rubber Company. With its rubber plantations, purchasing offices, sales branches and factory overseas, Goodyear was one of the three firms among the 50 leading US companies, possessing both market and also supply oriented foreign investment in 1929. This company started being an international company in 1910(French,1987).

It is considered that the global vision of the managers or the owners of the companies determined the path of the companies before making such investments as it can be seen in the examples of William Lever)of Lever Brothers),Thomas Johnston(Nobel explosives), Henri Deterding(Royal Dutch Shell),Alexander Graham BELL, Thomas Edison, George Westinghouse and Isaac Singer. These people played great role in internationalization of their businesses. It is also considered that the desire to being close to market (localization) was also an important choice for the companies that led them through the investment as it can be seen in the example of Graham Bell's factory opening in Belgium.

2.2.2. Resource Seeking Investments.

When the industrialization process of the west accelerated, a huge need of new minerals and resources emerged. Not only minerals and resources needed by the west but also as the income rose, tropical foods and beverages were wanted by the consumers in the west. For both economic and political reasons, British, French, Belgian and Dutch manufacturers preferred their colonial territories to get minerals as the US firms favored Canada, Mexico and Chile for minerals and agricultural products. Japanese firms owned iron ore deposits and coal mines in China.

It is considered that the last decades of the 19th century brought a number of important changes which radically changed the nature and the organizational trade in intermediate products. First, the production of primary products became increasingly technological and intensive as it was seen in the petroleum and non metallic mining sector. Second, was the increasing importance attached to quality consistency and delivery reliability of some products by both industrial and domestic consumers such as petroleum, copper, bauxite and several agricultural products. Each of these events supported large producers and those best able to coordinate their production and marketing functions. These assets and organizational skills were, in the main, only available in the high income purchasing countries(Dunning,1992:110). The third economic development was the growth of large and standardized markets. It is natural that the companies from the developed countries had the ability to enter the large and standardized markets; hence these markets were situated in these developed countries. It is evaluated that these three changes explain us why the domination of some firms occurred in production and trade of foreign based natural resources.

The oil companies first entered the FDI arena as market seekers. It was not until the first decade of the 20th century that US MNEs began producing crude oil primarily in Mexico, Canada, Peru and Romania(Jones,2005). The most aggressive one of the US MNEs was the Standard Oil which was established in 1900 and by 1907, it had acquired control of 55 foreign enterprises. As the oil consumption increased, Standard Oil searched for new markets than it tried to obtain some pieces from the pie in Burma and the Dutch East Indies but thwarted by British and Dutch governments which led them to dissolution in 1911(Dunning,1992:112). Until 1914, MNEs can be seen not only in oil industry, but also in raw material and agricultural sectors such as United Fruit as one of the most important agricultural MNEs, Unilever and Crossfield etc(Dunning,1992:113). As Resource Seeking investments, Royal Dutch Shell can be given as another example. This company enlarged its activities through Russia, Romania and also Indonesia. As it is known that the oil in the Middle East was discovered in 1908, most of the oil companies operated in the central and southern America.

Table-2

Estimated Stock of Accumulated Foreign Direct Investment by country of Origin 1914-60

	1914($millions)	**1938($millions)**	**1960($billions)**
Developed countries	**14.402**	**26.350**	**62.9**
North America			
USA	2652	7300	31,9
Canada	150	700	2,5
Western Europe			
UK	6500	10500	10,8
Germany	1500	350	0,8
France	1750	2500	4,1
Belgium	-		1,3
Italy			1,1
Netherlands	1250	3500	7
Sweden			0,4
Switzerland			2,3
Other developed countries			
Russia	300	450	-
Japan	300	750	0,5

Australia	180	300	0,2
New Zealand			-
South Africa			-
Other			2,5
Developing Countries	-	-	0,7
Total	**14582**	**26350**	**66,1**

Source: Dunning,1992:117

By 1914 the MNE had become firmly established as a major vehicle of international economic involvement (Lewis and Moore,1999). As it is appeared from the table by 1914 nearly 14.5 billions of dollars had been invested in enterprises or branch plants in which either a single or a group of non-resident individuals or firms owned or controlled a majority or a substantial minority of the equity interest or which were owned or controlled by first generation expatriates who had migrated earlier. The period between 1870s and 1914 was the heyday of large plantations, of cattle raising and meat processing, and of the emergence of vertically integrated MNEs in tropical fruits, sugar and tobacco and also some railroad activities in Europe and Latin America can be seen in this period (Dunning,1992:119).

2.3. Evolution of Multinational Company until the post Second World War.

It is considered that the First World War and the years that followed it saw several changes in the level, form and structure of international production. Catastrophic results of the First World War brought new challenges to the companies especially in the Europe which force them to sell their investments largely and reduce their inter-state and cross border trade in the Europe. From the Major investor countries, only the US emerged unscathed by these events. Although as well as the other states , the US also was suffered from the collapse of the international capital market in the late 1920s and the beginning of 1930s(Galbraith,2009), it increased the US share of the world direct capital stake from 18.5% in 1914 to 27.7% in 1938(Dunning,1992:119).

There was a lot of new MNE activity in the developing world especially in the inter war period. This included investments by US firms in new oil fields in the Mexican Gulf, the Dutch East Indies and the Middle East; in copper and iron ores in

Africa; in bauxitein; Dutch and British Guyana; in nitrate in Chile; in precious metals in South Africa; and nonferrous metals in South America. Besides the mineral sector, the growing industrial demand for rubber led both US and European tyre manufacturers to increase their capital stake in Liberia, Malaya and the Dutch Indies. MNEs' activities were not only in these areas but also in agricultural industries such as sugar, tropical fruit and tobacco. Both US and OK MNEs increased their foreign sales and marketing ventures into production in the interwar period(Dunning,1992:120). The first four foreign manufacturing affiliates of the largest Japanese corporation existing in 1970s were set up between 1920 and 1938(Vaupel and Curhan,1974).

The advantages which help US and European manufacturing MNCs in developing prior to WWI continued after the war and in the interwar period as it can be seen in the examples of US firms which continued to gain strength in many fabricating industries. US MNCs had continued an important growth in the 1920s in which mostly established in Canada and Western European countries. It is considered that while the advent of the global enterprise was not yet high, the movement towards the globalization of products and markets certainly began in the 1920s, and was primarily of US origin(Dunning,1992). Technologically and in vertically integrated marketing sectors, the UK stayed behind the US in MNEs enlargement through the world. It is believed that the lack of incentive offered to UK firms to modernize or rationalize their activities, deficiencies in the British educational system and the slowness of UK firms to adapt to the kind of managerial and organizational structures into their companies brought this result(Chandler, 1980). Because of the political issues, markets became less secure and firms sought locations that were politically, culturally and sociologically similar to their own as it can be seen in the examples of US investment in Canada, Latin America and parts of Asia and UK investment in commonwealth countries. Some other examples may also be mentioned from this period. One of the first MNEs in South America and first in Ecuador is the Ecuadorian corporation which was established in London on April 10,1913, by the members of the North American and British Capitalists who financed and constructed Ecuador's Guayaqil and Quito Railroad, emerged as an international when it purchased a controlling interest in the International Products Corporation in Paraguay(Uggen,2008).

Both market-seeking and resource-based MNEs declined sharply in the immediate post World War One period. The reason for that was the movement of countries to more protectionist economies and associating foreign companies with their states of origin. As a result many firms considered other strategies of international expansion, such as licensing, participation in cartels and joint ventures; this was especially valid for German companies(Eroğlu,2008) If we try to summarize the most noteworthy features of the period, it is considered that mentioning the maturing of the US direct investment, the emergence of diversified and integrated MNE, the growth of defensive market seeking investments particularly in Europe, the entry by foreign investors into new resource-based activities, particularly in oil, nonferrous metals and phosphates, the substitution of foreign production by international cartels in several sectors which had previously attracted FDI and Japanese economic developed; is necessary(Dunning,1992:125).

2.3.1. Petroleum Industry.

The acceleration and spread of industrial revolution brought increasing in the usage of energy such as coal. It was the end of WWI, when petroleum emerged as the main power in the international relations (Gürler,2005:152). The Petroleum Industry which has been the most important economic feature of the 20th century was born in the middle of 19th century. As soon as a Canadian Abraham GESNER invented the gasoline from petrol in the middle of 1800s, the demand for Petrol increased. Officially the first petroleum searching activity was made by Pennsylvania Rock Oil Company(Durand, 1974). Colonel Drake established the petroleum plants in Titusville, Pennsylvania and this accelerated the adventurers' search for petroleum. In 1859, one barrel of petroleum cost 2 dollars before it cost 10 cents in 1862(Gümüş and Altan,1975). It was 1870 when John Davidson Rockefeller established Standard Oil of Ohio and became the sovereign company in the petroleum industry for almost 50 years(Gürler,2005:152). This sovereignty lasted until 1911 when the American Government decided to dissolve Standard Oil Company by the authority provided by the Sherman Act antitrust laws because of Standard's monopoly in the petroleum industry (Rothman,2007). Instead of Standard Oil Company, Royal Dutch Company entered the American Market and established a partnership with Shell Company. The third biggest company which was established before WWI was Anglo Persian Oil Company. This company was benefitted by the permission for searching petroleum in Iran(Yergin,1995).

During the interwar period, this three companies, Royal Dutch-Shell, Anglo Iranian and Standard Oil of New Jersey(one of the 33 pieces of company which emerged after the dissolution of Standard Oil Company) compete to be the leader in the petroleum market. They made an agreement in 1928 to negotiate in markets and prices in the petroleum industry (Durand,1974).

The competition of the companies for getting special privileges in the Middle East for petroleum also brought competition between the countries which wanted sovereignty over the region(Gürler,2005:161,Gürel,1975). The special privileges strengthened the 8 biggest petroleum companies which had established the petroleum cartel in the world. For many years prior to 1960s, the major international oil companies were in firm control of the production, distribution, and the pricing of oil(Abelson,1979;Frank,1985). These companies were, Standard oil of New Jersey, Royal Dutch Shell, First Anglo Persian then Anglo Iranian and later called British Petroleum(BP), Gulf Oil, Texas Oil,Standard Oil of California, Scony-mobil Oil and Compagnie Francaise des Petroles. These companies were also called “Seven Sisters”(Gürler,2005). The Seven sisters held concessions covering the major sources of Non-US oil, including the Middle East. Most of the oil was sold on the basis of long term contracts. For example the posted price of Saudi crude remained fixed at 1.73$ a barrel for years(Abelson,1979). American oil companies first secured concessions in the Middle East around 1930. Standard Oil of New Jersey and Standard Oil of New York (now Exxon and Mobil) took shares of the Iraq Petroleum Company in 1928. Gulf became a 50 percent owner of the Kuwait Oil Company. Texaco and the Standard Oil Company of California (Socal) established the Bahrein Petroleum Company. Most importantly, in 1933 Socal, joined by Texaco in 1936, was awarded control of Saudi Arabia's oil. In 1946, Jersey Standard and Mobil also became part owners of the Arabian American Oil Company (Aramco). Before World War II, production in the Middle East did not amount to much. Only Iran, where the British-owned Anglo-Iranian Oil Company had a monopoly, was a major exporter(Krasner,1979). Not only these companies had or maybe still have controlled the Middle Eastern Oil but also they had controlled oil in the world such as Venezuela. From the start, Venezuela's oil sector was completely monopolized by the major oil corporations. In 1929, Standard Oil of California (SOCAL) and Gulf together stood for 54.8 % of the production, and Shell for the remaining 45 %. In 1932, Standard Oil of New Jersey (ESSO, laterEXXON) took over SOCAL's interests; ever since then, these three companies have been the dominating ones in the Venezuela oil business(Bye,1979).

2.4. Period between 1945-1960.

It is evaluated that from 1914 to 1945, it was seen a maturation but deceleration in the international business, postwar brought a huge expansion of all kinds of trade in the international business. The postwar period should be divided into two. First should be the period from 1945 to 1960 which was dominated by the US MNEs. The 1950s were the classic era of the multinationals when large, integrated US corporations appeared to be the dominant organizational form in international business(Hadari,1973). Between 1945 and the mid-1960s the United States probably accounted for 85 per cent of all new FDI flows. These US firms were the world's technological innovators in a range of products, including chemicals, electricals, computers, and held prominent positions in many other industries such as automobiles, electricals and office equipment(Jones, 2005;UNIDO,2006;Dymsza,1984;Vaghts,1970;Modelski,1972).

In this period, the Europe was weak to increase their share in the international trade. The Global FDI stake increased and the trend of direction in MNEs investments through the developed countries did not change completely. The US and the UK MNEs activities through gaining more resources such as oil from the Persian Gulf, copper from Chile, bauxite from Caribbean increased(Dunning,1992:126). Although new entrepreneurships from the developing countries emerged after the Second World War, they were not fully organized and well structured until 1960s. During the early post war period, first South Africa, then Australia and Canada attracted the bulk of the new UK direct investment. Market seeking and resource based investments also increased sharply in this period. The biggest difference between the investments before the Second World War and after it was developing countries started to be an attraction points for MNEs. Canada and Australia can be counted as some of the developing countries.

In the early post war period, there were also other countries which started to reconstruct their economical policies and support emergence of new MNCs and strengthened existing MNCs such as Japan. After reconstruction and the rapid economic growth in the 1950s and 1960s, Japanese firms concentrated on exports of textiles, consumer electronics, steel, automobiles, and other products to Asian developing countries and to the United States and other industrial nations. Huge Japanese trading companies, reemerging in the 1950s, played a major role in imports of required raw materials and exports of standardized products, along with financing trade(Dymsza,1984). These huge trading companies established many branches and offices in key trade centers in foreign countries. During the mid and late 1950s, Japanese industrial firms undertook direct investments in manufacturing in nearby Asian countries in order to protect markets that were being lost because of increased trade restrictions. Japanese investments in Asian developing countries were primarily in manufacturing standard products-textiles, apparel, consumer electronics, fabricated metals, and so on and involved minority-owned joint ventures (Dymzsa,1984;Modelski,1972). The Latin America's emerging corporations turned their faces into inward economical expansion because they understood that standing against the international shocks such as wars, economical crisis depend on the inward economical structure of the corporate as well as the home countries (Bulmer-Thomas,2003).

The organizational character of MNEs was not completely changed in the early post war period as it can be seen no change in their trend to a more integrated product and market structure. In this period, foreign affiliates increased but a maximum parental control from the central was seen. After reaching the consciousness that these foreign affiliates learned the business, parental control was decreasing (Chandler,1962;Jones,2005). However there were wide divergences between competing firms as such difference could be seen between GM and Ford because GM's European affiliates were highly autonomous, for example, Ford was highly centralized(Tolliday,2000). It is evaluated that this was made to protect the existing markets not fully expansion into new markets.

The rapid growth in industrial output following the end of the Second World War led to an unprecedented demand for raw materials to sustain that output, so increasingly the main industrial countries were forced to seek new sources of supply(Dunning,1992:127).To summarize this period it is easy to say that the domination of US MNEs signed the period and strengthened their activities while the other continental European firms were trying to heal themselves after the war. This period can also be argued as a period of exceptionally high growth "the golden age of capitalism", accompanied by a process of decolonization, nation-building and state-led international development(Petras and Veltmeyer,2007; Eroğlu,2008;Ernst and Ozawa, 2002).

2.5. The Evolution of MNEs Since 1960.

Although the huge growth in outward foreign direct investment (FDI) from emerging market countries has been an important feature of the changing global economy(Amann,www.jstor.com,11.06.2010), the most important aspect in the period of evolution of the MNEs since 1960 can be argued as the increasing support of the states upon their MNEs because states understood that supporting the activities of MNEs could help them benefit from the expansion of the international trade(Dunning,1992:128;Ghymn,1980). It is also considered that MNEs could help countries' security and political interests to be established as it can be seen in the global spread of American and British firms after 1945(Pauly and Reich,1997;Gilpin,1971). The international division of labour and the globalization of the markets brought new opportunities for international trade as well as states(Glynn,1984). States understood that these new opportunities could only occur within a relatively free trading and investment environment. For example until 1960s, FDI from all investor countries approximately equals to 60 billions of dollars. The US accounted for an estimated 60 percent and the United Kingdom for another 20 percent. The remaining 20 percent was accounted for mainly by the Netherlands, Switzerland, Canada and France(Robock,1984). In 1970s, with the devaluation of US dollar, Non-US companies accelerated their activities rapidly and US percent in global business declined rapidly. The 1970s started to change the environment of US MNEs because European and Japanese income levels started to change rapidly. Some European countries such as France and Germany started to learn the technological priorities to become the rival against The US MNEs' superiority on technology(Gilpin,1970). The other feature was with the strengthening of European Community and Japan, they began to be rival against the US MNEs. All over the costs in the world for business began to grow so innovations were needed for the MNEs. The European and Japanese innovations on conserving capital raw materials and fuel brought new competitive advantages to Japanese and European MNEs(Vernon,1984). With the late 1960s and the 1970s, Western European MNCs started to establish many industrial direct investments in the United States. These MNCs took place in particular industries such as chemicals, pharmaceuticals, electrical equipment, and tires, followed a pattern: distinctive innovation, export, and then manufacturing production(Dymsza,1984). The most important thing that helped these firms to make direct investments in the US can be mentioned as the American trade barriers or the threat of such barriers, along with a weakening of the U.S. dollar. Further, the large Western European oligopoly firms had developed considerable technological, marketing, management, and production advantages, along with broad international experience; they decided to exploit these firm-specific advantages by penetrating the substantial American market. Part of this was an oligopolistic reaction by Western European companies to the increased competition from U.S. MNCs in their home countries. Thus, Western European industrial companies became global enterprises that competed effectively with U.S. MNCs in the American market, in developing countries, and in Europe. By the 1970s Western European MNCs were expanding globally more rapidly than American enterprises(Dymsza,1984).

After reconstruction and the rapid economic growth in the 1950s and 1960s, Japanese firms concentrated on exports of textiles, consumer electronics, steel, automobiles, and other products to Asian developing countries and to the United States and other industrial nations. Huge Japanese trading companies, reemerging in the 1950s, played a major role in imports of required raw materials and exports of standardized products, along with financing trade. These huge trading companies established many branches and offices in key trade centers in foreign countries. Until 1970s the Japanese companies improved their structures and financial capabilities as well as production utilities but with increased labor costs in Japan and more substantial competition in the late 1960s, Japanese companies undertook offshore investments in manufacturing in low-wage, Asian countries to produce consumer electronics at competitive prices for the American market. From the 1970s to the 1980s, Japanese industrial companies such as Sony, Matsushita, Honda, and Mitsubishi undertook manufacturing investments in the United States in order to gain greater access for their high quality, differentiated products in the substantial American market. By that time the large oligopoly Japanese enterprises had become more multinational in their organization, strategy, and integrated approach to international business [Yoshino 1976; Tsurumi 1976;Dymsza,1984).

During the 1970s not only European and Japanese MNEs emerged as rival against the US MNEs but also new competitors such as the Asian and South American MNEs emerged as rivals against the US MNEs in the international business. This emergence cannot be simply explained by only Asian and Latin American MNEs activities in the world. Underestimating the economical activities of the Middle Eastern Oil Riches would be unfair. Few observers of the international business scene were surprised when a Saudi Arabian businessman, Ghaith R. Pharaon, acquired a majority of interest in the national bank of Georgia from former Budget Director Bert Lance but this was only the beginning because after that Pharaon showed his strength by acquiring the control of the Mainbank of Houston and its $60 million in deposits which greatly shocked the US banking circles (Heenan and Keegan, 1979). From Brazil to South Korea many countries emerge as the home countries of the new MNEs in the world. Some evidences can be considered as the starting point of the new MNEs in the world.

- The explosion in international construction driven by multinational enterprises which were headquartered in South Korea, Taiwan and the Philippines. For example Korean companies started to build roads in Ecuador, Taiwanese companies built steel mills in Nigeria, the Philippines MNEs started to construct deepwater port facilities. Korea, one of the poorest countries in the world only in 1950s, has become an industrial power in Asia and now has 150 international firms operating in 44 countries, of which 77 percent are located in other developing countries. The scale is still small compared with multinationals from advanced countries, but the rate of growth in this direction is quite remarkable. In 1976, Korea's private direct foreign investments were $64 million (103 cases), but in 1978 the value had more than doubled to $150 million (245 cases)(Ghymn,1980).

- Hong Kong based Watchmaker Company Stelux Manufacturing Company purchased 29 percent of the Bulova Watch Company and Stelux's C.P.Wong spent 18 months as Bulova's chairman. This was just an example for an inroad made by developing country investors in a superpower nation.

- Chinese companies have begun to 'go global'. High-profile examples include: Lenovo's $1.75 billion takeover of IBM's personal computer business in 2004; Huawei, which has implemented its telecommunications network equipment solutions in over a hundred countries, maintains a network of twelve R&D centres around the world, and in 2007 bid for 3Com in partnership with Bain Capital; and appliance maker Haier, whose brand ranked 86th in the top 500 most influential global brands(World Brand Laboratory,2006)

- On regional level, the commitment of the 25 nations SELA(the Latin American Economic System) to establish MNEs in Central and South America. This commitment supported the emergence of MNEs in this region encouraged companies to go multinational by the help of the SELA since SELA provided new opportunities in agri-business, selected capital goods, low cost housing for the new MNEs(Heenan and Keegan, 1979).

- India also started to join in the international business by supporting Multinational activities for India based companies which started to expand their business towards Algeria,Libya and Yugoslavia.

The Early Post War Period can be mentioned as the Golden Age of Western economic growth. In this era, trade was liberalised through General Agreements on Tariffs and Trade(GATT) and through customs unions. U.S. mass production technology was transferred through the internal markets of MNEs. Key European industries were transformed. Cheaper motor vehicles created a more mobile society. Female labor force participation increased. Cheaper consumer durables combined with higher incomes raised aspirations to historically unprecedented levels. Mass consumer demand fuelled demand for branded products, such as convenience foods. The glamor of U.S affluence made U.S. marketing and advertising skills easy to transfer abroad. The "golden age" was terminated suddenly with the oil price shock of 1973(Frank,1985). Imports of manufactured goods from Japan and the newly industrializing countries (NICs) of South-East Asia quickly began to replace domestic production in Western markets - including motor vehicles, which had been one of the "engines" of Western growth up to that point. The West woke up to the fact that for some time Asian firms had been systematically absorbing Western technologies, and adapting them to local conditions. The full consequences of international technology transfer and trade liberalization were finally being felt(Buckley and Casson,1998).

The rise of the developing countries' multinational corporations had some advantages in their international expansion since 1970s. Firstly, some of them were resource-rich developing countries. Revenues from exports started to be used as direct investment to developed countries. Secondly, generally these countries were labor rich and rapidly industrializing countries. Hong Kong, Singapore, People Republic of China and Korea can be mentioned as examples for such countries. These countries used their labor richness to support home based multinationals. Especially their labor richness has also been used by the developed countries' multinational corporations. In 1960s, Singapore for example served as a major manufacturing base for many high technology companies such as Hewlett-Packard,Fairchild, Litton Industries, Philips and Hitachi. But when we came to 1970s, the more adventurous developing countries became net exporters of the labor, products and ideas. Thirdly; growing domestic markets in the developing countries such as Brasil, Mexico and the Philippines provided support for international expansion of the multinational companies. The main feature of the developing countries which export their companies to the world as multinational has been the support, encouragement of governments. The commitments of the governments provided the starting point of MNEs in their countries(Heenan and Keegan, 1979).These emerging market countries—long accustomed to being mere recipients of FDI from Europe, North America, and Japan—now increasingly form the home bases for genuinely global enterprises. Brazil has certainly proved no exception to this trend. Across six continents, Brazilian corporations are entering takeover contests, establishing greenfield operations, breaking into new export markets, or bidding for resources extraction concessions. The names Embraer, Petrobrás, and Odebrecht are fast becoming as globally recognized in their sectors as Boeing, Shell, and Bechtel(Aman,www.jstor.com,11.06.2010) . As it is seen in Brasil, the other sectors in the world see new leaders which came from developing countries. For example, in 2006 an Indian group, Mittal, took control of European rival Arcelor to become the leader in the steel industry, while in the cement industry, Mexico's Cemex has caught up with industry giants Lafarge (France) and Holcim (Switzerland). The takeover of Canadian-based Inco in 2006 brought Brazilian mining conglomerate Companhia Vale do Rio Doce (CVRD), to the top of international rankings alongside Anglo-Australian companies BHP Billiton and Rio Tinto. In 2007 and 2008, the Indian group Tata snapped up jewels of the United Kingdom's steel and motor vehicle industries, while in Asia, conglomerates in the Republic of Korea such as Samsung and LG or Posco have grown into global heavy hitters, closely followed by next-generation Chinese firms such as Huawei and Lenovo(Santiso,2008). It is argued that there are five characteristics that have contributed to help the companies in Latin America to be global giants. Individually, they have much in common with other companies in other parts of the world, but, in combination, they make for the uniqueness of Global Latinas. First one is Long-term visionary leaders. Lorenzo Zambrano, grandson of the founder of CEMEX, is a case in point. Since he became CEO in 1985, he has steered the company from being a relatively small player to becoming a global giant. Second is A strong survival instinct. Global Latinas have realized that the best defense is attack. For many years, Latin American companies have benefited from their governments' protectionist economic policies, notably import-substitution and export subsidies(Thomas,2003). This helped some of them to consolidate their positions in their home markets. But once the winds of the free market were blowing across the region, these firms could no longer count on state protection. They had to survive as privatized, or partially privatized, entities, in direct competition with multinationals from the developed world. América Móvil, for example, had to compete with Spanish telecoms giant Telefónica. Petrobras had to compete with both US oil giant Exxon Mobil and Spanish energy firm Repsol YPF. Third one is considered as the ability to navigate through turbulent waters. Traditional theory states that successful companies have to have a country-specific and a firm-specific competitive advantage. Being able to survive for challenging in economic times' turned out to be a major competitive advantage of Latin companies. Fourth is Internationalization as a way to balance risk in the home market. Although this might seem contrary to conventional wisdom, internationalization for Global Latinas is seen by them both as a way to decrease exposure to risk and as a way to acquire knowledge and technology. These companies tend to move first into 'natural markets' – usually neighboring countries in Latin America, then, in Europe, Spain or Portugal – as they expand internationally (Thomas,2003). By starting with markets where there is a cultural and linguistic affinity, the Latinas begin to build their model and test out the process of internationalization. The last one is Business model innovation. Business strategists used to assume that innovation was largely related to products. While this remains important, there is a growing appreciation of the advantages companies can gain from innovations in their business model. The Global Latinas have proved adept at developing unique business models that have given them significant advantage as they expand abroad. No business exemplifies this point better than Mexican cement giant CEMEX. It has created a business model which integrates acquisitions into the company quickly and efficiently. The result is that they have all delivered value to the company – and impressed the business world in the process

(Casanova,2009). As it is written that there are some things that make Global Latinas different from all the other MNEs, Chinese companies' success depend on country specific advantages which helped Chinese MNEs to compete with other global MNEs.

Before being a global company, Chinese companies needed a source of competitive advantage that not only set them apart from established global players, but also compensated for their disadvantages as newcomers –handicaps that include a relative lack of knowledge of international markets, limited stocks of other intangible assets (such as proprietary technologies and brand equity), and a paucity of other resources (including capital and tangible assets). The home base of Chinese multinational companies provided a number of country specific advantages to the Chinese multinational companies such as benefit of a large pool of low-cost, low skilled labor that can be resulted into low manufacturing cost but this alone has been insufficient as a source of competitive advantage in the global market because foreign companies have also be readily able to exploit this low-cost labor advantage either by setting up manufacturing in China or outsourcing manufacturing and other basic operations to domestic companies in China(Zeng and Williamson, 2003). Chinese companies aimed to be successful globally, therefore, have been forced to find radical new ways of using Chinese cost advantages so as to transform their CSAs into Firm specific advantages which would make the conditions difficult for rivals, in both foreign and domestic environment. They have managed to do this through what we term cost innovation (Zeng and Williamson, 2007). Within the broad strategy for creating firm specific advantages, leading Chinese companies (who are called Chinese dragons) have innovated along some combination of three dimensions:

- They have developed strategies and organizational routines that have allowed them to offer customers high technology at low cost. Computer maker Dawning, for example, has worked to put supercomputer technology into the low-cost servers that are the everyday workhorses of the world's IT networks. This novel strategy is difficult for established firms to replicate because their own internal processes are designed to deploy high technology into a restricted range of high-end products and segments. Established global competitors also have a disincentive to imitate this strategy for fear of interrupting the cycle whereby they maximize their profits along the product life cycle by only slowly migrating new technology from high-priced segments toward the mass market(Williamson and Zeng,2009) .

- The emerging Chinese multinationals are finding processes that enable them to offer customers a wide choice of product varieties or customization at prices that are competitive with incumbents' standardized, mass-market offerings. Goodbaby, for example, offers a product line of over 1,600 types of strollers, car seats, bassinets, and playpens – four times the range of its nearest competitor – all at mass-market prices(Williamson and Zeng,2009).

- Chinese companies are developing strategies that use their low costs to reduce the break-even point of producing specialty products. This enables them to reduce the risk of trying to 'explode' hitherto niche markets into volume businesses by dramatically lowering prices. For example, consumer appliance maker Haier has transformed the market for wine-storage refrigerators from the preserve of a few wine connoisseurs into a mainstream category sold through America's Sam's Club, at less than half the then-prevailing price of comparable products. Haier has captured a 60 per cent market share of the expanded US market (measured by value). Incumbents have found it difficult to match this FSA because it would require them not only to access CSAs in China, but also to completely re-engineer their existing business models which are based around the assumption that specialty products must forever remain low volume and high priced(Williamson and Zeng,2009).

As it is written above, this cost innovation approach has been quite successful in permitting the Chinese dragons to build FSAs that give them power of competing with the other giant multinational companies in the world. With this ability, Chinese multinationals started to compete with the other multinationals in all industries and segments from up to bottom (Zeng and Williamson, 2007). This situation has been proved by China's rising world share of high-technology exports. In 1995 China exported $6 billion worth of goods and services classified as 'high technology'. By 2005 that figure was $217.6 billion, representing 28.6% of China's total exports. In Shenzhen, which started as a Special Economic Zone across the border from Hong Kong producing cheap clothes, toys, and athletics shoes, high-technology exports have been growing at more than 45% per annum in recent years. By 2005 Shenzhen exported $47 billion in high-tech goods (Government of Singapore, www.csc.mti-mofcom.gov.sg,21/06/2010). Even more significantly, some 57% of high-technology production was based on intellectual property owned by Chinese firms. In 2004 alone, Shenzhen companies applied for 14,918 patents. Today 90% of China's growing investment in R&D is made by the corporate sector. Some specific examples of this successful emergence of Chinese multinationals include: Galanz, which now supplies more than one in two microwave ovens sold in the global market; Wanxiang, the world's largest producer of universal joints, which has established an industry fund to buy US firms in auto components (it is already talking to struggling Delphi); BYD, the world's second largest maker of rechargeable batteries; CIMC (China International Marine Containers), which controls 55% of the global container industry across all segments from low to high end; Shanghai Zhenhua Port Machinery Company, which has a 54% share of the world market for harbor cranes etc(Zeng and Williamson,2009).

According to Dunning the most significant features of international business activity since 1960 have been threefold. First, the predominant form of MNE involvement has shifted from market seeking and resource seeking investment to rationalized and more recently, strategic asset acquiring investment. The first two types of MNE activity were started to be emphasized in a more globalized view and emergence of intra-firm trade especially in integrated regions such as the Europe and North America occurred(Dunning,1992:128). In 1960s, with the emergence of Japanese and other Western European MNEs' activities, direct investments shifted from resource seeking projects to manufacturing and trade activities and were heavily directed toward the European Common Market and European Free Trade Association countries(Robock.1984). The second important feature of the period can be considered as the change in the organizational forms of MNEs into a more pluralistic structure. Especially in the beginning of 1990s, the growth of strategic alliances and network of suppliers and customers were started to be seen as the part of the global compound of MNE activity as they were with FDI per se (Dunning, 1992:128). The third important feature of the period has been considered as the new attitudes and strategies towards MNEs's international activities. According to the so called eclectic paradigm, a firm will be in a position to internationalize if it is in possession of some firm-specific advantage. Such an advantage may well center on a proprietary technology (for example, ownership of a patent) but might equally relate to a distinctive brand or an effective organizational model. Presuming that a firm is in possession of such advantages (sometimes referred to in the literature as "core competences"), it will have a direct financial interest in exploiting them outside its home market if it believes that its competencies will enable it to gain profitable market share in this domain(Amann,www.jstorcom,11.06.2010). New strategies for internationalization emerged such as Divestment and investment started go together, expansion in one sector or a region accompanied by contradiction in another sector or region. Organizational forms of the MNE started to be more dynamic to fulfill the interests of the companies because of the need of rapid decision making process in the world. New cross-border alliances were started to be established as the old ones started to be broken up. Finally it can be argued that international trade has been controlled by the MNEs in the world(Dunning,1992) as it can be seen in the example of Japan that in 2000, only 13.8 percent of Japanese firms were multinationals but they accounted for 95.1 and 85.4 percent of Japanese exports and imports, respectively. Some, 81.3 percent of multinational firms, are either exporters or importers. Over time, the multinational firms have emerged among exporters/importers. The multinational firms dominate international trade because, first of all, they are large exporters/importers *before* they become multinationals. Further, multinational firms with large FDI expand exports *after* they become multinationals (Kiyota and Urata,2005).

2.6. Historical Background of Turkish Multiactivity Companies.

In the next chapter, it will be asked that if there is a multinational company in Turkey or not but before asking this question, it will be helpful to explain the historical background of Turkish multiactivity companies. In 1931, when Ataturk launched the statist period, state intervention in the economy was not a matter of choice. The collapse of agricultural prices as a result of the world depression made industrialization a necessity. The Turkish private sector, however, did not possess the necessary financial strength to engage in a meaningful process of industrialization. Consequently, Turkey became one of the first developing countries to experiment with central planning. By the time of Ataturk's death in 1938, the state emerged as the center of gravity in the Turkish economy. During the 1930s and the 1940s the business class exchanged its right to participate in politics for the right to accumulate capital. Profiteering during the war years allowed the emerging business community to strengthen its financial position and to expand its size. By the end of the Korean war, the business class felt sufficiently strong to make demands on the

state, in particular to roll back the statist experiment and establish a free market economy. To control the emerging private sector and respond to its needs in the early 1950s, the Turkish government adopted a corporatist solution(Shambayati,1994). It is also argued that this corporatist solution created a rent seeking bourgeoisie in Turkey which slowed the industrialization process and developments that were planned by the government. It is not because of just bourgeoisie, government did not take the necessary precautions to increase the domestic revenues and decrease the external debts. When the economic history of Turkey is observed it can be seen that throughout the five-year development plan periods implemented since 1963, "industry based growth" has been one of the main objectives in Turkey. However, the industrialization strategies adopted and economic policies followed have shown great differences before and after 1980. An import substitution policy had been implemented until 1980. However, after 1980, significant progress has been made towards establishing the principles and fundamentals of a market economy through the introduction of export-oriented industrialization. These reforms made significant contribution to the dynamism of the private sector and improved the adaptability of Turkish economy to internal and external impacts. Therefore, the source of industrial growth in recent years has been investments and the dynamism of the private sector. Turkish industry mainly depends on the private sector activities. The share of public sector in the manufacturing industry has been decreased through privatization activities in recent years. Currently, more than 80 % of production and about 95 % of gross fixed investment in the manufacturing industry is realized by the private sector.
(www.dpt.gov.tr,24.06.2010)

As a late industrialized country and as a middle income country(Lakauskas and Minushkin,2000), Turkey's state policy reflected some factors such as the supply of capital and entrepreneurial talent that leads to the emergence of multiactivity firms. It is considered that the multiactivity firms are organized in the form of holding companies as the typical big business unit in Turkey. These multiactivity companies played a significant role in attracting the foreign direct investment to Turkey.In 1989, there were more than 72 foreign companies that were operating in Turkey(Buğra,1994:182). It is evaluated that becoming a Multiactivity company(Holding Company may be used instead of this term because there are no big differences in the structure) has been motivated by three factors. First; between 1960 and 1986, Turkish Taxation system like the other middle eastern states' taxation systems(Shambayati,1984), brought many advantages to Holding companies such as eliminating double taxation system from both the central and from its subsidiaries, paying taxes in the next year so with the effect of inflation, companies have had advantages. Second, changing the company structure into holding company brought ability to allocate costs and benefits among affiliated enterprises and thus minimize the tax burden. Third, financial management has to do with their abilities to realize capital increases through the revaluation of the shares of affiliated companies which are then transferred to the central holding firms. Another motivation can be mentioned to be a holding company such as reflection of the managerial needs, financial benefits and becoming prestigious in the relations with the state(Buğra,1994:186). The relations with the state have been very important for a company because, state regulates legal environment, financial environment and modifies entrepreneurship. In an environment of scarce entrepreneurial resources and limited capital as it can be seen in the example of Turkey, few individuals with previous entrepreneurial expertise would be encouraged to invest in the fields of economic activity which government authorities chose to leave to the private sector. For earning encouragement of the state needs strong political connections with the state. These encouragements include necessary credits from the banks, permitions to operate in banking sector, and gaining the adjudications from the state etc(Buğra,1994:188). The one who is mostly supported by the state, becomes more attractive for the foreign investors such as MNCs. For example In 1981, there were 92 foreign subsidiaries manufacturing in Turkey where they produce a variety of products including, motor vehicles, tires, radios and television sets, refrigerators and ranges, soft drinks, beers, textiles, paint, detergents and soaps, canned vegetables, trucks and buses, and electrical motors. Seventeen subsidiaries were majority owned and 11 subsidiaries were minority owned. Nineteen subsidiaries were affiliates of West European multinationals and 9 were subsidiaries of North American-based (8 U.S. and 1 Canadian) multinationals. These subsidiaries were established as joint ventures with Turkish Holding Companies(Aydın and Terpstra,1981). Joint ventures with foreign companies are not uncommon in the ownership structure of the Turkish companies. In terms of ownership structure, Turkish corporations can be characterized as highly concentrated, family owned firms attached to a group of companies generally owned by the same family or a group of families. The group usually includes a bank, which does not have significant equity ownership in member firms. Very large groups are well-diversified conglomerates sometimes with pyramidal structures. Others are usually vertically integrated companies in the same line of business. Although professional managers run these companies, family members are highly actively involved in strategic as well as daily decisions. Some of the very largest companies are government owned monopolies(Gürsoy and Aydoğan,1998;Nenova,2005,www.ejournal.unam.mx,23.06.2010).

It is considered that as the Turkish economy became more outward-oriented since the 1980s, the government started to liberalize the country's outward foreign direct investment regulatory environment. This can be evaluated as the key factor which has driven the Turkish enterprises to internationalize. Competition at home and from abroad (through imports and inward FDI) contributed to internationalization of Turkish enterprises. Turkish enterprises have been investing abroad for various reasons such as liberalization and improved policy environment, escaping from home economic environment, attractive foreign investment environment abroad, accessing to natural resources, accessing to markets, accessing to technologies and accessing to brand names. These investments have been differing according to size of firms(www.un.org,24.06.2010).

Table-3

Parent Comp.	**Outward Foreign Direct Investment Characteristics**								
	Host Count.	Major OFDI Activity	Names of Foreign Affiliates	Greenfield vs. Brownfield	Joint Venture vs. Full Ownership	Foreign Affiliate Assets as Percent. of Total Assets	Foreign Affiliate Employ. as Percent. of Total Employ.	Foreign Affiliate Sales as Percent. of Total Sales	Trans nation ality Index
Koc Holding	Russia	Retail Serv., Cons. Durables	Ramenka Beko	Greenfield Greenfield	Joint Venture Full Ownership	%8	%10	%11	%10
	China	Cons. Durables	Chung Mei	Greenfield	Joint Venture				
	Bulgaria	Retail Serv., Oil & Gas Dist.	Ramstore Opet/ Aygaz	Greenfield Greenfield	Full Ownership Full Ownership				
	U.K.	Elect.	Fusion Digital	Greenfield	Joint Venture				
	Germany	Cons. Durables	Blomberg Werke Arctic	Brownfield	Full Ownership Full Ownership				

	Romania	Cons. Durables	Ardutch	Brownfield	Full Ownership				
	Neth.	Holding Comp. Auto.	SamKocAuto	Greenfield	Joint Venture				
	Uzbekistan	Retail Serv.	Ramstore	Greenfield	Full Ownership				
	Azerbaijan	Retail Serv.	Rambutya	Greenfield	Joint Venture				
	Kazakhstan	Retail Serv.	Ramstore	Greenfield	Full Ownership				
	Macedonia	Cons. durables	Elektra Brengenz	Greenfield	Joint Venture				
	Austria	Cons. durables	Elektra Brengenz	Brownfield	Joint Venture				
Sabancı Holding	Egypt	Indust. Nylon	Nile-Kordsa	Greenfield	Joint Venture	%7	%15	%17	%13
	Iran	Indust. Nylon	Kian-Kordsa	Brownfield	Joint Venture				
	Germany	Indust. Nylon Polyest.	Interkordsa Advansa	Brownfield	Joint Venture Full Ownership				
	U.S.A.	Holding Comp. Indust. Nylon	Kordsa International Dusa	Greenfield Brownfield Brownfield Brownfield	Full Ownership Full Ownership Full Ownership				
	Neth.	Indust. Nylon Holding Comp.	Kordsa Interkordsa Advansa	Greenfield Brownfield	Full Ownership Full Ownership				
	U.K.	Indust. Nylon Polyest.	Advansa	Brownfield	Full Ownership				
	Brazil	Indust. Nylon	Dusa	Brownfield	Full Ownership				
	Argentina	Indust. Nylon	Dusa	Brownfield	Full Ownership				
Haznedar Refrakter	Macedonia	Indust. Bricks	Vardar Dolomite	Brownfield	Full Ownership	%25	%29	%26	%27
Borova	Azerbaijan	Retail Servi.	Master Tibot	Greenfield	Joint Venture	%20	%36	%10	%22
Ener Holding	Romania	Hotel Serv.	Majestic Hotel	Brownfield	Joint Venture	%15	%100	%50	%55
Oynurden Kimya	Bulgaria	Wine Nursery	Agroden	Greenfield	Full Ownership	%3	%10	%10	%8
Emsas	Kazakhstan	Hotel Serv.	Alatau Hotel	Brownfield	Full Ownership	%90	%35	%90	%72
Aksan Kalip	Bulgaria	Indust. Elect.	Mikroak	Brownfield	Full Ownership	%43	%49	%38	%43
Turkuaz	Kazakhstan	Retail Serv. Food	Turkuaz	Greenfield	Full Ownership	%100	%100	%100	%100
	Kyrgyzstan	Retail Serv.	Turkuaz	Greenfield	Full Ownership				

	Tajikistan	Retail Serv.	Turkuaz	Greenfield	Full Ownership				
	Uzbekistan	Retail Serv.	Turkuaz	Greenfield	Full Ownership				

Source:www.un.org(24.06.2010)

Table-4

Parent company	Outward Foreign direct Investment Drivers							
	Liberalization of Home Regulatory Environment	**Home Environment as Push Factors**	**Foreign Environment as Pull Factors**	**Fiscal Motives**	**Access to Natural Resources**	**Access to Markets**	**Access to Technologies**	**Access to Brands**
Koc Holding	X	X	X	X	-	X	X	X
Sabanci Holding	X	X	-	X	-	X	X	X
Haznedar Refrakter	X	-	X	X	X	X	-	-
Borova	X	-	X	X	-	X	-	-
Ener Holding	X	X	X	X	-	X	-	-
Oynurden Kimya	X	-	X	X	-	X	X	-
Emsas	X	X	X	X	-	X	-	-
Aksan Kalip	X	X	X	X	-	X	X	-
Turkuaz	X	-	X	-	-	X	-	-

Source:www.un.org(24.06.2010)

CHAPTER 3

MEASUREMENT OF MULTINATIONALITY OF THE COMPANIES IN TURKEY

3.1 Method

3.1.1 Design of the study

This study was designed as a field research because in order to create a measurement which helps us to learn and compare of the multinationality of the companies in Turkey, getting data from different companies would be needed. As it is written that there is no a general scale for measuring the degree of multinationality of companies in the world in the first chapter, it is needed to create a scale for the degree of multinationality of the companies in Turkey to answer the question which asks if there is a multinational company in Turkey or not. Although there are lots of definitions which try to explain what the multinational company is, it is argued that definition of the multinational companies include different independent variables(Keegan,1989:8). For this study, score keeping, financial policy, manufacturing sourcing, new product development policy, structure, operating style and R&D location focus as independent variables. Multinationality of the companies is selected as the dependent variable. The unit of analysis is the 500 leader companies which were declared by Istanbul chamber of Industry in 2009(www.iso.org.tr,10.02.2010). Time Frame of the study is cross sectional because there is no need to make data collection for more than one time to measure if there is a different answer of the same person after some time.

3.1.2 Data Collection Method

For collecting data, a questionnaire is used because only a questionnaire could provide useful data to measure the multinationality of the companies. This questionnaire was applied to the participants by e-mail. The participants' e-mail addresses were taken from the Istanbul Chamber of Industry. It was considered that sending the questionnaires by post would waste time to provide confidentiality of participants. It was also considered that sending questionnaires by e-mail to the participants can be seen more formal by participants and this may increase the response rate. The questionnaires were sent to 500 participants on 20th of March

2010 and waited for response. After two weeks, only 22 of them answered. Participants who did not respond, were called by phone and were explained and asked to answer the questionnaires again. Then Questionnaires were sent again. After two weeks, 31 of them responded. The participants, who did not respond after the first call, were called again. Questionnaires were sent again and after two weeks the final number of the respondents became 68.

3.1.3. Measurement Instrument

The empirical research on measuring the degree of multinationality of a company did not provide a suitable and useful scale for this thesis so a new scale is made to examine the degree of multinationality of a company in Turkey. A semi interval likert type scale was used for measurement. This scale is 1(strongly agree), 2(I agree), 3(Neutral), 4(I disagree), 5(I strongly disagree). There is one dimension in the measurement. This includes independent variables which consist of score keeping, financial policy, manufacturing sourcing, new product development policy, structure, operating style and R&D location focus.

<u>Independent Variables:</u>

I. <u>Score Keeping:</u>

Score Keeping can be a variable because for domestic and international companies home country score is the name of the game. Home country share of the market is the key measure of success. In multinational companies separate score is kept for each country. Share of market is measured on a country-by country basis. In Global companies, performance is measured on a global basis. Share of market is measured on a world basis. To evaluate this variable can give information about a company's multinationality(Keegan,1989).

II. <u>Financial policy:</u>

Financial policy can be a variable because domestic and international companies rely on home country's financial market for financial resources. Multinational companies rely on each operating country's financial market for financing the operations in that country. Global companies obtains financial resources form the lowest cost source in world for using where needed (Keegan,1989).

III. Manufacturing Sourcing:

Manufacturing sourcing can be a variable because domestic and international companies rely primarily on home country for manufacturing sourcing. A multinational company relies on manufacturing host country to supply country markets. A global company relies on sources product from the lowest cost source worldwide to supply world markets. This differentiation in manufacturing sourcing policies of the companies may provide useful information to understand a company if it is multinational or not.

IV. New Product Development Policy:

New product development policies of the companies can be variables because it creates a differentiation between the company types such as in domestic and international companies new products are developed to satisfy market needs in home country. In Multinational companies, new products are developed to satisfy market needs in each country that are operated in. In Global companies, new products are developed to satisfy national and global market needs based on perception of relative opportunity.

V. Structure:

Structure can be a variable because it creates differences between the companies such as in domestic companies there is a domestic structure. In international companies there are international divisions. In multinational companies there are area*worldwide product divisions and in global companies there are mixed/matrix structure.

VI. Operating Style:

The operating style of the company can be a variable because in domestic companies there are domestic operating styles. In international company there is a centralized/top down management type operating style. In the multinational company, there is a decentralized/bottom up management style. In Global companies the operating style of the company is integrated and interactive management.

VII. Research and development Location Focus:

R&D location focus is a variable because it changes according to type of the company such as in domestic markets, location focus is domestic. In international company the location focus is home country. In multinational company the location focus is home and host country but there is not integration. In global companies there is integration between home and host country.

3.1.4. Sample

Our testing population is the companies in Turkey. As a population frame 500 of them were selected as the biggest companies according to the list of 500 biggest companies in Turkey. This list was taken from the Istanbul Chamber of Industry. All of 500 companies were chosen as participants and 50 of them were aimed as a response rate. Purposive Sampling Method used to select the participants because only the biggest companies in Turkey can give the useful data for this research.

3.2 Data Analysis

For analyzing the answers that were given to questionnaires SPSS 16.0 was used. According to reliability statistics our Cronbach Alpha is 0.535.One question was excluded for the reliability analysis. All the datas were valid and there was no missing variable. When the datas were analyzed according to frequencies, we found the results that are given in the table 3.1.

Table-5

NO	QUESTIONS/ANSWERS	STRONGLY AGREE	I AGREE	NEUTRAL	I DISAGREE	I STRONGLY DISAGREE
1 Score Keeping	The most important thing for the performance evaluation of the company is the market share in Turkey.	16/%23.5	10/%14.7	20/%29.4	14/%20.6	8/%11.8
2	If we have a choice, we	23/%33,8	20/%29.4	10/%14.7	11/%16.2	4/%5.9

Score Keeping	prefer greater market share in host countries because our target market is host countries.					
3 Score Keeping	Market share in the world is more important than market share in Turkey because global results give exact situation of the company	5/%7.4	16/%23.5	26/%38.2	11/%16.2	10/%14.7
4 Score Keeping	We prefer keeping separate scores for the performance in each country to evaluate separate performances of the company according to country.	10/%14.7	31/%45.6	-	18/%26.5	9/%13.2
5 Score Keeping	For evaluating the performance of the company, all the markets in different countries have the same level of importance for us	12/%17.6	16/%23.5	6/%8.8	24/%35.3	10/%14.7
6 Financial Policy	We prefer Turkey's financial markets for financial sourcing	10/%14.7	25/%36.8	10/%14.7	12/17.6	11/%16.2
7 Financial Policy	We prefer using other countries' financial markets for sourcing our operations in these countries	-	11/%16.2	12/%17.6	24/35.3	21/%30.9
8 Financial Policy	We prefer using any financial markets in any country wherever the low cost is, for sourcing our operations in everywhere	9/%13.2	30/%44.1	17/%25	-	12/%17.6
9 Manufac. sourcing	We prefer using our Turkish resources to supply our manufacturing	9/%13.2	27/%39.7	9/%13.2	13/%19.1	10/%14.7
10 Manufac. Sourcing	We prefer using host countries resources to supply country markets	15/%22.1	14/%20.6	26/%38.2	8/%11.8	4/%5.9
11 Manufac. sourcing	Cost of sources mostly determine the place where we use to supply world market	33/%48.5	27/%39.7	-	-	8/%11.8
12 New Product Develop.	As we focus Turkish market, new products are developed for Turkey	11/%16.2	10/%14.7	17/%25	25/%36.8	5/%7.4

Policy						
13 New Product Develop. Policy	We prefer developing new products for the host countries.	4/%5.9	30/%44.1	24/%35.3	-	10/%14.7
14 New Product Develop. Policy	New products are generally developed to satisfy national and global market needs based on perception of relative opportunity	10/%14.7	41/%60.3	11/%16.2	5/%7.4	1/%1.5
15 R&D Location Focus	We prefer to establish our research and development facilities in Turkey.	11/%16.2	36/%52.9	11/%16.2	5/%7.4	5/%7.4
16 R&D Location Focus	We prefer to establish our research and development facilities in Turkey as well as in the host countries	13/%19.1	11/%16.2	40/%58.8	4/%5.9	-
17 Operating Style	We prefer our operating style as domestic	17/%25	25/%36.8	17/%25	4/%5.9	5/%7.4
18 Operating Style	We prefer operating in a centralized style from top to down	11/%16.2	14/%20.6	27/%39.7	4/%5.9	12/%17.6
19 Operating Style	We prefer operating in a decentralized style from bottom to up	8/%11.8	15/%22.1	13/%19.1	17/%25	15/%22.1
20 Operating Style	We prefer using an integrated and an interactive management as the operating style of the company	17/%25	29/%42.6	18/%26.5	4/%5.9	-
21 Structure	We prefer the structure of the company as domestic	10/%14.7	23/%33.8	27/%39.7	4/%5.9	4/%5.9
22 Structure	We prefer having international divisions in company structure	5/%7.4	26/%38.2	24/%35.3	13/%19.1	-
23 Structure	We prefer having product divisions worldwide in our company structure	7/%10.3	17/%25	21/%30.9	23/%33.8	-

24 Structure	We prefer having a mixed-matrix structure in company	1/%1.5	5/%7.4	28/%41.2	24/%35.3	10/%14.7

As Keegan argued that a multinational company keeps seperate score for each country(Keegan,1989). Our first five questions were asked to understand the score keeping model of the companies. According to respondents' answers the first five questions' cronbach's alpha is 0.209. Except the third question's answers, there is a positive correlation between the answers of the other questions. These answers show that at least 10 of the respondents are multinational company in score keeping. For the financial policy, a multinational company, relies on each operating country financial markets for country financing. 6th,7th and 8th questions were asked to understand the financial policy of the respondents. Question 6 and Question 8 is negatively correlated because they asked the reverse questions. The other relations between the others have positive correlation. Their cronbach's alpha is 0.172. These answers show that at least 9 of the respondents are multinational company. When we evaluate the manufacturing sourcing policy we can see that 9th, 10th and 11th questions are asked to understand the manufacturing sourcing of the companies. Our Cronbach's alpha is 0.4 and they all have positive correlation between each other. At least 15 of the respondents are multinational companies in manufacturing sourcing dimension. Our other testing dimension is new product development policy which was asked in 12th, 13th and 14th questions. A multinational company develops new products to satisfy each country where they are operating. Question 13 and Question 14 is negatively correlated between each other. The cronbach's alpha is 0.337. At least four of the respondents are multinational company. The other testing dimension in our research is research and development location focus of the companies which implies that a multinational company establish Research and development infrastructure in both home and host countries but these are not integrated between each other. Question 15 is negatively correlated with question no 16. The cronbach's alpha is 0.278. When we evaluate the answers we can find that at least one of them is a multinational company. The other testing dimension of the multinationality of a company is its operating style. A multinational company's operating style should be decentralized and bottom up management(Keegan,1989). Question no 17,18,19 and 20 were asked to evaluate the operating style of the companies. 0.804 is the cronbach's alpha and question no 18 and 19 are negatively correlated with question no 19 and 20. According to answers, at least 8 of them are multinational company. The last dimension was the structure of the companies. According to Keegan, a multinational company has an area-worldwide product division structure. The last three questions were asked to evaluate the structure of the companies. According to answers at least 7 of them are multinational companies.

If we compare the relations between score keeping and financial policy dimension, our reliability becomes 0.228 and we can find that q1 and q8 is negatively correlated but generally they are positively correlated. When we add the third dimension; manufacturing sourcing our cronbach's alpha becomes 0.310 and it is seen that 60 percent of them are positively correlated. After adding the fourth one; cronbach's alpha becomes 0.496. 70 Percent of them are positively correlated. When the research and development location focus is put into calculation, we find cronbach's alpha as 0.513 and 55 Percent of them positively correlated between each other. The operation style is another dimension which should be put into calculation for our research. Our cronbach's alpha becomes 0.518 and 55 percent of them becomes positively correlated between each other. When we add the last dimension; structure, Cronbach's alpha becomes 0.527 and 52 percent of them becomes positively correlated. When we evaluate the answers we can see that at least 7 of the respondents are multinational company.

TABLE-6

Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
V1	68	1	5	2,82	,161	1,326	1,759
V2	68	1	5	2,31	,153	1,261	1,590
V3	68	1	5	3,07	,138	1,137	1,293
V4	68	1	5	2,78	,163	1,348	1,816
V5	68	1	5	3,06	,167	1,381	1,907
V6	68	1	5	2,84	,162	1,334	1,779
V7	68	2	5	3,81	,128	1,055	1,112
V8	68	1	5	2,65	,152	1,255	1,575

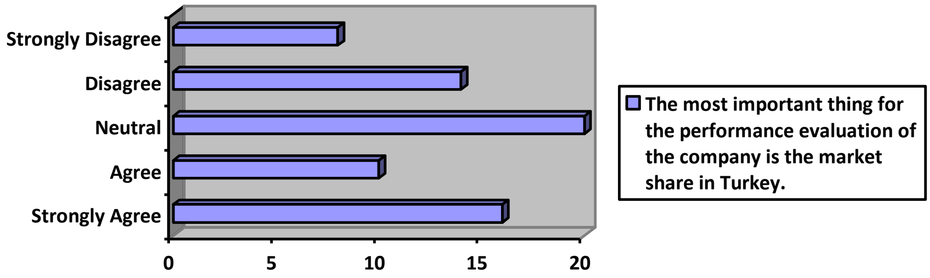
V9	68	1	5	2,82	,158	1,304	1,700
V10	67	1	5	2,58	,140	1,143	1,308
V11	68	1	5	1,87	,151	1,245	1,549
V12	68	1	5	3,04	,147	1,215	1,476
V13	68	1	5	2,74	,134	1,101	1,212
V14	68	1	5	2,21	,102	,839	,703
V15	68	1	5	2,37	,131	1,078	1,161
V16	68	1	4	2,51	,106	,872	,761
V17	68	1	5	2,34	,138	1,141	1,302
V18	68	1	5	2,88	,155	1,276	1,628
V19	68	1	5	3,24	,162	1,340	1,795
V20	68	1	4	2,13	,105	,862	,743
V21	68	1	5	2,54	,123	1,014	1,028
V22	68	1	4	2,66	,106	,874	,764
V23	68	1	4	2,88	,121	1,000	1,001
V24	68	1	5	3,54	,108	,888	,789
Valid N listwise	67						

According to descriptive statistics, our variances are not high and support our results. According to pearson correlation and 2 tailed significance test, correlation is significant at 0.01 and 0.05 levels.

3.3 Findings and Discussion

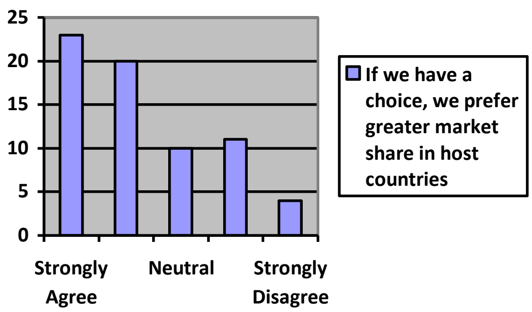
When we analyze the results we can see that for the first question; “The most important thing for the performance evaluation of the company is the market share in Turkey” as it is given in the Figure 1, most of the respondents gave their answers as neutral and the second most given answer is strongly agree which favors a domestic behavior in score keeping for the company but 8 of the respondents answered as a member of multinational company.

FIGURE-1



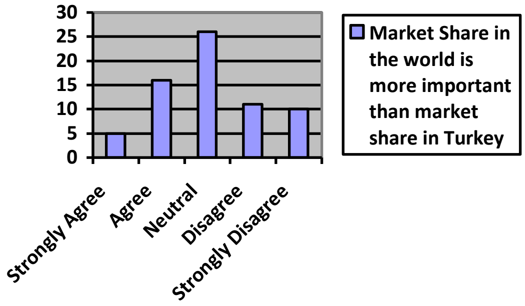
For the second question; "If we have a choice, we prefer greater market share in host countries because our target market is host countries." as it is given in the Figure 2, most of the respondents gave their answers as strongly agree which shows that a multinational character has been dominant in the respondents.

FIGURE-2



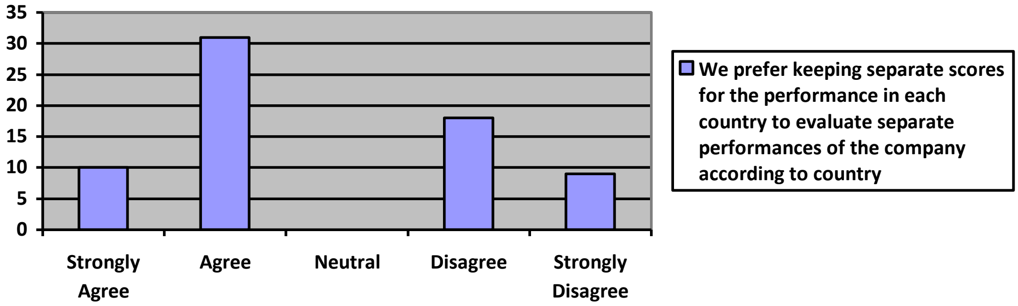
For the third question; "Market Share in the word is more important than market share in Turkey because global results give exact situation of the company", as it is given in the Figure 3, most of the respondents gave their answers as neutral. Only 5 of the respondents gave their answers as strongly agree which shows a multinational behavior in score keeping.

FIGURE-3



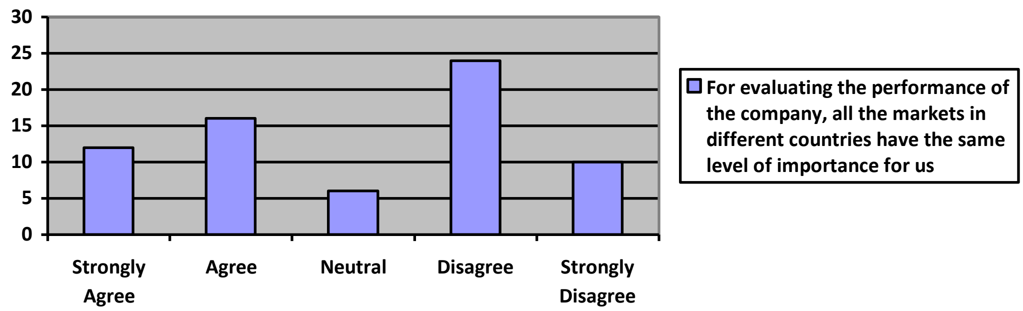
Question no:4 “We prefer keeping separate scores for the performance in each country to evaluate separate performances of the company according to country”, tried to determine multinationality in score keeping clearly and according to answers that is given in the Figure 4, most of the respondents gave their answers as agree. This can be evaluated another evidence for the presence of the multinational character in the companies of Turkey.

FIGURE-4



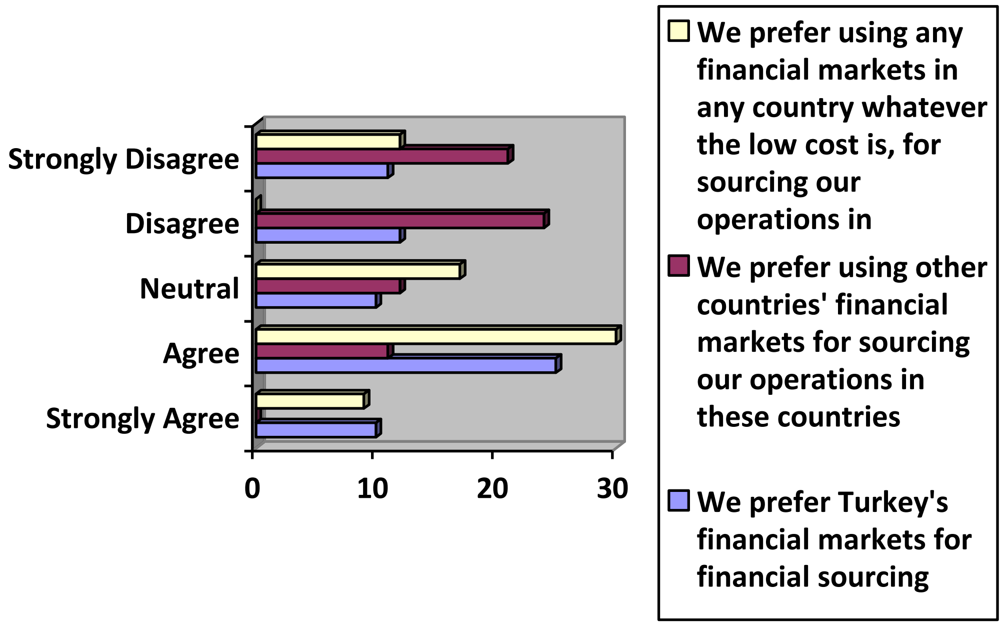
Fifth question; “For evaluating the performance of the company, all the markets in different countries have the same level of importance for us” was asked to understand the global vision of the respondents because according to Keegan Global Companies may think score keeping in this perception. Answers may be evaluated as there are not many global vision companies in Turkey.

FIGURE-5



With question 6,7 and 8 the financial policy of the companies were tried to be evaluated. The questions and answers are given in Figure 6.

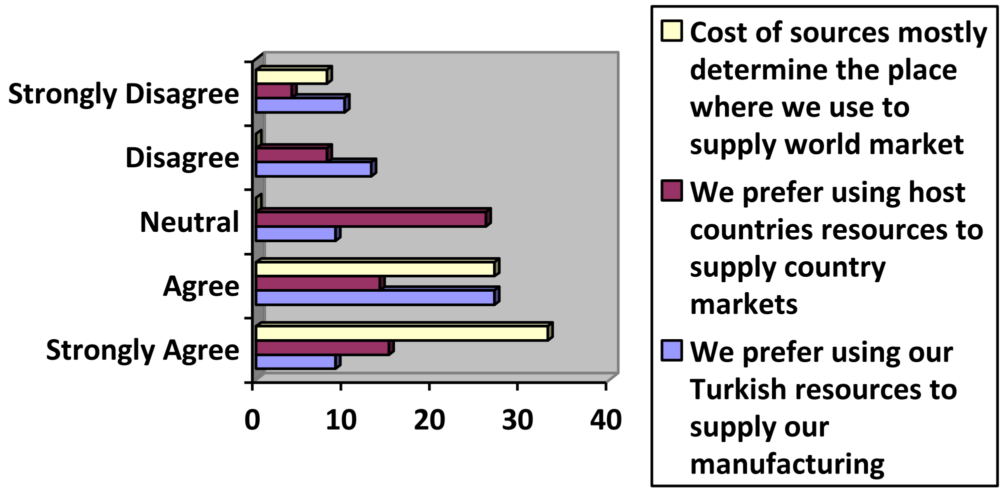
FIGURE-6



According to Keegan a domestic company uses its national financial markets for financial sourcing. Most of the respondents answered this question as agree and strongly agree. 10 of the respondents answered as strongly disagree. This situation implies that 10 of the companies do not depend on national financial resources for financial sourcing. This can be evaluated as behavior of a multinational company. The second question also gave the same answer to us. The last one which was determined as yellow also helped us to understand that 10 of the respondents use financial policy of a multinational company.

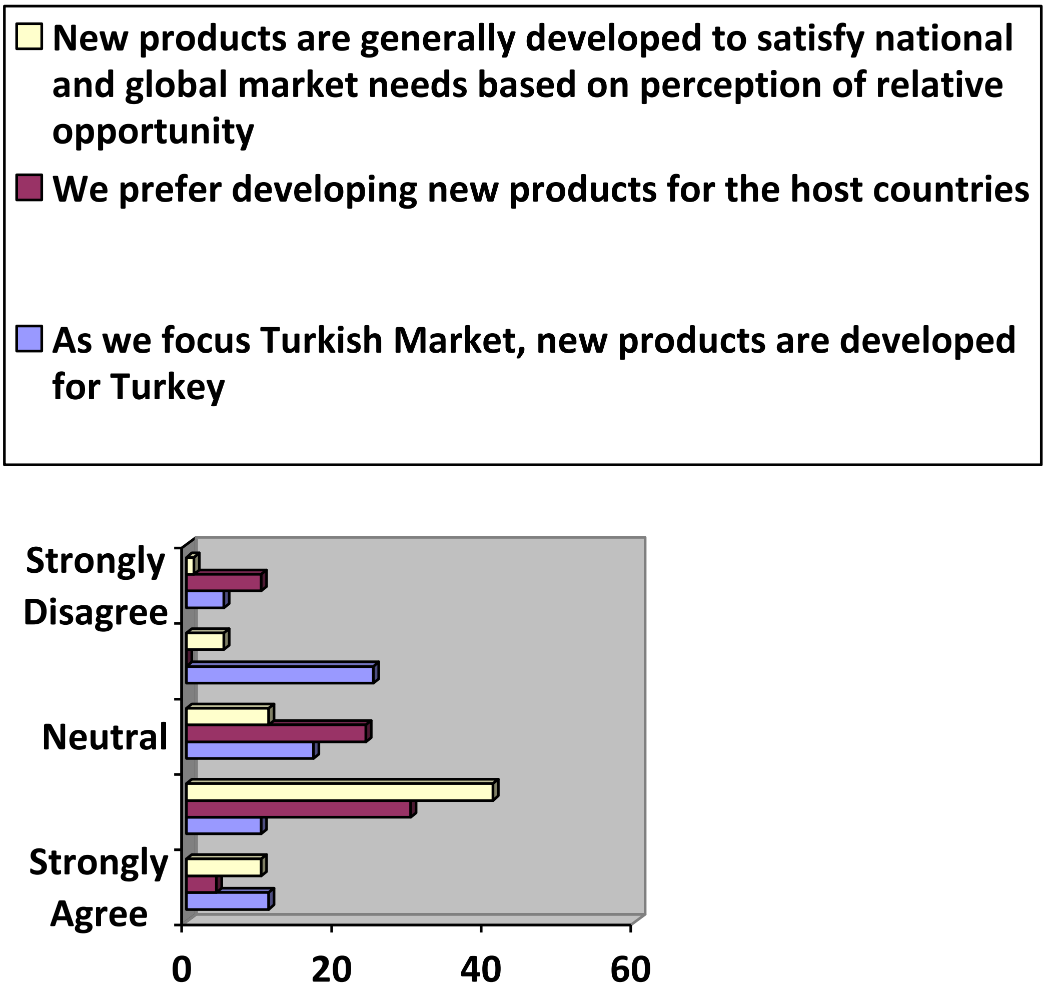
9th,10th and 11th questions were asked to evaluate the manufacturing sourcing of the companies in Turkey. The results can be seen in Figure-7. The blue columns give us the idea that most of the companies use national resources for manufacturing, but this question cannot help us to understand if there is a multinational company in Turkey or not because with the yellow columns it can be also argued that because of the costs in Turkey are cheap we choose our national sources to manufacture but the red columns argue that 15 of the companies uses host countries resources for manufacturing sourcing which can be evaluated as a behavior of multinational companies because multinational companies use host countries' sources to supply country markets.

FIGURE-7



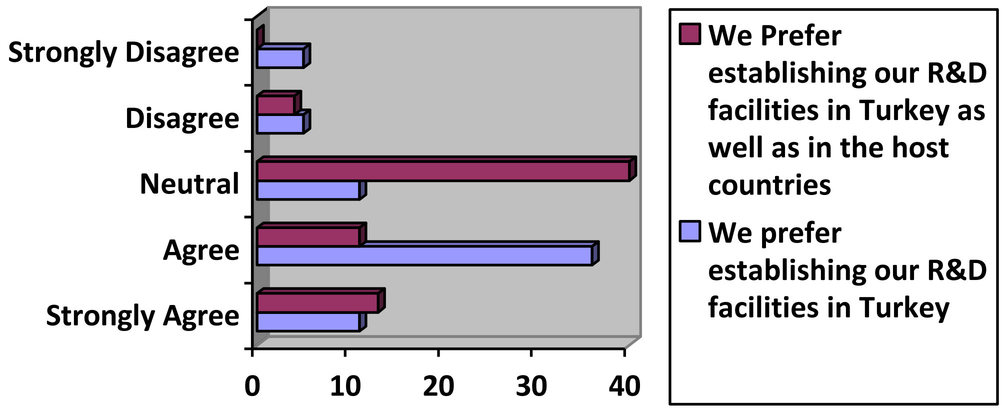
The other three questions were asked to understand the new product development policy of the companies. According to Keegan, a multinational company develops products for the host countries; a global company develops to satisfy national and global market needs based on perception of relative opportunity. As it given in the figure 8, there are also multionational characters in new product development policies of the companies in Turkey.

FIGURE-8



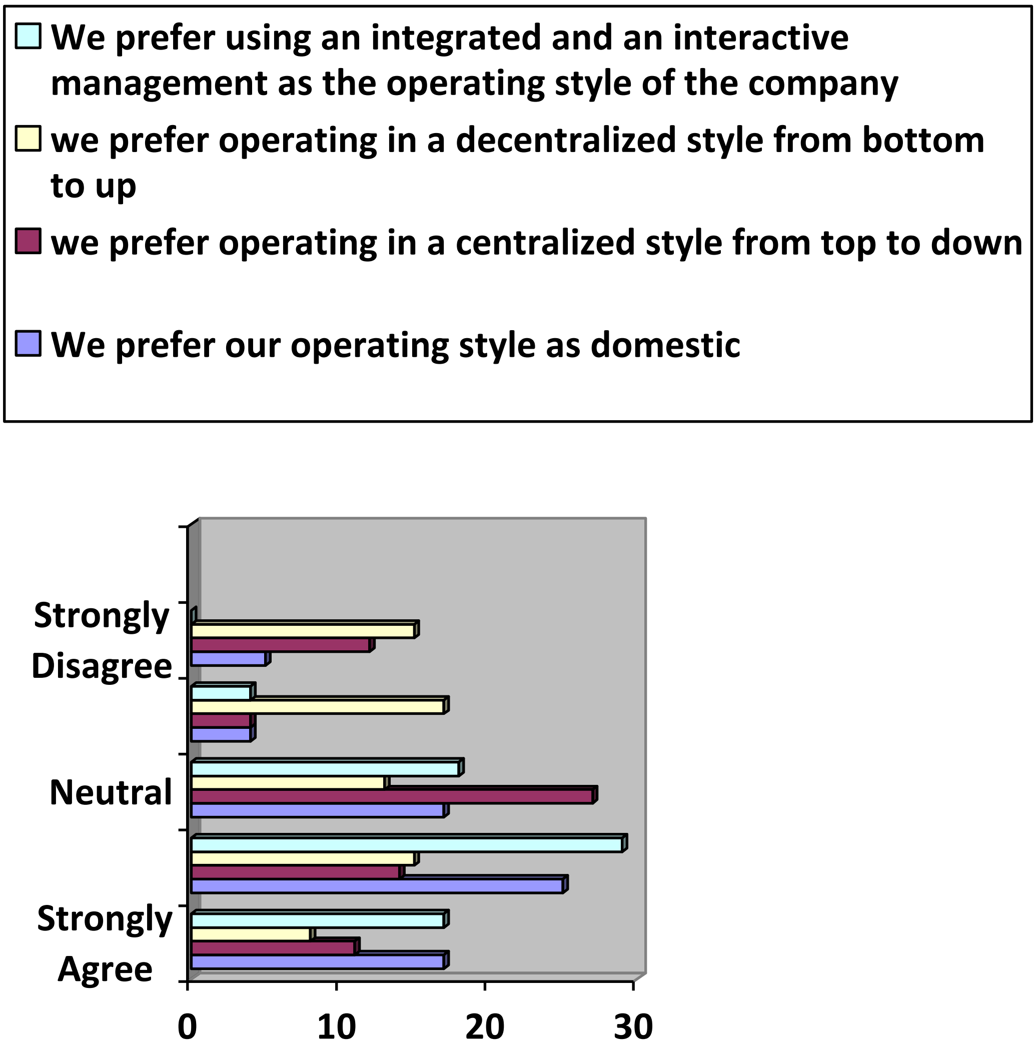
The other dimension which was evaluated is Research and Development location focus strategies of the companies in Turkey. According to Keegan, a multinational company prefers to establish R&D facilities in home countries as well as in host countries. Two questions were asked to get data for R&D location focusing strategies of the companies in Turkey.In figure 9; it can be seen easily that for this dimension, results can be evaluated that there are multinational companies in Turkey.

FIGURE-9



Question no 17,18,19 and 20 were asked for the operating style dimension which is another dimension for determining the company's type according to Keegan. A multinational company has a decentralized and bottom up management style as operating style of the company. Figure 10 shows the questions and answers of the respondents. Only 8 of the respondents answered the question (we prefer a decentralized and bottom up management style as operating style of the company) as strongly agree. Not much but at least 8 of the respondents have or want to have decentralized and bottom up management style as operating style of the company which shows the multinational character of the company in the dimension of operating style.

FIGURE-10

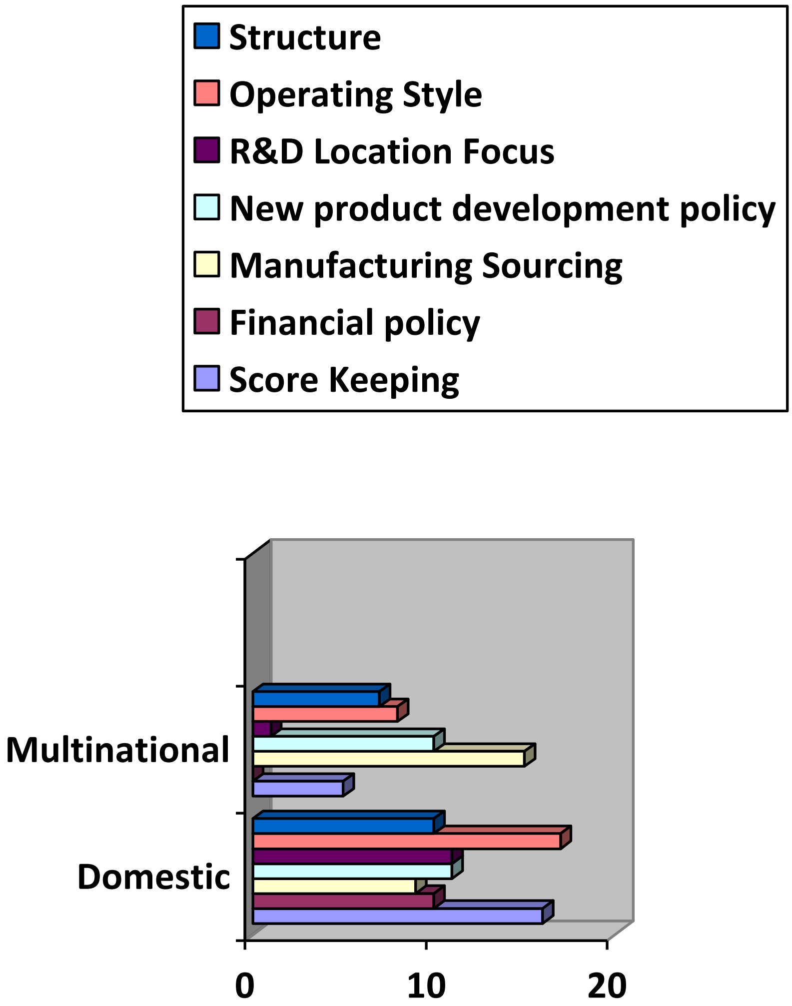


Our final dimension is the structure of the company. Keegan argued that a multinational company has an area-worldwide product division structure in the company. 4 Questions were asked to understand the structure of the 500 leading companies in Turkey and according to respondents at least 7 of them can be evaluated as the multinational companies according to the dimension of structure. Figure 11 shows the questions and the answers of the respondents.

FIGURE-11

Finally, if we try to combine results from the graphs we can see the possible answers for the question that if there is a multinational company in Turkey. Figure 12 helps us to interrogate the results. These results were taken from the strongly agree answers which depends on the questions to get data whether a company is multinational or not. These results cannot be evaluated as the exact numbers of the companies that are multinational or domestic but these numbers help us to understand that there are multinational companies in Turkey but not too much as there are in developed countries.

FIGURE-12



The seven dimensions were selected from the Keegan's analysis and according to the results which were taken from the 68 respondents of 500 biggest companies in Turkey; it is considered that there are multinational companies (Turkey based) in Turkey. With this result it is time to discuss the reasons of having multinational company in Turkey. The principal economic development strategy of Turkey was based on import substitution policies until the 1980s. However, following the petroleum crisis in 1979, and the crisis in the balance of payments, the 1980s witnessed the replacement of the import substitution strategy with an export-oriented growth strategy. In line with this strategy, the 24 January 1980 Resolutions were announced(Ekinci and Erdikler YMM, 2006). This new liberalization policy increased and allowed business operations of Turkish companies in the other countries. For example Turkish companies have had 40 firms and 21 group affiliates that have been operating in the world between 1988 and 1997(Khanna and Yafeh,2007). It is argued that Turkish companies which have pyramidial structures, started to compete with the other pyramidial structured companies from South Korea and Singapore(Yurtoğlu, 2000). Koç and Sabancı Groups can be given as examples for such kind of pyramidial structured companies which operate in the world. Although Turkey started its economic plan in the same time with South Korea, Turkey did not follow this plan completely. Government supported state owned or sponsored enterprises to challenge the foreign enterprises so there were no place left for new entrepreneurships until 1980s(Jones,2005:210). Between 1923 and 1980 these groups were supported through preferential input prices, low-cost credits, tax rebates, foreign exchange licenses, import licenses, government contracts, as well as through export-specific measures which allowed these groups to establish large export companies in the 1980s. The government also encouraged diversification and internationalization of business groups via various economic incentives. Relatively larger business groups are the favored participants in the privatization of state owned enterprises, especially those with strong political ties. Smaller family groups participated in the privatization efforts of smaller state assets(Khanna and Yafeh,2007). Koç, Sabancı, Anadolu Groups can be given as the examples for such large business groups(Buğra,1994,182).

Although 1980s' economical liberalization policies supported and encouraged business activities, not so many Turkish companies, became multinational because only the companies or business groups which are close to the governments enlarged their activities through the world. It is considered that not only the political and bureaucratic culture in Ankara has been unfriendly to foreign investors but also it has been unfriendly to domestic investors as well as it can be understood from a comment of a businessman “I have to be fair to them. They were equally hostile to Turkish investors. In their eyes they were the protectors of the sacred state – we were ogres who thought of nothing but profit”(Erdilek,2003). Government facilitations on business groups were not enough to accelerate Turkish business groups' activities through the world. According to Facilitative Government

Index, Turkey's position in the world is not shinning. In the table which is given below, Turkey's position can be seen clearly.

TABLE-7

Country	FGI	Country Ranking
Argentina	** -0.064*	*34*
Australia	*1.243*	*11*
*Austria**	*1.155*	*15*
*Belgium**	*0.670*	*22*
*Brazil**	*-0.528*	*41*
*Canada**	*1.283*	*9*
*Chile**	*0.684*	*21*
*China**	*-0.539*	*43*
Colombia	*-0.668*	*45*
*Czech Republic**	*0.172*	*30*
*Denmark**	*1.480*	*3*
Egypt	*-0.274*	*38*
*Finland**	*1.441*	*4*
*France**	*0.790*	*19*
*Germany**	*1.233*	*12*
Greece	*0.072*	*32*
Hong Kong	*0.917*	*18*
*Hungary**	*0.357*	*27*
*Iceland**	*1.066*	*16*
*India**	*-0.465*	*39*
Indonesia	*-0.913*	*47*
*Ireland**	*1.166*	*14*
Israel	*0.601*	*24*
*Italy**	*0.262*	*29*
*Japan**	*0.749*	*20*
Jordan	*-0.102*	*36*
*Korea, Rep.**	*0.100*	*31*
Luxembourg	*1.023*	*17*
Malaysia	*0.294*	*28*

Mexico*	***-0.558***	***44***
Netherlands*	***1.403***	***5***
New Zealand	***1.569***	***1***
Norway*	***1.316***	***8***
Peru	***-0.529***	***42***
Philippines	***-0.509***	***40***
Poland*	***0.006***	***33***
Portugal*	***0.655***	***23***
Russian Federation*	***-1.351***	***49***
South Africa*	***-0.067***	***35***
Singapore	***1.389***	***6***
Spain*	***0.504***	***26***
Sweden*	***1.34***	***7***
Switzerland*	***1.517***	***2***
Taiwan	***0.584***	***25***
Thailand	***-0.249***	***37***
Turkey*	***-0.761***	***46***
United Kingdom*	***1.269***	***10***
United States*	***1.187***	***13***
Venezuela, RB	***-1.075***	***48***

Source:Rao, Pearce and Zin:2005

CONCLUSION

As everything started to change with globalization, international economy also has changed. Multinational Companies have been considered as one of the most important actor in the international economy. However MNCs or MNEs have existed in the world history since 2500BC, it has changed its structure day by day due to world's economical and political conditions. As it is written in the previous chapter, it is argued that the modern evolution of the multinational companies took place in 1800s. Final evolution began in the post WWII and reached present time. Now some of the multinational companies as it can be seen in the table 4.1, passed many of the national economies' GDPs in the world.

Table-8

Global Corporations and National Economies, by Value-added or GDP, in USD billion (2000)

Rank	Country/Corporation	Value added/GDP	Rank	Country/Corporation	Value added/GDP
1	USA	9,882.8	27	Norway	149.3
2	Japan	4,677.1	28	Saudi Arabia	139.4
3	Germany	1,870.1	29	South Africa	125.9
4	United Kingdom	1,413.4	30	Thailand	121.9
5	France	1,286.3	31	Venezuela	120.5
6	China	1,076.9	32	Finland	119.8
7	Italy	1,068.5	33	Greece	112.0
8	Canada	689.5	34	Israel	110.3
9	Brazil	595.5	35	Portugal	103.9
10	Mexico	574.5	36	Iran	99.0
11	Spain	555.0	37	Egypt	98.7
12	India	474.3	38	Ireland	94.4
13	Korea, Rep.	457.2	39	Singapore	92.3
14	Australia	394.0	40	Malaysia	89.7
15	Netherlands	364.9	41	Colombia	81.3
16	Argentina	285.0	42	Philippines	74.7
17	Russia	251.1	43	Chile	70.5
18	Switzerland	240.3	44	*Wal-Mart*	67.7
19	Belgium	231.0	45	Pakistan	61.6
20	Sweden	227.4	46	Peru	53.5
21	Turkey	199.9	47	Algeria	53.3
22	Austria	191.0	48	*Exxon*	52.6
23	Hong Kong	163.3	49	Czech Republic	50.8
24	Poland	162.2	50	New Zealand	50.0
25	Denmark	160.8			
26	Indonesia	153.3			

Source: De Grauwe and Camerman(2002), Table 2, computed with data from Fortune Global 500 listing and World Bank Development Report.

Source:Rennstich,2002,www.rennstich.com,10.01.2010

In the beginning these multinational companies emerged from the US, UK,Japan and some European countries, now new multinational companies have been joining the competition from different regions such as Latin America(Brasil, Mexico and Argentina etc.), Asia(Taiwan, China, Singapore and South Korea etc). These emerging companies started as a regional company but now they compete with the global giant companies in the world.

In this thesis, it was aimed to investigate that if there is a multinational company which is based on Turkey and why there is or there is not? Although there are some holding companies such as Koç Holding, Sabancı Holding and Anadolu Group which operate in the outside of Turkey as well as in Turkey, a measurement of multinationality of the companies was needed. To create a measurement of multinationality of the companies, 7 dimensions which are score keeping, financial policy, manufacturing sourcing, new product development policy, structure, operating style and R&D location focus, were used. By using these dimensions a questionnaire was prepared and sent to 500 leading companies in Turkey. Before analyzing the results the theoretical background of the multinational companies was given in the first chapter. In the second chapter, the historical background of the multinational companies was evaluated. By beginning from the 2500BC, the evolution of multinational companies was tried to explain with turning points of the international economy such as 1800s, 1900s, Interwar and post war periods.

In the third chapter, methodology was given by mentioning data collection methods and analysis. 68 companies responded to questionnaires and these datas were analyzed statistically by SPSS 16.0 edition. According to results, it was considered and evaluated that there are multinational companies which are based on Turkey. When we compare the other developing countries with Turkish multinationals, it was seen and evaluated that as a late industrialized and middle income country, Turkey has not supported the business groups as the other countries supported. This lack of support brought a slow rated growth to the business groups in Turkey. As a final word, I hereby underline that Turkey should adopt supportive economical policies for business groups to help them accelerate their international activities.

For further research, besides 7 dimensions, focus, vision, orientation, strategy, marketing strategy, human resources policy, communications, behavior, investment policies and preferred form of partnership dimensions may be added to create a complete measurement of multinationality of the companies because these dimensions can provide a certain classification for the companies.

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APPENDIX

APPENDIX-1: Questionnaire

Appendix-1

Questionnaire

The answers should be given as 1(strongly agree), 2(I agree), 3(Neutral), 4(I disagree), 5(I strongly disagree).

Q.No	Question	Answers
1	The most important thing for the performance evaluation of the company is the market share in Turkey.	
2	If we have a choice, we prefer greater market share in host countries because our target market is host countries.	
3	Market share in the world is more important than market share in Turkey because global results give exact situation of the company.	
4	We prefer keeping separate scores for the performance in each country to evaluate separate performances of the company according to country.	
5	For evaluating the performance of the company, all the markets in different countries have the same level of importance for us	
6	We prefer Turkey's financial markets for financial sourcing	
7	We prefer using other countries' financial markets for sourcing our operations in these countries	
8	We prefer using any financial markets in any country	

	wherever the low cost is, for sourcing our operations in everywhere	
9	We prefer using our Turkish resources to supply our manufacturing	
10	We prefer using host countries resources to supply country markets	
11	Cost of sources mostly determine the place where we use to supply world market	
12	As we focus Turkish market, new products are developed for Turkey	
13	We prefer developing new products for the host countries.	
14	New products are generally developed to satisfy national and global market needs based on perception of relative opportunity	
15	We prefer to establish our research and development facilities in Turkey.	
16	We prefer to establish our research and development facilities in Turkey as well as in the host countries with integrating each other	
17	We prefer our operating style as domestic	
18	We prefer operating in a centralized style from top to down	
19	We prefer operating in a decentralized style from bottom to up	
20	We prefer using an integrated and an interactive management as the operating style of the company	
21	We prefer the structure of the company as domestic	
22	We prefer having international divisions in company structure	

23	We prefer having product divisions worldwide in our company structure	
24	We prefer having a mixed-matrix structure in company	