

**T.C.
YALOVA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ**

**THE INTERNATIONALIZATION PROCESS OF
TURKISH FURNITURE FIRMS: BURSA-INEGOL
SAMPLE**

M.Sc. THESIS

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Department: Management

Field of study: Management

Thesis Advisor: Yrd. Doç. Dr. Mehtap Özşahin

NOVEMBER-2016

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**This thesis has been adopted by the following jury unanimously/majority in
.../.../20...**

President jury

- Accept
 Reject
 Correction

Juror

- Accept
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 Correction

Juror

- Accept
 Reject
 Correction

DECLARATION

I declare that this thesis has been composed solely by myself and that it has not been submitted, in whole or in part, in any previous application for a degree. Except where stated otherwise by reference or acknowledgment, the work presented is entirely my own.

Javad ESMAEILI NOOSHABADI
22.11.2016



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ABBREVIATIONS

CEO	:Chief Executive Officer
R&D	:Research and Development
JVs	:Joint Ventures
FDI	:Foreign Direct Investment
INVs	:International New Ventures
MNEs	:Multinational Enterprises
SMEs	:Small and Medium Enterprises
OLI	:Ownership, Location, and Internalization
WTO	:World Trade Organization
TOBB	:Türkiye Odalar Ve Borsalar Birliđi
MODEF	:Mobilya Ve Dekorasyon Fuarı
UAE	:United Arab Emirates

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özeti

Tez Konusu: Türk Mobilya Firmalarının Uluslararasılaşma Süreci: Bursa-İnegöl örneği	
Tez Yazarı: Javad Esmaceli Nooshabadi	Danışman: Yrd. Doç. Dr. Mehtap Özşahin
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<p>Bu tez çalışması kapsamında, Bursa İnegöl bölgesinde faaliyet gösteren mobilya işletmelerinin uluslararasılaşma süreci, ilişki ağlarının bu işletmelerin uluslararasılaşmasındaki rolü ve bu işletmelerin uluslararasılaşma sürecinde karşılaştıkları engeller ve motive eden faktörler araştırılmıştır. Bursa-İnegöl bölgesinde bulunan uluslararası mobilya işletmelerinin uluslararasılaşırken hangi süreçlerden geçtiğini ortaya koymak için keşifsel araştırma yöntemi kullanılarak nitel çalışma yürütülmüştür. Bu bağlamda, bu bölgede faaliyet gösteren 6 uluslararası mobilya işletmesinin uluslararasılaşma süreci ve bu süreçte karşılaştıkları engeller ile teşvik edici unsurlar derinlemesine mülakat yöntemi kullanılarak araştırılmıştır. İşletmelerin uluslararasılaşma sürecini açıklamak için Uppsala, Genişletilmiş (Revized) Uppsala, Eklektik, Genişletilmiş Eklektik (Revised Eclectic), Born Global, Born-again Global modellerinden faydalanılmıştır. Araştırma sonuçları, kültürel mesafe kavramının bu firmalar için önemli bir unsur olmasına rağmen hiçbirinin geleneksel uluslararasılaşma modelini (Uppsala) takip etmediğini ortaya koymuştur. Diğer taraftan geleneksel Uppsala modelini izlemeyen 4 mobilya işletmesinin- VA Home, Saka Mobilya, Pianta Koltuk ve Eral Mobilya- uluslararasılaşma süreçlerinde Genişletilmiş Uppsala Modelini takip ettikleri ortaya çıkmıştır. Araştırma sonuçlarına göre, eklektik ve genişletilmiş eklektik modellerinin bu işletmelerin hiç biri tarafından kullanılmazken; Born Global modeli ve Born again Global modelleri toplamda işletme tarafından takip edilmektedir (VA Home ve Saka Mobilya Born Global modeli; Pianta Koltuk ve Eral Mobilya Born-again Global modeli). Bulgular ayrıca, işletme yönetici ya da sahiplerinin şahsi ilişkilerine yada dernek üyeliklerine dayanan ilişkiler ağının işletmelerin (Eral Mobilya, Pianta Koltuk, Saka Mobilya ve VA Home) uluslararası pazarda büyümesine olan etkilerine de dikkat çekmektedir. Son olarak, bu çalışma, kâr ve büyüme hedefleri, yönetim isteği, ürünlerin tasarım ve rekabetçi fiyatı, vergi avantajları, piyasa bilgileri, iç pazar, dış pazarlardaki nakit satışları, iç ve dış pazarlardaki esneklik, kültürel mesafe gibi faktörlerin Bursa-İnegöl bölgesinde faaliyet gösteren mobilya işletmelerinin uluslararasılaşmasını teşvik ederken; devletin yetersiz desteği, yüksek gümrük vergileri, Ortadoğu bölgesine hakim olan istikrarsızlık, krizler ve savaşların bu işletmelerin uluslararasılaşmasında önemli engeller teşkil ettiği bulgusunu ortaya koymuştur.</p>	
Anahtar Kelimeler: Uluslararasılaşma Süreci; Türk Mobilyaları; Ağ İlişkileri; Güdüler ve Engeller	

SUMMARY

Thesis Title: The Internationalization Process of Turkish Furniture Firms: Bursa-Inegol sample	
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<p>This thesis investigates the internationalization process, the role of networks in internationalization, and motives and barriers of internationalization for Turkish furniture firms located in the Bursa-Inegol region. These all are based on the purpose of the research to describe how Turkish furniture companies located in this region internationalized. A qualitative exploratory approach is adopted in order to provide a better understanding of the process which is passed by the firms located in the Bursa-Inegol zone. In this context six firms located in that region have been investigated to explore the internationalization process, and internationalization motives/barriers for Bursa-Inegol located furniture firms. Survey results revealed that, although the concept of psychic distance has been a significant issue for these firms, none of them followed the stage model of internationalization (Uppsala). However, the Revised Model of Uppsala followed by four furniture firms including VA Home, Saka Mobilya, Pianta Koltuk, and Eral Mobilya. Findings also show that Eclectic (OLI) and the Revised Eclectic model of internationalization is not followed by furniture companies. Moreover, thesis illuminates that two furniture firms which are VA Home and Saka Mobilya followed Born Global pattern of internationalization and two other firms, Pianta Koltuk and Eral Mobilya followed the Born-again Global model. Findings demonstrate that companies engage in networks based on their personal relationships or by becoming a member of an association. Associations or unions provide market opportunities for the furniture firms in terms of exchange of information and creating a relationship to their foreign counterparts. According to the findings, network relationships had a significant influence on the growth of four Turkish furniture companies in the international markets including Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home firms. Finally, this study revealed some factors which motivate Turkish furniture firms toward international markets as like profit and growth goals, managerial urge, design and competitive price of products, tax benefits, market information, domestic market, cash sales in the foreign markets, flexibility in both domestic and foreign markets, unsolicited foreign orders, and psychological distance. On the other hand, findings explored the major barriers for Bursa-Inegol furniture firms as foreign government restrictions, lack of governmental assistance in overcoming export barriers, high foreign tariffs, and civil strife, revolution, and wars in the Middle East region.</p>	
Keywords: Internationalization Process; Turkish Furniture; Network Relationships; Motives and Barriers	

INTRODUCTION

Furniture sector in Anatolia has exhibited traces from Mesopotamia and Hittite civilizations which were established in ancient age. Industrialization of furniture making in Turkey has begun in the 1970s (as cited in Serin et al., 2014). Today furniture sector in Turkey has become important knowledge and capital intensive subsection by the production of 3% country manufacturing industry. The main reason for this transformation is emerging internationalization in the 1990s. With the increase of competition in these years, plants that produce at the economy of scale and world standards were established, which helped the furniture sector in Turkey to find a good position of selling products to both domestic and foreign markets (Serin et al., 2014).

According to the Union of Chambers and Commodity Exchanges of Turkey (2014), 25 countries out of 227 countries all over the world constitute around 90% of furniture exporters. Among these 25 countries, four countries produce more than half of the world's furniture production. The first country on the list is China by a ratio of 25% export. The USA with a share of 15% is the second leading country in this industry. Italy and Germany are the two other big furniture producers with a share of 8% and 7% respectively. Japan, France, Canada, United Kingdom and Poland are other important furniture exporters each one with a share of about 3%. Turkey like Brazil and Vietnam has around 1% share of this 146 billion dollars market. However, Turkey is included among 5 countries which had the most increased export ratio in recent years. These countries are China 26%, Mexico 21%, Portugal 17%, Vietnam 16%, and Turkey 15%.

These facts and figures obviously indicate that furniture firms in Turkey have had an incredible effort in order to internationalize their products ranging from hotel, hospital, vehicle, and office furniture to bathroom, kitchen, garden, and bedroom furniture in the recent years. Accordingly, furniture sector in Turkey become one of the limited industry sectors which has no foreign trade deficits with gradually increasing export value since 2001 (TOBB, 2014).

The most effective cities of Turkey, which produce around 70% of all Turkish furniture are Istanbul, Bursa, Kayseri, Ankara, and Izmir (TOBB, 2014). The current study, however, explores the internationalization process of six Turkish furniture firms which

are located in Bursa. Bursa-Inegol has high development dynamics to become a significant global furniture center because of its potential geographical conditions. Geographical advantage such as closeness to raw material resources and being located on the ancient silk road are two important properties that have facilitated development for furniture companies working in this region. Besides, the region after Kayseri has the greatest employment average. Based on these traits, Bursa could achieve the third rank after Kayseri and Istanbul due to the distribution of exportation in Turkish furniture market (TOBB, 2014).

Andersson (2000), proposes that internationalization literature includes two major streams of theories which are the behavioral and the economic approaches. The assumption in the behavioral theory is to understand the global behavior of the firm with respect to some significant aspects of the firm such as individual learning and top managers. On the other hand, the basic assumption in the economic theory is that companies decisions for investment are quasi-rational with respect to perfect information. The best-known theory following the economic approach is Dunning's eclectic theory and the well-known model following the behavioral approach is Uppsala model of internationalization. These two models revised by authors several times. There are also two other theoretical approaches that have gained considerable support in the field of internationalization more recently: the Network theory and the Born globals or the International New Ventures (INV).

Interest in the international business activities motivated researcher to choose a related topic for carrying out master thesis namely, "Internationalization Process of Turkish Furniture Firms: Bursa-Inegol sample". This topic has been selected because little attention has been devoted to the internationalization of furniture firms in Turkey. Moreover, there is no related research examining the internationalization process of furniture firms located in the Bursa-Inegol region. The aim of this study is to fill this gap in the literature, explore the role of network relationships in internationalization process, and provide important insights into main internationalization motives and barriers for Bursa-Inegol based Turkish furniture firms.

Like other empirical studies, the current study also has some limitations. The first limitation of the study is that sample firms are located in the Bursa-Inegol region, which

establishes a small part of Turkey. There are other highly internationalized furniture firms in other cities of Turkey such as Istanbul, Izmir, Ankara, and Kayseri. However, the focus of the current study is limited to Inegol region and some of the international companies operating in that area including Kenderler Orman Urunleri, Alan Mobilya, Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home.

Furthermore, internationalization process is a broad concept which can be influenced and changed by unlimited factors. That's why different kinds of internationalization theories, as well as revisiting previous models, have emerged based on the changes during the time. In this thesis, the scope of research is limited to some of the most accepted and debated internationalization theories. Two of them are revisited several times including Uppsala and Eclectic theories. The other two are Born Global and Born-again Global theories. However, it should be considered that there is no one single accepted model which can explain internationalization process of all firms.

The first chapter presents the reviewed literature in the field of internationalization relevant for answering the research questions. They are mainly Internationalization entry modes & Models, Network Relationships, and Internationalization Motives & Barriers.

The second chapter contains the research methodology chosen for the study including the research purpose, data collection method, research questions, and sample selection technique. Chapter 3 presents findings and results from an interview with owners of six Turkish furniture firms located in the Bursa-Inegol zone including Kenderler Orman urunleri, Alan Mobilya, Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home firm.

In Chapter 4, the findings from the interviews with six Turkish furniture firms will be analyzed in relation to the reviewed literature in chapter one. The chapter is divided into three separate parts in order to provide more accurate answers to three research questions of the thesis related to the internationalization process, the role of networks in internationalization, and the internationalization motives and barriers. Finally, in the conclusion part, findings of the thesis will be presented in summary as well as possible suggestions for further researches on the topic area.

CHAPTER 1: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter discusses basic issues related to the internationalization of companies including the market entry modes for international businesses, internationalization concept, and internationalization and its models. Attention will also be drawn to the influence of network relationships in the internationalization process of Turkish furniture firms. Finally, this part will examine furniture firms internationalization motives and barriers which are considered to be important to the understanding of the research area.

1.1 Market Entry Modes For International Businesses

Entry mode is an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country (Root, 1987). Anderson and Gatignon (1986), describe entry mode as a governance structure that allows a firm to exercise control over its foreign operations. According to Mani et al. (2007), an entry mode is a governance form that modifies in the degree of ownership structure from non-equity modes like exporting to high equity modes like Greenfield investment according to resources, strategy, environment and other transactional features.

The process of deciding how to enter into overseas markets or selecting the right and appropriate entry mode strategy is a significant issue for all firms because it has a large and lasting impact on the success of a firm's international operations (Aulakh et al., 1998). Based on Brouthers (2002), international entry mode is important because the chosen entry mode has significant implications on the performance of the firm. Chang and Rosenzweig (2001), also discuss that the choice of entry mode is an important part of a firm's foreign investment strategy. They believe that firms are not only concerned about what foreign markets to enter and what activities to perform in those markets, but also how to enter. Whether by exporting modes, by greenfield investment, by acquisition, or by the joint venture. Choosing one or another entry mode can have enormous strategic consequences for the firms (Chang & Rosenzweig, 2001).

Market entry modes can be categorized into three different groups from the perspective of the international marketer or manufacturer: (1) Exporting Modes including low control,

low risk, and high flexibility such as Indirect Export, Cooperative Export, and Direct Export, (2) Contractual Modes including shared control and risks (split ownership) such as Contract Manufacturing, Licensing, Franchising, Management Contracting, and Joint Venture (JV). (3) Wholly Owned Subsidiaries including high control, high risk, and low flexibility such as Acquisition and Greenfield Investment. There is no one best choice for all companies to choose which one of these entry modes because strategy selection depends on various firms' internal and external factors, which can be different company by company. Sometimes firms also may use more than one of the mentioned entry mode strategies simultaneously, for instance, a company with various product lines may use a different strategy for each one (Hollensen, 2007).

1.1.1 Exporting Modes

Exporting has been traditionally regarded as the first step to enter foreign markets, serving as a base for the future international expansions and developments (Kogut & Chang, 1996). With Export entry modes, products are produced in the domestic market or in a third country and then transferred to the host market (Driscoll & Paliwoda, 1997). Exporting modes considered to be the most used strategies for SMEs because of their lack of resources (Dalli, 1995) and their limited degree of market knowledge or experience (Root, 1994).

According to Czinkota and Ronkainen (2009), exporting activities can take various forms including indirect export, direct export, as well as other specific forms of exporting. For example, a similar effect can be achieved by using international mail ordering (e-commerce), but it is not a typical form of exporting. Hollensen (2007), also argues that depending on the number and type of intermediaries, exporting can be done in different ways. Companies with the help of intermediaries will be able to establish a variety of export channels. It is important for firms to decide what will be handled by external agents and what will be organized by the company itself. Accordingly, Hollensen identifies three main forms of exporting mode including direct, indirect, and cooperative export marketing groups which will be discussed one by one (Hollensen, 2007).

1.1.1.1 Indirect Export

In indirect export modes, the producer uses independent intermediaries located in its own country to export its products, so the manufacturer doesn't have a direct contact with international customers or partners. As a result, the transaction is treated as the domestic one (Wach, 2014). This strategy offers the lowest level of control and provides the minimum possible risk for the company since before distribution of goods to final customers, firm sells them to agents (Lambin et al., 2007). Even though this market-entry technique has some benefits such as low level of risk and cost, however, little control over distribution channels such as where, when, how, and by whom products are sold can bring some significant drawbacks to the company. Sometimes, companies that use this method even do not know their products are being exported to other countries (Hollensen, 2007).

1.1.1.2 Cooperative Export

Hollensen (2007), argues that this kind of entry mode includes collaborative or cooperative agreements between companies or export marketing groups. This strategy particularly can be important for SMEs that aim to enter into international markets for the first time. SMEs for some of their limitations such as insufficient marketing or management resources usually are not able to attain enough scale economies in production. There can be two kinds of cooperation between firms: loose or tight. While in tight collaboration often firms create a new export union or association and sell their outcomes under a unique brand name, in a loose collaboration each firm in group sell its own products through the same intermediary (Hollensen, 2007). The advantage of this entry mode technique is distributing costs to all partners and its disadvantage is a dependency on those partners (Wach, 2014).

1.1.1.3 Direct Export

By implementing direct export, exporters take on the duties of intermediaries and make direct contact with customers in the foreign markets (Wach, 2014). For a successful direct export, the firm must connect itself to more and more foreign partners from countries that it aims to enter into their markets. Often firms do this type of strategy by establishing an export department within the company and by selling products directly to final international customers or agents. While in this method company has more control over

how, where, when, and by whom its products are selling, however, the company still need to access to more information and knowledge about foreign markets (Akkaya, 2002).

1.1.2 Contractual Modes

In this method, there is an agreement contract between a company and an agent, which based on that agreement agent produces and distributes the products in the international markets in return for some sort of economic rents (Kumar & Subramaniam, 1997). Contractual agreement entry modes differ from exporting modes since sometimes it is not possible for the firm to supply its goods to all foreign countries from domestic manufacturing. They also differ from wholly owned strategies since control and ownership share between partners, as a result, the firm does not access to full ownership like hierarchical entry modes (Hollensen, 2007). Past Studies demonstrate that companies with standard product and high technology often use contractual agreement strategies (Datta et al., 2009). Generally speaking, this method is appropriate for firms that have some kind of competitive advantage over other firms but because of some constraints are not able to exploit them (Hollensen, 2007).

1.1.2.1 Contract Manufacturing

In this method, the firm produces its products in a foreign country by the help of a domestic manufacturer and under a contract with that manufacturer (Lambin et al., 2007). This contract enables the company to access to foreign resources, while the company does not make a high commitment. Therefore, this method can be appropriate for firms with bounded resources (Hollensen, 2007). The responsibility of foreign producer is only constrained to manufacture products and then it will be the responsibility of the parent company to distribute, promote, and sell the products to final customers (Akkaya, 2002). Companies such as Benetton and IKEA often use this method by finding small foreign producers. One advantage of this entry mode is its high flexibility, because if the firm becomes dissatisfied with quality of product or resources can switch to other producers depends on contract duration (Hollensen, 2007). Another advantage for the parent firm can be using low-wage labor forces of the local country in order to reduce its production cost and thereby to increase its profit (Kotabe & Helsen, 2010).

1.1.2.2 Licensing

A firm with licensing like contract manufacturing can acquire domestic manufacturing in the international markets with a low amount of investment. However, unlike contract manufacturing, licensing often takes longer time and the parent firm takes more responsibility (Hollensen, 2007). Johnson & Tellis (2008), argue that licensing method is a formal right that offers to a company located in the local country to acquire to parent firm's dedicated technology and knowledge in return for some royalty fee. Therefore, the local company or licensee find permission to produce a product of the main company or licensor in return for some payments over every unit that the entity sells (Sooreea et al., 2012).

Advantages related to licensing are lower level of capital investment, lower level of restriction in host country (Cateora et al., 2006), lower level of construction risks (Chen & Messner, 2009), and lower level of development costs for such contract (Hollensen, 2007). On the other hand, one disadvantages related to licensing is lower return because of lower investment. Another disadvantage is lower level of control which can put at risk the firm's brand name popularity (Chen & Messner, 2009), because licensing constrains the ability of the licensor for coordination of its own strategies over licensees (Hill & Jones, 1998).

1.1.2.3 Franchising

Lafontaine (1993), defines a franchise agreement as a mutual contract between two firms in which franchisor sell permission of using its product, brand name and technology to a franchisee in return to some payments for a given time period and at given location (Lafontaine, 1993). Hollenson argues that there is still many talks about the difference between franchising and licensing (Hollensen, 2007). Franchising by its nature acts similarly as licensing, however, concerns the sphere of trade and distribution in the wider services sector (Stone & McCall, 2004). Therefore, if we divide franchising into two major types we can reveal the difference between franchising and licensing: The first is "product and trade name franchising" which is too similar to trade mark or brand licensing, for example, franchising in soft drink markets by Coca-Cola and Pepsi. The second is "Business format package franchising". Under this type of franchising, the franchisor usually provides some sort of managerial support for franchisee such as

training programs, the design of physical layout, site selection, standard operating procedures, and advertising to the franchisee. In return, franchisee admits managing the business based on the franchisor's regulations. Therefore the franchisor will have greater control to handle and do influence over the franchisee (Norton, 1988). An example of this type of franchising is the fast-food business (Hollensen, 2007). With a selection of this strategy, the company can enter into global markets in a short period of time, at a roughly low level of risk and cost (Hill, 2007).

1.1.2.4 Management Contracting

This type of entry mode demonstrates the increasing importance of managerial know-how in today's businesses. Normally the shortage of managerial ability is more obvious in developing countries. These contracts often involve training local staff and management operation during a given period of time (Hollensen, 2007). Contractor usually receives a management fee in return for these services, which can be a percentage of the financial performance or can be a fixed payment in respect to the agreement (Luostarinen & Welch, 1990). Using these types of contracts is more prevalent in industries such as hotels, transportation, agriculture, mining, and public utilities (Young, 1987).

1.1.2.5 Joint Venture (JV)

Joint ventures are an alternative for wholly-owned subsidiaries. Companies in order to find competitive advantage over competitors commonly use JVs (Geringer & Hebert, 1989). Companies by using this strategy can decrease the risk of investing and operating in foreign countries and eliminate some significant obstacles of internationalization such as lack of information and knowledge about the industry in a new country, lack of access to the new country supply and distribution channels, and some policies set by government that restrict foreign investment in some industries (Martinez & Lopez, 2009). However, this entry mode technique usually does not last long time because after a while partners select their own ways (Thompson et al., 2008). Almost 80 % of JVs finally end by selling the share of one party to another one. The average lifespan for JVs method is approximately seven years (Hollensen, 1997).

1.1.3 Wholly Owned Subsidiaries

The concept of a subsidiary is not clearly defined in the literature. In practice, it refers to a company in which the parent company holds a majority of shares or other resources that are controlled. In the case where the subsidiary is 100% owned by the parent company is called a wholly-owned subsidiary, otherwise, we talk about a joint venture subsidiary (minority interests, joint control, majority interests) (Wach, 2014). According to the definition, for instance, a majority-owned (e.g. 75 percent) joint venture is a contractual entry mode strategy, but in practice, similar to a hierarchical mode a company with 75% will have full control (Hollensen, 2007). There are two ways to enter international markets by means of this strategy. The first one is "Acquisition" in which the parent company can obtain an established company in the host country and use that company for promotion of its goods. The second one is "Greenfield venture" in which the parent company sets up a new operation in the host country (Hill, 2007).

1.1.3.1 Acquisition

Generally the acquisition has been one of the main driving forces for growth of Foreign Direct Investment (FDI). According to the definition the acquisition entry method is buying the stocks of an already settled company in the host nation by a parent company (either alone or with one or more partners) headquartered outside of the nation (Cheng, 2009). This entry mode strategy enables the parent company to access to the distribution channels and as a result a quick entry to host country markets. In some cases, the parent company also can find access to established corporate reputations and brand names (Hollensen, 2007). Therefore, rather than getting bogged down in going to internal startup route and trying to develop the resources, scale of operation, knowledge, and market popularity which are essential for becoming a powerful competitor within a short period of time, the parent company purchase an ongoing firm which enables the acquirer to find an strong position in the target market swiftly (Thompson et al., 2010). However, often finding acceptable acquisition options is not simple and sometimes available candidates have so exhausted and worn-out facilities which the cost of repairing or renewing is much more than building a new operation from the scratch (Kotabe & Helsen, 2010). Furthermore, acquirer styles of management and coordination may find problems with the host company management (Hollensen, 2007).

1.1.3.2 Greenfield Investment

Greenfield investment is preferable where there is no good available acquisition candidate or acquiring is too costly, particularly where production logistics is a significant factor for the success of the company. Therefore, these problems may cause parent company to start the process of internationalization from scratch (Hollensen, 2007). This type of FDI entry mode has been attractive for many of investors since enables them to start afresh, select the site that meets their needs, and go on at their own pace on the way of internationalization (Cheng, 2009). Moreover, by building a new plant not only the company avoid dealing with problems such as old facilities, but also can incorporate modern and the last up to date technologies (Hollensen, 2007).

1.2 Internationalization and Its Models

According to Johansson and Vahlne (1990), internationalization is a set of activities related to international businesses. The process of matching firms operations such as structure, resource, strategy and so on to the global context is called internationalization (Calof & Beamish, 1995). The sub-processes such as achieving international experience, skills, and knowledge, shifting activities, being inserted in a beyond-boundaries environment, and overcoming international obstacles and barriers, simultaneously, help to understand the process of internationalization better (Welch & Luostarinen, 1988).

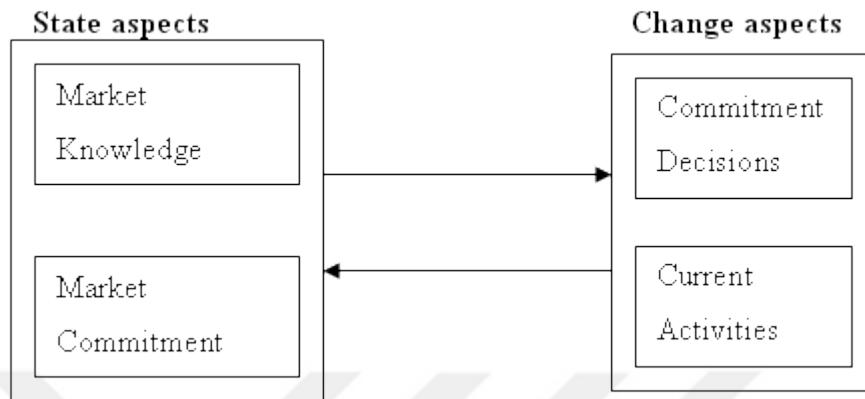
In this part, well-known models of internationalization including the Uppsala Model (Stage model), the Revised Uppsala, the Eclectic Paradigm (OLI), the Revised Eclectic Paradigm, and finally, Born Globals and Born-again Globals models of internationalization will be discussed.

1.2.1 Uppsala Model

Uppsala is the best known behavioral model of internationalization, which has been claimed to be functional for many different companies and various conditions (Pedersen & Petersen, 1998). This model of internationalization formulated by two researchers in the Department of Business Studies at Uppsala University in the mid-1970s: Johanson and Vahlne (1977). Theory including four parts which are commitment decisions, market commitment, current activities, and market knowledge which are divided into change and

stage aspects that create a cycle by interacting with each other (See Figure 1 on the next page).

Figure 1. Original Uppsala Model: State and Change Aspects



Source: Johanson & Vahlne (1977)

Market commitment and Market knowledge are assumed to influence decisions regarding the way current activities are performed and concerning the commitment of resources to overseas markets. In turn, market commitment and market knowledge are influenced by commitment decisions and current activities. As a result, the process creates a causal cycle (Johanson & Vahlne, 1990).

Market commitment: Market commitment is measured as the degree of commitment to a specific market on the one hand, and the amount of resources committed to that market on the other hand. The degree of commitment is related to the difficulty of finding an alternative use for the resources and transferring them. The degree of commitment will be higher when resources are more specialized to a particular market. A number of resources committed (investment in personnel, organization, marketing, and other areas) are related to the size of the investment in the market (Johanson & Associates, 1994). A company can, for example, have a large amount of financial resources in a market, without being very committed due to the fact that these resources can easily be moved. A greater commitment is possible by having staff with high experiential knowledge in a specific market, the knowledge that cannot be used somewhere else (Johanson & Vahlne, 1977).

Market knowledge: Market knowledge seems to be the first and the most important factor when a firm decide for internationalization because it is a foundation for decision making. Thus, without knowledge, the success of the company will be in question (Johanson & Vahlne, 1977). There are two types of knowledge: experiential knowledge and objective knowledge. Experiential knowledge can only be attained through personal experience, while objective knowledge can be acquired through books or mouth-to-mouth (Penrose, 1995). The critical assumption in the Uppsala model of internationalization is that knowledge about the market is gained mainly through experience from the current business activities. The experiential knowledge that the firm acquires during the time enables it to reduce the risk of operating in the market, in addition to generating more opportunities for the firm, which is a driving force in the internationalization process. The more firm gains experience from current activities in the market, the stronger resource commitments is expected incrementally (Johanson & Associates, 1994).

Current Business Activities: The commitment decisions lead to the current business activities on a market, which is where the experiential knowledge is obtained. Therefore, the current activities are a prime source of the market knowledge. But the results from different activities often take a long time to be seen, and it is not unusual that it must be repeated several times to have an effect on the market (Johanson & Vahlne, 1977). Companies can hire personnel with such kind of knowledge to learn about the market, but the experience cannot be achieved so easily since market experience and firm experience have some distinctions, which both are necessary. The interpretation of one kind of information is possible only for one who has experience in the other part (Johanson & Associates, 1994).

Commitment decisions: The commitment decisions are related to opportunities or problems within the market. Mostly, they are detected by marketing personnel or salesmen who are working in the market. Opportunities also can be achieved through an individual in other organizations that the firm is working. However, outside opportunities which will be offered to the firm is dependent on the type and the scale of operations that the firm is performing. That is, on its commitment to the market (Johanson & Associates, 1994). The activities and commitment to the market will increase until the company's risk-limit is reached, where further expansion is considered too risky. To decrease market

uncertainty the company could integrate itself more with the market, by having a closer connection with the customers or offering new services for its customers (Johanson & Vahlne, 1977).

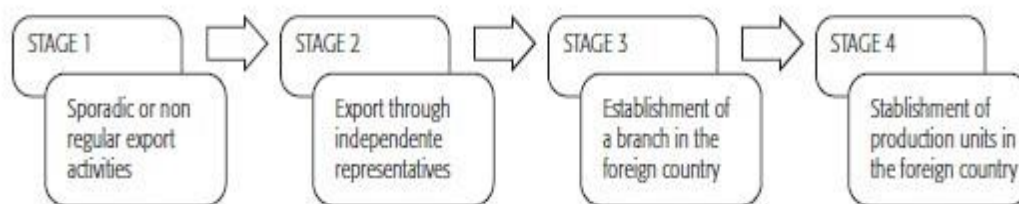
1.2.2 Uppsala Internationalization Pattern

Two patterns by using the Uppsala model can be explained. The first is related to the establishing chain and the second is related to the concept of psychic distance (Björkman & Forsgren, 2000).

1.2.2.1 Establishment Chain

According to Johanson & Associates (1994), the first step of internationalization or operating in foreign market is sporadic or occasional export activities, then exports through independent representatives or sale agents, then establishment of a branch or a sale subsidiary in the foreign country, and finally establishments of production units in the foreign country (Figure 2) (Johanson & Associates, 1994). In a later publication, a fifth stage added by authors of Uppsala model, between the stage three and four. This stage was named ‘assembly production’ which is a mix of FDI and export (Björkman & Forsgren, 2000).

Figure 2. Uppsala’s Supply Chain

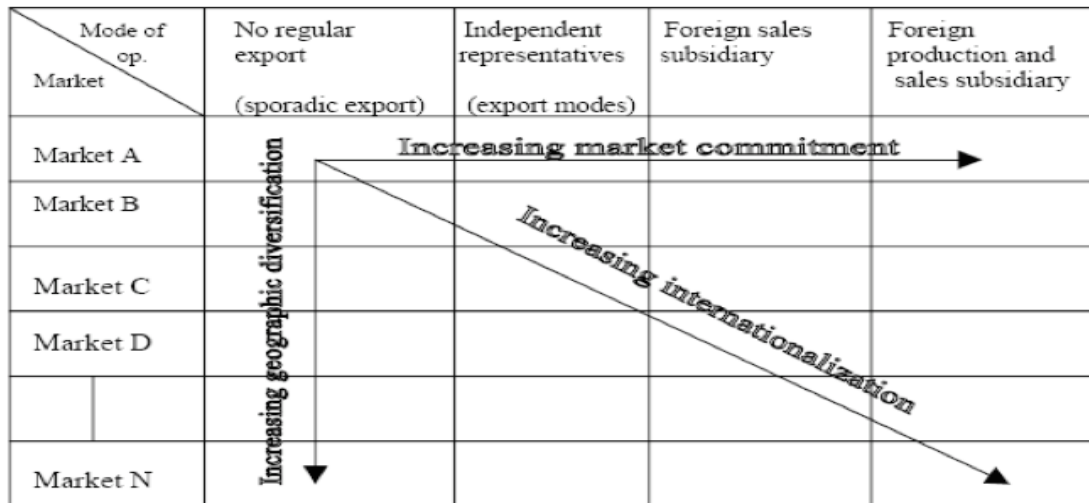


Source: Johanson & Associates (1994)

1.2.2.2 Psychic distance pattern

Another feature of the pattern is that internationalization frequently started in foreign markets that were close to the domestic market in terms of psychic distance, defined as factors that make it difficult to understand foreign environments. The companies would then gradually enter other markets that were further away in psychic distance terms (Figure 3) (Johanson & Wiedersheim- Paul, 1975).

Figure 3. Uppsala Internationalization Process



Source: Forsgren and Johanson (1975)

Therefore, physic distance, which can disturb the flow of information between the market and the company, is dependent on some characters such as distinctions in the political system, culture, language and so on (Johanson & Associates, 1994). For instance, there is a bigger psychic distance between Turkey and Australia than between Turkey and Iran, because cultural differences between Turkey and Australia is bigger than that of between Turkey and Iran. In other words, companies begin the process of internationalization by entering countries that they are more familiar with and can realize readily (Johanson & Associates, 1994).

1.2.3 Criticism of the Uppsala Model

Generally, the original Uppsala model of internationalization has acquired heavy support in various countries, particularly by understanding the fact that experience and market commitment are significant parts of describing global behavior of a company (Johanson & Associates, 1994). However, there are also some critical reactions.

One of the criticisms is that the original model of Uppsala is too deterministic, which is concerned with establishment chain pattern. Some studies found that there is no need for all companies to pass each stage of the process step-by-step according to the establishment chain pattern, because different firms have different conditions and abilities and it is possible that some companies skip some of the stages and enter international markets more rapidly than others (Chetty & Campbell-Hunt, 2003). Similarly, Sullivan

and Bauerschmidt (1990), concluded that after testing the incremental internationalization hypothesis, the empirical evidence did not support this assumption or hypothesis. Forsgren (2002), argues that the Uppsala internationalization model is just functional at the first phases of the internationalization process. In later phases, since the company can respond to the changing market conditions immediately, experiential knowledge about the market will not be so deterministic anymore in the internationalization behavior of the company.

Another criticism has been about service sectors. Some studies found that the Uppsala Model of internationalization is not applicable for service industries. Sharma and Johanson (1987), in a study of the internationalization process of Swedish technical consultants, realized that consultants do not take gradually increasing commitment in foreign markets. Engwall and Wallenstal (1988) in another study about the internationalization behavior of Swedish banks stated that psychic distance is not an important factor for banks in setting up subsidiaries (Johanson & Associates, 1994). An Australian study by examining 228 cases of foreign direct investment (43.8% were service firms), found out that 39% of the companies immediately set up the production stage (last phases of Uppsala model) with no respect to the first three stages of the model (Welch & Luostarinen, 1988).

1.2.4 Revised Uppsala

Johanson & Vahlne (2009), authors of Uppsala model of internationalization argue that much has changed since the original model was published. Besides, there are some new insights and concepts that did not exist at that time. Therefore, they decided to revise the original model based on the changes that happened during the time. The revisited Uppsala model of internationalization has two sides. The first is that markets are networks of relationships in which companies are linked to each other in a complex, different, and invisible patterns. Therefore, being a member of this network is an essential requirement for successful internationalization. Second, established relationship provide potential for building commitment and for learning about the markets (Johanson & Vahlne, 2009).

In the original model (Johanson & Vahlne, 1977), suppliers and consumers are viewed as independent actors, but today's reality is different. Suppliers and consumers are linked together in a network based on interdependent relationships. Now firms can

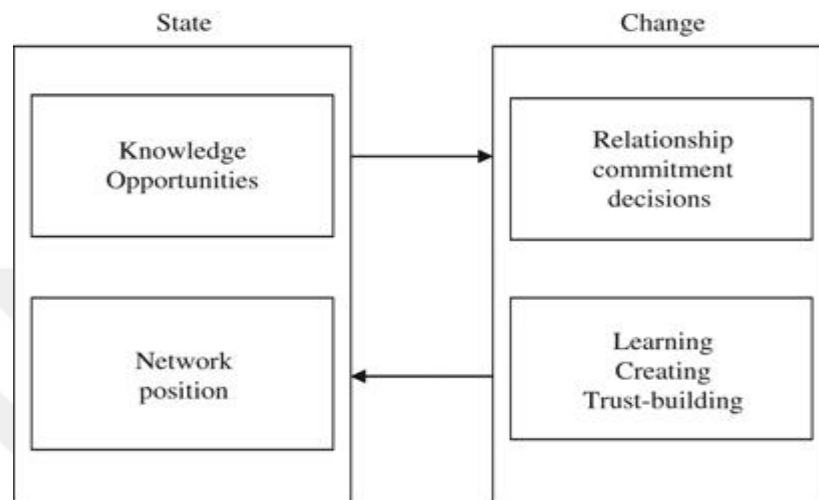
internationalize through performing actions that strengthen their position within this network. As a result, the traditional view that firms internationalize by overcoming barriers and starting from countries with lower psychological distance have become less significant. Therefore, available network connections have a remarkable influence on the specific geographical location or market that a company will penetrate. Furthermore, since these business relationships enable firms to identify and exploit opportunities, they considerably impact companies' decisions to choose which entry mode strategy in foreign markets. On the other hand, learning and commitment are strongly related to identifying opportunities. The firm by creating a heavy commitment to the network can gain access to the network information and knowledge and as a result, identify or create opportunities for itself. This knowledge is only told to the insiders of the network (Johanson & Vahlne, 2009).

The new model of Uppsala is also dynamic since the variables have an impact on each other. Cumulative learning and knowledge may have either a negative or a positive effect on building commitment and trust. If it is negative it would be possible that the firm or its partner terminate the relationship or at least reduce the commitment to some extent. In the revised model there are some changes (see Figure 4 on the next page). First “opportunities” has been included as a subset to the “knowledge” variable, which intends to illustrate that opportunities are a driver in the internationalization process. Other subsets of the knowledge aspect are needs, capabilities, relationships and strategies, which are all underlying factors of internationalization. The previous second state variable was “market commitment”, this variable is now embedded in “network position”, since the internationalization is considered to be improving by network positions. The position in a network is built based on knowledge, trust, and commitment. These variables can all differ between companies which result in different successful internationalization (Johanson & Vahlne, 2009).

“Relationship” has been added to the first of the two change variables in order to clarify that the commitment decisions will be related to the network relationships. These decisions must not only strengthen relationships, it can also be decisions to decrease a certain relationship within a network. According to the model, the results of the decisions are generally observed in the change of entry mode, in the size of the investment, and in

the level of dependence. There are two types of decisions from a network point of view. The first one is to build or develop new network relationships and the second one is to support or protect the company's existing relationship with the current network (Johanson & Vahlne, 2009).

Figure 4. The Revised Uppsala



Source: Johanson & Vahlne (2009)

The second variable in the change unit “Learning, creating and trust-building” (Figure 4), has been changed and clarified in this revised model. In the old model, the outcome of “current activities” was knowledge, trust, and commitment. The main difference in this model is that “knowledge” has been switched out for “learning”, which is a step further than experiential knowledge. The existing body of knowledge, commitment, and trust influence the efficiency, intensity, and speed of the processes of building trust, creating knowledge, and learning, especially if partners find the given opportunities appealing. The more creation of opportunity, the more production of knowledge. That's why creating and developing opportunities is an essential part of any relationship (Johanson & Vahlne, 2009).

There are some implications of the revised or new Uppsala model of internationalization. The firm internationalization in this model relies on its relationship within the networks. Therefore, it is expected that the firm enters overseas markets depends on its existing relationships with major domestic or foreign partners who are willing to develop their business activities. The local company is also possible to follow a partner in international

markets if that partner company has a valuable network position in one or more foreign countries (Johanson & Vahlne, 2009).

The answer to which market the company or its partners will choose is simply a market where someone in the network has a strong position or where the company realizes more business opportunities. Therefore, there will not be a first step for the firm internationalization anymore because based on the actions of companies' partners a same or a different process can be applied from country to country or market to market. However, If the company has no valuable partners, it may go where that is easier to find partners. These partners already have established relationships with local agents or distributors. Finally, the company can bypass agents or distributors when could establish its own relationship with customers. In this condition, the short psychic distance will help the company to establish and develop its relationships with partners in a faster way. Therefore, the short psychic distance will be a necessary but insufficient condition for the firm to exploit and identify opportunities (Johanson & Vahlne, 2009).

The answer for how the internationalization process begins will be arbitrary. The new model indicates that we should look for descriptions in the state variables such as commitment, trust, or knowledge regardless of whether considering the starting point to be the foundation of a particular relationship, the first international market entry, or the founding of the company. Besides, the model is equally functional for small and large firms. Of course, there are some distinctions in the process of internationalization for large and small companies. Larger firms may be better informed about market conditions when they acquire a new firm within the market because of their previous experiences. Such experience can also describe why global or international new ventures may grow swiftly: The founding entrepreneur already has access to knowledge, information, and networks of relationships prior to the internationalization actions (Johanson & Vahlne, 2009).

1.2.5 Eclectic Paradigm

This paradigm is also known as OLI-Framework or OLI-Model. This model of internationalization was first introduced by John Dunning in 1976 in a lecture related to the Nobel event (Pedersen, 2003). This model is eclectic since it incorporates various descriptive views from distinct approaches into one single paradigm (Glückler, 2005). I

advantages are borrowed from theories on market imperfection, L advantages from host-country related theories, and O advantages from firm-related theories (Pedersen, 2003). Therefore, the critical assumption of this internationalization model is that Foreign Direct Investment can be described with respect to three factors: ownership advantages (O), location advantages (L) and internalization advantages (I) (Dunning, 1993). First, the company has ownership advantages (O-advantages) over other domestic companies. If the firm could satisfy the first condition, then the already global firm can use its internalization advantages (I-advantages) to exploit more and more its competitive advantages over domestic or local companies in the overseas markets. If the firm could satisfy the two first conditions, it will be able to use some of the foreign country resources along with the internalization and ownership advantages which are called locational advantages (L-advantages) (Grillet, 2003).

Ownership Advantages: Companies that aim to enter overseas markets and compete with other localized companies must possess some kinds of competitive advantages which are big enough to offset the costs of starting and operating in the market (Grillet, 2003). In addition to tangible assets, ownership advantage is also manifested by company-particular ownership of intangible assets in comparison to that of competitors (i.e. marketing knowledge, technological knowledge, or dominant managerial abilities) to coordinate and control its international transactions. The factors that constitute O-advantages regard as an “intra-firm public good”, means that these advantages can be transferred among units of a firm all over the world (Buckley & Hashai, 2008). Therefore, ownership advantages theory provide a response to this question that why companies globalize: they globalize because they possess some kinds of competitive advantages over foreign companies in their local markets to sell particular services or products (Grillet, 2003).

Internalization Advantages: Internalization includes transferring the firm's ownership advantages abroad within the company's organizational structures. Contrary to this view a company can sell its ownership advantages to the overseas companies across borders in the license (Dunning, 1988). Therefore, firms in order to decrease the transaction costs related to the inter-firm transition of proprietary abilities and knowledge, prefer to internalize their own ownership advantage internally (Buckley & Hashai, 2008). This

show that the full control is preferable over the actions of a company that gains through a wholly owned subsidiary rather than other strategies such as export, licensing, or joint ventures (Pedersen, 2003). Thereby, the response to this question that how companies globalize is that they globalize by internalizing their operations (Grillet, 2003).

Locational Advantages: Choice of location is the third factor of the OLI theory. The host country, in order to attract Foreign Direct Investment, must have some locational advantages. There are various feasible sources of locational advantages, some on the output-side (i.e. market conditions) and some on the input-side (i.e. low factor prices, appropriate technology) (Pedersen, 2003). Therefore, the locational advantages can be the host country advantage such as market size, tax system, political conditions, infrastructure, the education system, appropriate technology, labor availability and costs, geographical factors, or natural resources (Dunning, 1977). Firms will decide to enter a foreign country in terms of FDI where the firm can combine its own ownership advantages with the host country locational advantages (Dunning, 1988).

1.2.6 Criticism of Eclectic Paradigm

The OLI theory has been criticized that its structure is loose and broad. The paradigm argues that ownership, Internalization, and locational advantages are necessary not sufficient factors for Foreign Direct Investment. For example, a company how many competencies must possess for ownership advantages in order to be "necessary" is not clear (Pedersen, 2003). Another criticism is that whether three types of mentioned advantages are independent? Rugman (1981), indicate that making a difference between ownership and location advantages is difficult because the boundary between them is severely blurred. Itaki (1991), states that ownership advantages of the model are unneeded because they can reasonably be organized as internalization advantages that have been developed during the time (Pedersen, 2003). The model also received criticism for being static and for not being able to manage interactions between international MNEs (Vernon, 1985). But Dunning (1988), argues that the advantages parameters presented in the model will be affected by actions made by international competitors, and in the same way, will actions made by the company affect their competitors OLI parameters, which makes it a dynamic model (Brink & Robin, 2011).

1.2.7 Revised Eclectic Paradigm

The eclectic model of internationalization has been revisited during the time. The business of Dunning's main work can be understood from its title "Explaining International Production". Thus, in the narrow view of primary formulations, the model only addresses one specific type of internationalization: international production in the form of Foreign Direct Investment (FDI). However, later Dunning redefined and extended the subject matter of the OLI paradigm to cover all value-creating activities, not just international production exclusively. Therefore, Dunning (1988), added alternatives for FDIs in his Model (Figure 5). With this change, Dunning provided a broader model of internationalization, which is a severe break with the former formulations of the paradigm (Pederson, 2003).

Figure 5: Revised OLI: Route of Servicing Markets

Route of Servicing Markets	Ownership Advantages?	Internalization Advantages?	Location Advantages?
Foreign direct investment	Yes	Yes	Yes
Trade (Export)	Yes	Yes	No
Contractual transfers	Yes	No	No

Source: Dunning (1988)

The table demonstrates three distinct modes of internationalization. According to the model, internationalization can be done through FDI by building a subsidiary in the host country; internationalization can be done through export by some agents or distributors; or internationalization can be done by arrangements that need some level of close collaboration between two or more parties (contractual agreements) such as joint ventures, co-production, or licensing. Dunning proposes that export or trade mode replaces with direct investment mode when there is no locational advantage. However, it is interesting that Dunning admits the presence of internalization advantages, meaning that there are some advantages to keeping control over the distribution channel through export mode. The only possible interpretation is that Dunning thinks of export by means of a sales subsidiary in the importing country. In cases where there is neither I advantages

nor L advantages, contractual resource transfer by franchising, licensing, or other sorts of bilateral agreements is assumed to take place (Pederson, 2003).

1.2.8 Born Globals

Business researchers have realized that in the recent years a growing number of companies changed their way of entering international markets. This way is certainly different from traditional patterns of internationalization such as Uppsala theory or Eclectic paradigm. It is more concerned to the internationalization of SMEs so-called 'Born Global' (Hollensen, 2007). The phenomenon "Born Globals" or "International New Venture" is also known as "Global Start-ups" or "Instant Internationals" are various terms of the same concept (Moen, 2002). The reason why Born Globals, New Ventures, Instant Internationals or Global Start-ups emerge, can be increasing the role of niche markets, developments of small-scale process technologies, improvements of communication technologies, development of global networks, the flexibility of small firms, and the internationalization of knowledge (Knight & Cavusgil, 1996). According to the definition, a born global company is a business organization that seeks to acquire superior performance in the international markets from the application of knowledge-based resources to the sale of outputs in multiple countries, from or near the inception (Knight & Cavusgil, 2004).

The concept of born-again global companies has been presented more recently. This concept involves companies that worked for a long time in domestic rather than oversea markets, but suddenly they entered foreign markets and internationalized at a fast pace (Bell et al., 2001). However, for the born global firms the time that the firm passes from the local foundation to the first entry in the international markets is typically three years (Autio et al., 2000). The most serious problem of this new type of internationalization process is that there is no exact theoretical basis on which it can be explained (Madsen & Servais, 1997). However, there are some specific characteristics related to the born global firms that make them distinguishable from the other methods of internationalization. Normally, the number of employees in these firms is less than 500 and the annual sales are under \$100 million. Their reliance is on producing and developing unique and innovative products usually through cutting-edge technologies (Hollensen, 2007).

Sharma and Blomstermo (2003), also argue that these companies have just a few employees with high specific knowledge, and produce products which are brand new or fundamentally diverse from existing ones. Since they are dependent on a single product (niche market) (Åijö et al., 2005), and competition is high in the markets their products may become obsolete swiftly (i.e. software) (Hollensen, 2007). Therefore, it is essential for born global companies to commercialize their product first in the markets with no respect to the geographical borders (Åijö et al., 2005). Another factor related to the born global firms is that often founder, owner, or CEO operates the company and makes the decisions personally. Therefore, INVs can react more rapidly than established firms when confronting with various market conditions because of their flexible operating procedures (McDougall & Oviatt, 1997). Hollensen believes that the most distinguishing feature of born global firms is entrepreneurial visionaries of owners or managers who see the World borderless like a single marketplace (Hollensen, 2007).

Researchers became interested in global aspects of entrepreneurship in the late 1980s (McDougall & Oviatt, 2000). Even though there is no one single accepted definition of the term, but there seems to be an agreement that entrepreneurship includes creating or presenting something new (Reynolds et al, 2005). Some of the researchers even attributed the creation of new organizations to the entrepreneurship term (Gartner, 1988). McDougall and Oviatt (2000), provide a definition that global entrepreneurship is a combination of some features related to the behavior of the owner such as risk-taking, proactiveness, and innovativeness that across international boundaries to provide value for the firm. Hollensen (2007), argues international entrepreneurship means that owners or managers of born global firms are better aware of the possible combination of resources from various foreign countries because of the abilities that they gained from their past experiences such as international contacts, market knowledge, experience from previous occupations, education, and so on. These international skills that usually gained before the foundation of the company decrease the importance of psychic distances for internationalization (Hollensen, 2007). Therefore, the former knowledge and experience of owners open new opportunities for born global companies across international borders (Madsen & Servais, 1997).

Born global companies apply different types of entry mode strategies in different markets (Jones & Coviello, 2005), thereby challenge the older models of gradual and incremental of internationalization (Mort & Weerawarden, 2006). Johanson & Mattson (1988), argue that if the markets that the company target to enter is already internationalized, the internationalization processes of companies would be at a faster rate because the need for integration and coordination is high in those markets. Today reality provided conditions for cooperation between firms in terms of joint ventures, strategic alliances, or other contractual agreements, thus there would not be a need for firms to follow 'establishment chain' as presented in the traditional models. In this way, firms can supplement and complete their resources and skills to become a stronger player in the international markets (Johanson & Mattson, 1988). Even though these companies compared to the large international firms are lack of resources, but their advantage rests on learning from alliance network relationships (Contractor, 2007). That's why, they often built partnerships in the form of hybrid structures (licensing, franchising, or joint ventures) to overcome their lack of experiences (Oviatt & McDougall, 1994).

1.3 Network Approach of Internationalization

The network approach stresses on becoming a player in the network through the actual process of market entry, in contrast to the conventional internationalization literature that stresses on planning and deciding about how to enter to international markets (Salmi, 2000). Therefore, the basic distinction between traditional internationalization theories and the network theory is that the network model is not incrementally progressing in nature. Besides, the network model is concerned with relationships among partners in the network, while conventional models such as original Uppsala focus on psychic distance and countries that a firm should enter (Johanson & Vahlne, 2003). In the network model of internationalization each firm can modify its structure within the network by establishing a new relationship or by breaking off the old one. As a result, a firm in the network environment will be able to response faster to the changing conditions of business fields such as those where technical change is very rapid, because of its flexible structure (Hollensen, 2007). For instance, the modern high-technology companies do not apply gradual growing process, rather they gain a swift internationalization through resources and experience of network partners (Mitgwe, 2006). Moreover, the internationalization process of MNEs and SMEs are not the same. While SMEs do not

follow the traditional hierarchical approaches on their internationalization process, MNEs will follow them (Coviello & Munro, 1995).

According to the network theorists, companies internationalization is a natural development which gains through network relationships with various oversea partners including competitors, suppliers, distributors, customers, non-profit organizations, and etc. (Johansson & Mattson, 1988). Johanson and Vahlne (2009), define business networks as relationships that are connected to each other such as webs so that one exchange is related to another exchange. Solberg and Durrieu (2006), indicate that networks are relationships interrelated both at the organizational level and at the individual level. Johanson and Mattsson (1988), argue that firms in the networks are dependent on each other because of their deficiency of resources. Therefore, they will be able to access to these resources that are controlled by other companies through reinforcing and developing their position in the network. As a result, the common interest of network members is to develop their relationships because of mutual benefits that they acquire in this way (Johanson & Vahlne, 2003). Therefore, based on network approach cooperation is more efficient than competition. It means it is better for companies' development to share their capabilities and resources. In this way, firms can access to the experience of each other with no need to necessarily experience themselves by spending money and time. In addition to acquiring knowledge about the partner's needs, strategies, and capabilities, a firm can also learn about market networks and the latter's business conditions (Johanson & Johanson, 1999). As a consequence, an internationalized company can have most of its physical assets in its own country, but still be a significant player in a global network (Björkman & Forsgren, 2000).

1.3.1 Network Theory

The network theory of internationalization presented by Johanson and Mattsson in the late 1980s (Ojala, 2009) when the fact of using network relationships for facilitating international operations became clear (Johanson & Mattsson, 1988). Johanson and Mattsson (1988), argue when a company become a member of a network not only the number of relationships within the network increases, but also the relationships become stronger which help companies to extend their business more and more. The firm can gain penetration by increasing commitment and trust in already established oversea networks.

When firm could penetrate in foreign markets enough, then it can integrate with international firms by using the network (Masum & Fernandez, 2008). Therefore, according to Axelsson and Johanson, there are three ways to become international in the network model: (1) Establish positions in country-based networks that are new to the firm (international extension of foreign market entry); (2) Develop existing positions in country-based networks further (penetration); (3) Increase coordination between positions in different country-based networks (international integration) (as cited in Hiltunen & Kuusisto, 2010).

Figure 6. Network Approach To Internationalization



Source: Johanson & Mattsson (1988)

Therefore, in this model internationalization starts when a company begins to extend its relationships with another company that is a member of an international network (Johanson & Mattsson, 1988). As a result, these relationships act as a bridge among various firms from different countries (Johanson & Vahlne, 1990). According to Ojala (2009), network relationships can be divided into three types of formal, informal, and intermediary business relationships. Formal business relationships refer to relationships among two or more members of a network, while informal business relationships related to personal relationships between family members and friends. Eventually, intermediary relationships refer to those kinds of business relationships that a third party such as brokers facilitates the connection between the seller and the buyer by making them familiar with each other (Ojala, 2009).

Development of these relationships with other actors in the market can be passive or active (Ojala, 2009). If the initiation comes from the seller it is called active networking, but if, the initiative is taken by supplier, intermediate, importer, or customer, it is called passive networking (Johanson & Mattsson, 1988). Rapid internationalization of the company can be achieved by these two kinds of networking because a network like a

bridge connects sellers and buyers to each other and open new opportunities in foreign markets (Mitgwe, 2006). However, ties within the network can be strong or weak. Ties in the network are strong when the relationships and interactions of the firms are tight dependent on the trust between them. On the other hand, ties in the network are the week when there is a distance in the relationships and interactions of the firms and they require time for adaptation. Furthermore, ties are not static because as time passes they change from strong to weak or from weak to strong (Granovetter, 1973).

According to Hollensen (2007) ‘production net’ contains relationships between those firms whose activities together produce functions linked to a specific area. The degree that a company is internationalized demonstrates how strong or integrated are the positions of the company in various foreign nets. Therefore, a production net would be more or less globalized. A low degree of internationalization of the production net implies that there are a few number of relationships between the various national parts of the international production net, and a high degree of internationalization of a production net shows that there are a high number of strong relationships between global nets (Hollensen, 2007). Johanson and Mattsson (1988), have identified four distinct situations for internationalization of firms and production networks. These four cases are the Early Starter, the Late Starter, the Lonely International, and the International among Others.

Figure 7: Four Cases of Internationalization of a Firm

Degree of Internationalization of the firm	Degree of internationalization of the market	
	Low	High
	Low	The Early Starter
High	The Lonely International	The International among Others

Source: Johanson & Mattson (1988)

The level of integration, penetration, and extension of internationalization, as well as level of experiential knowledge for firms in each case, is different. The size of the firm can

highly influence the flow of information and knowledge that the company acquires (Hadley & Wilson, 2003).

The Early Starter: This situation actually was a case for firms' internationalization in the early 20th century (Johanson & Mattsson, 1988), where there were no significant global relationships in domestic or oversea markets among suppliers, customers, and competitors (Hollensen, 2007). As a result of a lack of network relationships between firms, it was not possible for firms to acquire enough knowledge about the foreign operation. Therefore, the only way that they could penetrate the international markets was through gaining resources and size as well as increasing knowledge during the time. To decrease the risk of investment, companies would start their internationalization from nearby countries via agents or distributors (Johanson & Mattsson, 1988), and then opening sale subsidiary and finally production in the host country (i.e. Uppsala model of internationalization) (Hollensen, 2007). An alternative strategy for already big in size companies could access via Greenfield or acquisitions, which companies could acquire more knowledge by investing a high amount of money (Johanson & Mattsson, 1988).

The Lonely International: In this case, even though market environment has a domestic focus, but there are companies in this market that highly globalized before their competitors. Therefore, these companies already have a position within international networks (Johanson & Mattsson, 1988), and they already acquired enough information and knowledge for operating in the international markets. Operating in foreign markets is more favorable when the company has related knowledge and ability to perform it (Hiltunen & Kuusisto, 2010). In this case, the coordination of the global activities and adjustment of resources is harder for the internationalized firm (Daszkiewicz & Wach, 2012) because other parties in the production nets such as company's competitors, customers, and suppliers are not enough globalized. However, the internationalized firm, in this case, have competencies to attract other companies, and thereby promote internationalization of its production net by connecting them to each other (Hollensen, 2007).

The Late Starter: In the late starter category, the firm is not globalized, while the market environment is highly internationalized. Therefore, for this type of firms need for coordination is much higher, because it is harder for them to find a place within the

existing markets (Johanson & Mattsson, 1988). Other superiorities that the competitors have than these firms are their experimental knowledge (Johanson & Mattsson, 1988) and the fact that the best distributors are already linked to them (Hollensen, 2007). Even though internationalized firms may pull firms that are not globalized into foreign markets, however, there is also a possibility that they prevent firms' entrance into globalized markets (Daszkiewicz & Wach, 2012). How will the companies with different sizes go abroad in this situation? SMEs, in this case, have to be highly specialized in order to find a place in the production nets. On the other hand, LSEs that have become large in the local market have different and more complex conditions than SMEs, because they are often less specialized and thereby less flexible. One alternative for LSEs is to internationalize in oversea markets via joint venture or acquisition (Hollensen, 2007).

The International among Others: In this case, both the company and its environment are highly globalized. The company can use its relationships in various nets and connect them to each other in order to build a stronger production net. Therefore, in this category additional internationalization will be just marginal penetration and development (Johanson & Mattsson, 1988). Companies, in this case, can coordinate their sales by using their production capacity to sell the products and goods to other markets through networks or they can coordinate their sales by establishing a sale subsidiary in the foreign markets swiftly. Since in this category firms have enough business global knowledge, thus it is possible for them to set up subsidiaries (Hollensen, 2007). Firm's establishment are made particularly in the countries that the firm targets as its major market. The main advantage of firm's own subsidiaries is that they will protect the firm from predatory pricing, and thereby will discourage competitors (Johansson & Mattsson, 1988).

1.3.2 Role of Networks In the Internationalization of the Firm

Researchers have provided evidence on the role of network relationships for the growth of the firms in the international markets as well as providing some problems related to them. According to Johanson and Mattsson (1988), strategies and decisions of the firm regarding the internationalization process is influenced by network relationships. Coviello (2006), argues that the firm's decision regarding which foreign markets to be entered is strongly influenced by networks. Coviello and Munro (1995), also state that business relationships between firms are very important in the market selection process

(Coviello & Munro, 1995). However, Ojala (2009), discusses that the decision for entering the distant market is a result of the firm's own strategic reasons rather than influenced by networks.

Based on some studies (Ovairt & McDougall, 2005; Coviello, 2006) networks are very important for the initial stages of internationalization especially those of small and medium size entrepreneurial firms. Ojala (2009), adds that the relationships initiated by a third party (intermediaries) are essential for firms without any developed relationships with international markets. Through networks, firms can establish contacts and gain knowledge and information about international markets, (Brown & Butler, 1993) access new resources, (BarNir & Smith, 2002) build trust, reputation and value, (Gulati, 1995) reduce costs and access to technology, (Barringer, 1997), and finally gain credibility and governance (BarNir & Smith, 2002). However, according to Coviello and Munro (1995), network relationships of the decision makers may act as a trigger for the initial internationalization of firms or may also constrain firms in developing new relationships and pursuing specific marketing opportunities.

1.4 Internationalization Motives & Barriers

1.4.1 Motives

There are different classifications for internationalization motives. According to Kubičková et al. (2014), Some authors argue that incentive factors can be divided into internal and external motives, some researchers differentiate them between pull and push factors, and some others distinguish between reactive and proactive motives.

Hollensen (2007), provides a framework for reactive and proactive motives. He defines proactive motive as an incentive to change firm's strategy in order to acquire unique competencies such as a particular technological information or knowledge. On the other hand, he defines reactive motives as an incentive to change activities of the firm during the time in order to protect the firm from various threats and pressures in the international or the domestic markets. In other words, proactive incentive indicates the interest of the firm to exploit and use its own internal strong-points to gain opportunities in foreign countries, while reactive motives is a reaction to the external or environmental threats and pressures (Leonidou, 1989).

Figure 8: Proactive and Reactive Motives

Proactive Motives	Reactive Motives
<ul style="list-style-type: none"> • Profit and growth goals • Managerial urge • Technology competence/unique product • Foreign market opportunities/market information • Economies of scale • Tax benefits 	<ul style="list-style-type: none"> • Competitive pressures • Domestic market: small and saturated • Overproduction/excess capacity • Unsolicited foreign orders • Extend sales of seasonal products • Proximity to international customers/psychological distance

Source: Albaum et al. (as cited in Hollensen, 2007)

1.4.1.1 Proactive Motives

Profit and Growth Goals: Profit is an important motivator for companies to become engaged in oversea markets (Czinkota & Ronkainen, 2007). However, Initial profitability may be quite low, particularly for those firms which have not previously engaged in international market activities. The incentive for growth in the international markets can also be an important factor for firms to begin export. The attitudes of the firm over development can be changed during the time based on the feedbacks that the firm gains from its experiences (Holleneson, 2007).

Managerial Urge: The managerial urge is a motivating force that shows the enthusiasm and desire of firm’s managers towards international operations. There are some reasons for existing of this desire in managers. First, personally, managers are willing to work in companies that have foreign activities. Second, when they are working in a global company, often they have a good reason for traveling to various countries. However, the stimulus for internationalization in managers can be also because of their entrepreneurial incentive to extend and develop their business in the markets more and more. Moreover, some factors such as traveling to foreign countries, born or living in oversea countries, being a member of a trade association, or previous working in an export firm, may impact the incentive of managers towards foreign marketing (Hollensen, 2007). Leonidou et al. (1998), divided decision maker characteristics that may influence exporting in two broad categories: objective and subjective. Objective characteristics include various personal or cultural characteristics of the decision maker such as educational background,

professional experience, language proficiency, foreign travel and time spent abroad. Subjective characteristics are related to the attitudes, perceptions and behavior of the decision maker including risk tolerance, quality and dynamism, flexibility, commitment, innovativeness and perception on risk, cost, profit, growth and complexity of foreign markets (Leonidou et al., 1998). On the other hand, subjective factors are more related to the entrepreneurial characteristics of owners or managers, which can be more significant for SMEs managers because of their lack of resources.

Unique Product: The unique product provides a competitive edge and thus can highly influence the way of firm's internationalization. However, the problem is that many firms declare that their products or goods are unique, but in reality, it is not a case. One important point on this issue is that the unique advantage of the product, service, or technology for how long will continue. Historically, a company with a unique product could be a single supplier for a long time in global markets, but in today reality because of the modern technologies and the problem of imitation this type of advantage has become less valuable (Hollensen, 2007 ; Czinkota & Ronkainen, 2007).

Market Information: The next proactive motive is market information or market opportunities. This knowledge is about international market situations, marketplaces, and customers, which can be acquired through different ways such as company's particular relationships, global research, or by being in the right place at the right time (for instance, identifying business opportunities in a vacation travel)) (Czinkota & Ronkainen, 2007). The market information can be a motivation factor only if the company have the ability to use this knowledge for responding to different opportunities. Sometimes some international markets expand suddenly and thereby provide many opportunities for expansion-minded companies. For example, the eastern European markets attracted firms because of some new freedoms in their politic, while the southeast Asian markets attracted firms because of their successes in economic (Hollensen, 2007).

Economies of scale: Economies of scale refer to accumulating or increasing the output volume, which as a result can reduce the per-unit costs (Hollensen, 2007). Some studies have shown that a doubling of production can decrease the production costs about 30% (Czinkota & Ronkainen, 2007). Accumulated output for global markets can also decrease the cost per units of domestic production, and thereby help firms to be more competitive

in domestic markets as well as international ones. Here the main purpose of the firm will be increasing the market share, which can be started by a research about countries for export, then instituting sale subsidiary and finally production in the host markets (Hollensen, 2007).

Tax Benefits: This proactive motivator factor is closely related to profit incentive because it allows the company to supply its outputs at a lower cost, and thus to gain more profits. However, there is a global law named as the World Trade Organization (WTO) agreement that almost all countries in the world have signed it. This law supports and protects the local production in each country by punishing international manufacturers who sell their goods at very low prices in the domestic markets (Hollensen, 2007).

1.4.1.2 Reactive Motives

Competitive Pressures: In this reactive incentive, the company tries to perform proper reaction for responding to competitive pressure in the markets rather than starting a new way. In this reaction, the company may fear to lose either international or domestic markets shares to new rivals permanently. However, inadequate preparation for attendance in markets can lead to a quick entry and thus a quick withdrawal similarly (Czinkota & Ronkainen, 2007). On the other hand, knowing about competitors internationalization can be also a high external incentive factor. For example, Coca-Cola globalized before the Pepsi, but certainly whatever influenced the Coca-Cola movement in the way of internationalization impacted the movement of the Pepsi as well (Hollensen, 2007).

Domestic Market: Sometimes small or saturated domestic market may cause a company to export its production. For instance, most of the US car manufacturers at first of their work entered overseas markets as a result of locally saturated markets (Hollensen, 2007). Therefore, companies can attend to foreign markets to extend the life cycle of their outputs as well as the lifetime of their organization (Czinkota & Ronkainen, 2007).

Overproduction: Another main reactive incentive is overproduction. If the local sales of the company are behind expectations, exporting production to the overseas markets can be an ideal way of reducing inventories level. These export activities can represent a low commitment and thus continue for a short period of time (Czinkota & Ronkainen, 2007)

until the domestic market demands back to the prior level (Hollensen, 2007). However, companies that employ this strategy may find problem if decide to use it again, because usually, oversea consumers are not interested in short-term or temporary relationships. Therefore, this reaction from international markets can cause a reduction in the significance of this reactive motivator during the time (Hollensen, 2007).

Unsolicited Foreign Orders: Sometimes unsolicited demands from foreign countries provide many opportunities for development of the firm into international markets. These demands can be provided via an international exhibition, through advertising in a famous business journal with a global circulation, or by other means. Therefore, a large amount of foreign demands for the company's productions can be unsolicited orders initially (Hollensen, 2007).

Extend Sales of Seasonal Products: Different seasons in different countries throughout the world can provide a persistent demand for the companies' outputs. Therefore, when seasonality in demand decreases in the domestic markets, seasonality in demand in foreign markets can fill this gap. As a result, this can become a permanent motivation for a company to explore oversea markets in order to find a constant demand during the year. For example, an agricultural machine manufacturer in Europe has orders from the local markets only in the spring months of the year. Therefore, the company in order to receive a constant demand rate decides to enter markets located in the southern hemisphere such as Australia, where the season is summer when it is winter in Europe and vice versa (Hollensen, 2007). As a result, the Australian markets will be a substitute for the domestic market, which will ensure more stable demands for firm's products or services over the year.

Psychological Distance: The last main reactive internationalization motive is the short psychic distance to international consumers because psychical closeness can persuade the firms towards foreign activities. In Europe, becoming an international company is simple since European countries are so close physically to each other. For instance, a firm that is currently working in Belgium just requires traversing 80 kilometers to be a multi-international firm (Czinkota & Ronkainen, 2007). However, physical proximity to international markets may not always regard as close psychic distance, because sometimes some factors such as the host country's politic system, language, culture, or

other societal norms make the country psychologically distant even though it is geographically close. For instance, some researchers have shown that the US companies realize England much closer than Mexico psychologically (Hollensen, 2007).

1.4.2 Barriers

According to Hollensen (2007), a wide variety of barriers can be identified that hinder successful export activities of the firms. Some impediments influence the initiation of export, while others impact the process of internationalization.

1.4.2.1 Barriers Hindering Export Initiation

Distribution problems always have been a major barrier for beginning of internationalization, because finding a dependable distributor who will try enough for representing the firm's products is difficult (Cardoso, 1980). Access to information is another important factor. For example, irrespective of the location of manufacture in some industries such as in those that product design is important, the requirement for constant and stable flows of information between producers and design setters has been vital (Lall, 1991). Export knowledge problems can be seen as the result of lack of trained and experienced human resources. Agarwal (1986), for example, stated that the quality of the production in Chile, Argentina, and Venezuela stopped at a very low level because in these countries the quality of human resources is very low (as cited in Tesfom, 2003). In some studies, a lack of managers' export commitment to grow in the international markets has been mentioned as a barrier (Tefon, 2003). As a result, significant factors such as educated workforce and managers' propensity towards export activities can highly influence the internationalization of the firms (Naidu et al., 1997). Lack of enough promotion or advertising attempts has been another mentioned obstacle of export processes (Brooks & Frances, 1991). Frances (1987), in the research of 75 Venezuelan producers realized undesirable financial facilities as the main export obstacle (as cited in Tesfom, 2003). In conclusion, Hollensen (2007), classified the most important factors that impede the initiation of internationalization as follows: expenditures of distribution and financing, cost escalation due to high export manufacturing, management emphasis on development of local markets, lack of foreign channels of distribution, lack of productive capacity to dedicate to foreign markets, lack of capital to finance expansion

into foreign markets, lack of export commitment, lack of foreign market connections, insufficient knowledge, and insufficient finances.

1.4.2.2 Barriers Hindering The Process of Internationalization

According to Hollenen (2007), the most important factors that impede the process of internationalization can be classified into three categories: general market risks, commercial risks, and political risks.

General risks involve the complexity of shipping services to overseas buyers, differences in product specifications in foreign markets, difficulties in finding the right distributor in the foreign market, language and cultural differences, differences in product usage in foreign markets, competition from other firms in foreign markets, and comparative market distance (Hollenen, 2007). Some authors also mentioned the size of the firm as the main risk. Bodur and Cavusgil (1985), argue that size of the company has often influenced the firm tendency toward international activities. Larger companies have greater resources in finance, management, and production line, which help them to have more propensity for internationalization (Reid, 1987). Another general barrier of internationalization can be the difficulty of access to new technology. Dicle and Dicle (1991), state the lack of new technology not only in the production line but also in exporting activities as a major obstacle for Turkish manufacturing firms (as cited in Tesfom, 2003). Therefore, those exporters that produce their products in developed countries, have competitive superiority over their domestic firms, because of accessibility to latest technologies (Christensen et al., 1987).

Commercial risks on the process of internationalization can be categorized as follows: difficulties in obtaining export financing, delays or damage in the export shipment and distribution process, failure of export customers to pay due to contract dispute, bankruptcy, refusal to accept the product or fraud, exchange rate fluctuations when contracts are made in a foreign currency (Hollensen, 2007). Bodur (1986), argued that the main problem of Turkish producers companies on the way of internationalization has been high costs included in export credit (as cited in Tesfom, 2003).

In the literature review of internationalization obstacles, Figueiredo and Almeida (1988), mentioned the laws regulated by government, Cardoso (1980) argued regulated laws to

protect domestic manufacturers, lack of governmental support, and import substitution, and Naidu et al. (1997), indicated the insufficiency of export promotion by government policies either by lack of providing enough information about existing opportunities in the international markets or by inadequate promotion of domestic productions oversea as major political barriers for firms. Hollensen (2007), categorized the political risks on the process of internationalization as follows: civil strife, revolution and wars disrupting foreign markets, enforcement of national legal codes regulating exports, complexity of trade documentation, confusing foreign import regulations and procedures, high foreign tariffs on imported products, high value of the domestic currency relative to those in export markets, lack of tax incentives for companies that export, lack of governmental assistance in overcoming export barriers, foreign exchange controls imposed by host governments that limit the opportunities for foreign customers to make payment, national export policy, and foreign government restrictions (Hollensen, 2007).

1.5 Internationalization Process of Turkish Furniture Sector

A study conducted by Erdil (2012), about internationalization of Turkish firms, collected secondary data on a period from the end of 1980 to 2010. He argues that in the last two decades Turkish firms increased their international activities by using contractual and FDI entry mode strategies. However, he added that Turkish companies prefer direct investment more extensively, although they invest in small scales. According to the Turkish Ministry of Economics Report, foreign investments of Turkish firms have been about 2 billion US dollars in 2004 but reached a very high point in 2009 by about 22.5 billion US dollars investment (as cited in Erdil, 2012). The study argues that motives of Turkish firms for this type of internationalization have been market differentiation, maintaining long-term market penetration, energy costs saving, labor costs saving, and confronting with tariffs and quotas. In another study conducted by Turkish Ministry of Economics in 2011, motives of internationalization for Turkish firms have been proximity to potential markets, resources advantage, openness to foreign markets, ability to use technology, and market knowledge respectively (as cited in Erdil, 2012). Erdil (2012), concluded that the process of internationalization which is passed by Turkish firms started from neighbor countries by export, and then developed by accumulating knowledge stage by stage (original Uppsala model), or by building network relationships.

Another study conducted by Karabulut (2013), about internationalization process of Turkish SMEs, explored internationalization of 267 SMEs in Istanbul. The study argues that Turkish SMEs internationalize gradually as it was explained in the original Uppsala model. Besides, Firms' internationalization is based on entrepreneurial activities of owners. Entrepreneurs have high education, can speak at least one foreign language, and have prior job experience. However, they do not have enough prior foreign market experience which may accelerate internationalization of SMEs. This study in opposite to the study conducted by Erdil (2012), indicates that increasing FDI and developing network relationships to foreign partners is not an important issue for Turkish companies because they more prefer to use export mode strategies for their international activities. According to Karabulut (2013), barriers of internationalization for Turkish firms have been high competition, economic factors, legal factors and technical standards.

In a research carried out by Yilmaz et al. (2015), opportunity development of a Turkish firm in Romania has been examined. The study argues that the Turkish case study entered into markets of Romania by FDI in terms of acquisition as its first entry mode. Therefore, the firm did not follow the original Uppsala model of internationalization. The role of networks and entrepreneurial characteristics of owners have been significant in the way of internationalization for the case study. The main motives of internationalization for the firm have been resource seeking in the initial stages and market seeking in the rest of processes. A study about factors affecting the internationalization process of SMEs presented by Kunday and sengüler (2015), claims that innovation, knowledge, and top managers' attitudes and business skills are the most important factors impacted the internationalization of SMEs in Turkey.

Yener et al. (2014), conducted a survey about challenges of internationalization for Turkish SMEs. The study found out that the main barriers of internationalization for Turkish companies are lack of managerial commitment to non-domestic markets, lack of ownership of marketed products, lack of knowledge on marketing and fostering networks on the international stage, lack of trust and cooperation in the firm's own network, and lack of trust and building insidership with new networks in foreign markets. Another study conducted by Özkanlı et al. (2006), argues that the export barriers for Turkish SMEs are satisfaction in the domestic market, lack of resources, lack of international market

relations, difficulty in finding an agent, insufficiency of quality and quantity and lack of foreign language skills. One study presented by Kaya (2014), about strategic motives of Turkish firms for Foreign Direct Investment (FDI), says that market-related motives such as market potential, market access, market protection, and low cost of inputs appear to be the most important motives for FDI of Turkish companies.

As seen above, there are a number of studies about internationalization process of Turkish firms. However, only one survey has been identified in the field of internationalization process of Turkish furniture sector, which has been conducted by Cengiz Yardibi in 2016. This recent study is about internationalization and competition strategies in the furniture sector. The study carried out by Yardibi (2016), takes a photo of Turkish furniture firms' internationalization level in terms of direct investment, submits a theoretical framework for Turkish furniture firms' internationalization, and investigates motives and challenges of internationalization for Turkish furniture sector in terms of FDI. Yardibi (2016), focuses on the internationalization process which is passed by Turkish furniture companies in terms of just one model of internationalization, namely Eclectic model. Besides, it used a quantitative approach by conducting questionnaire to 43 furniture companies. Findings of the study presented by Yardibi (2016), show that internationalization activities of the Turkish furniture industry are currently not focused on production abroad. Instead, FDI activities of Turkish furniture companies are mostly centered on sales and marketing, which do not require large capital investments. Finally, Yardibi (2016), mentioned searching efficiency and profitability as the main internationalization incentives and technical and logistical problems as the major internationalization challenges for FDI of Turkish furniture companies. However, the current thesis examines the process of all international activities of Turkish furniture firms not just in terms of FDI but in a broad context, investigate the role of network relationships in the internationalization process, and explore the main motives & barriers of internationalization for Turkish furniture companies located in the Bursa-Innegol region. This research investigates some other well-known models of internationalization as well rather than Eclectic paradigm as like the original Uppsala, the revised Uppsala, Born global, and Born-again global models. The current study also applied qualitative approach by conducting face to face interview with owners of six Turkish furniture firms.

Finally, why furniture sector challenges authors' attention to study internationalization process need to be explained. The Turkish furniture sector has become a branch of information and capital weighted manufacture by the accession of medium and large scale enterprises in the 1990s. Today, the sector has become one of the limited industry sectors with the exportation of 1, 9 billion USA dollars to 214 countries and has no foreign trade deficits with gradually increasing export value since 2001. Turkey with the share of 1% is the 21st country in the furniture export ranking, which is important when we know that there are only 60 countries in this ranking and more than half of the world's furniture productions come only from four countries. Besides, Turkey is included among 5 countries which had the most increased export ratio in recent years with the share of 15%. The furniture sector in Turkey aims to be among first 10 furniture manufacturers in the world and among the first five largest producers in Europe with the expectation of 25 billion dollars production value and 10 billion dollars exportation value in 2023 (TOBB, 2014). This target demonstrates the importance of operating in the international markets for Turkish furniture companies more and more.

According to the above discussion, Turkish furniture firms have had a significant growth in the foreign markets in the last decade which helped them to find a good position among the furniture market leaders in the world. The importance of issue has been an incentive for this study to explore and identify the process which is passed by Turkish furniture companies. As a consequence, the first and the main purpose of this study is to examine the internationalization process of Turkish furniture firms located in Bursa-Inegol region in terms of some well-known models of internationalization. On the other hand, since network relationships have become a significant issue for the internationalization of the firms in the recent years, especially for internationalization of SMEs, the second goal of this study is to investigate the role of network relationships in the internationalization process of those firms. The importance of issue even persuaded internationalization theorists to revise their models based on the network relationships such as authors of Uppsala.

Besides, the concept of internationalization is tightly connected to the international opportunities and challenges for companies. Therefore, the internationalization motives and barriers related to the furniture sector can be analyzed and understood through

strengths and weakness on the one hand, and through available opportunities and threats on the other hand. According to the Union of Chambers and Commodity Exchanges of Turkey (2014), the strengths for the Turkish furniture sector have been identified as geographical location, openness for FDI, high number of employees, sector's increasing technology transfer, increasing number of modern and technological production companies, increasing exports to the target markets; furniture production network, wide distribution network, and product diversity. The weaknesses have been listed as lack of vocational training, lack of qualified personnel; design and protection problems; unfair competition, high raw material costs; lack of promotional activities, low standards and environmental issues, branding problems; product quality, SME density, fragility of family businesses, organizational or institutional structure; capital or financial failure, and innovation approaches (TOBB, 2014). Available opportunities for furniture sector are internationalization, re-formation of the world; EU candidacy, IT and electronic networks, smart furniture products, branded or identity products, customer-oriented product and diversity, open to cooperation and investment structure, the search for new markets; consumption in the European population, the increase in production, and global increase in the consumption of furniture. Finally, the threat factors for the sector are listed as shortage of raw materials, lack of marketing; branding problem, energy problem, low standards, copying models, lack of promotional activities, low-cost manufacturing (3rd World), main furniture producers such as China, and producing environmentally friendly production (TOBB, 2014). To examine the importance of these factors in the terms of internationalization motives and barriers for Turkish furniture firms located in the Bursa-Inegol region constitutes the final aim of this study. Therefore, the research, on the one hand, aims to explore and highlight the major internationalization motives or incentives which attracted Turkish furniture firms towards foreign markets, and on the other hand to identify and demonstrate the main internationalization barriers or obstacles which restricted them in the way of internationalization.

According to the purposes of this thesis mentioned above, three research questions were formulated for a deep exploration. These questions are given below.

1. How does the internationalization process look like for Bursa-Inegol based Turkish Furniture Firms?

2. How do network relationships influence the internationalization process of Bursa-Inegol based Turkish furniture firms?

3. What are the main internationalization motives and barriers for the Bursa-Inegol based Turkish furniture firms?



CHAPTER 2: RESEARCH METHODOLOGY

This chapter presents methods and procedures that have been applied for carrying out this study. The section includes the Research Purpose, Data Collection Method, and Sample Selection Technique.

2.1 Research Purpose

As discussed previously little attention has been devoted to the internationalization process of furniture firms in Turkey. As a result, the main purpose of this study has been to explain this process, and thereby fill the gap by providing a better understanding of the phenomenon. In order to fulfill this aim, the purpose of this research would mainly be exploratory. An exploratory research is related to a phenomenon that we do not have enough knowledge or information about, such as an undiscovered or new subject, which only a few studies already have been conducted about it (Yin, 2003). There is one study about internationalization process of Turkish furniture firms conducted by Yardibi in 2016. He investigated the internationalization process which is passed by Turkish furniture companies in terms of FDI and through just one model, namely Eclectic paradigm. However, the current thesis examines all foreign activities of Turkish furniture firms not just FDI and applies some other models of internationalization as well as the Eclectic paradigm. Besides, this study explores the role of network relationships in the internationalization process of furniture companies which had not been investigated before. According to prior knowledge and theories, an explanatory research is adopted to explains casual relationships between cause and effect (Yin, 2009). However, this research does not aim to explain what caused Turkish furniture firms to choose a specific pattern of internationalization, rather it intends to explore and describe what patterns of internationalization used by companies when they entered into foreign markets. Therefore, the research would be also descriptive to some extent, but not explanatory. By using exploratory elements, which are the interview with furniture companies' owners and the review of the related literature, the study tries to draw a better picture of the internationalization process of Turkish furniture enterprises.

The qualitative research approach was adopted because it is appropriate when the researchers have no previous understanding of the phenomenon (Bogdan & Taylor, 1990). As a results, through qualitative approach researchers can achieve a closer

observation of behaviour of a firm (Firestore, 1993), discover the true inner meaning and new knowledge about it (Zikmund & Babin, 2010), and thereby describe, decode, and translate a certain naturally occurring phenomenon in the social world (Van Maannen, 1983). The quantitative approach was not adopted because as Alvesson and Deetz (2000) stated it is very remote from everyday practice, and thus can not explain the human aspects of organizational life. Besides, a quantitative approach attempts to investigate the causal connections between variables not the processes (Denscombe, 2003), which have not been the aim of this study. The selected qualitative research approach provided a deeper understanding of the internationalization process by helping the author to gather data about how Turkish furniture companies entered into international markets and about how some related factors such as networks relationships, and internationalization motives & barriers impacted their internationalization. Coveillo (2005), argue that when examining the network relationships, a qualitative research approach is most relevant because it provides a deeper understanding of the phenomena. According to Silverman (1993), there are four major qualitative methods: observation, analyzing texts, interview, and recording and transcribing. Three of them include analyzing texts, interview, and recording and transcribing were used for the current research.

2.2 Data Collection Method

Data is generally categorized in two groups involve primary data and secondary data. Primary data is information collected by the researchers for the first time. This type of data leads to new insights in the outcome of the research because it is always original. Secondary data is information that already exists and can be taken by researchers from secondary resources (Easterby-Smith et al., 2008).

This study uses both of these methods for collecting data to provide better answers for the research questions. First, research started by reviewing and collecting secondary data about internationalization process of the firms from related journals, websites, and books. Then, primary data was collected by conducting face to face interviews with owners and managers of six Turkish furniture firms which already had a presence in international markets. The gathered data from the interviews and the complementary data extracted from the secondary resources enabled the author to identify, understand and analyze the internationalization process of these firms within the international markets.

2.3 Interview Questions

Before writing interview questions a number of related studies about internationalization process of firms were reviewed. After reviewing related research interview questions were written and were revisited several times. As a result, the interview questions were divided into two parts: First, respondents were asked to provide information about the profile as well as the growth of their firms in the international markets. For this section, a table was designed based on the concepts of Uppsala model provided in a study conducted by Johanson & Vahlne in 1977 “the internationalization process of the firm”. The table has four parts: the name of the countries that the firm entered, year of the entry to those countries, type of the first entry mode adopted for each country, and finally changes in the operation modes during the later stage of internationalization. The table enabled the author to explore more accurately the process of internationalization which is passed by the six furniture case studies. The second part was related to the internationalization specific questions such as questions about models, firm's network relationships, and internationalization motives and barriers. Some questions were adopted from studies conducted by Johanson & Vahlne including “the internationalization process of the firm” (1977), “the mechanism of internationalization” (1990), and “the Uppsala internationalization process model revisited” (2009). Some examples of these questions are as follows: How important was the psychological distance for the international activities of your firm? What were the ways of gaining knowledge about the countries you selected? How does your firm learn about new potential international opportunities? Did you have any foreign direct investment? Reasons? Was it directly or step by step? Do you have any plan for foreign direct investment in the near future?

Some other questions which were related to the network theory of internationalization were adopted from one study conducted by Joveva (2011) “Internationalization of the Macedonian Wine Exporters”, one study of Ojala (2009) “internationalization of knowledge-intensive SMEs”, and one another study conducted by Johanson & Mattsson (1988) “Internationalization in industrial systems: a network approach”. Some examples of these questions are: Do you have any network business relationship with other domestic or foreign partners? Is your firm a member of a local furniture association/s? How you made these relationships? When you made these relationships? How much were these relationships useful at the start of international operation of your firm? How much

were these relationships useful for the growth of your firm in a foreign market? What are the advantages of being a member of an association? Does the membership in an association increase international opportunities? Does the membership in an association ever influence the international decisions of your firm?

Moreover, some questions were related to the internationalization motives and barriers which were adopted from a study conducted by Hollenson (2007) “Global marketing: A decision-oriented approach”. Some examples of these questions are as follows: What have been your firm-specific characteristics that you think helped your firm for going abroad? What have been main internal drivers which motivate your company to involve in international operations? What have been main external drivers which motivate your company to involve in international operations? What have been the main obstacles and challenges that your company experienced during the internationalization? Does the Government support the international activities of your firm? How? What are the international objectives of your firm?

All of these questions were designed open-ended in order participants to feel free while answering questions. The interviews were audio recorded, transcribed, and translated from Turkish to English.

2.4 Sample Selection Technique

It would be superlative to use the whole population in every type of research to gather data, however, often it is not possible because of some restrictions. In practice, external factors such as time or financial resources may limit the collection of information (Robson, 2002). Because of these restrictions, this study applied convenience sampling technique for selecting eligible furniture companies. Dörnyei argues that convenience sampling is a type of nonrandom or nonprobability sampling where members of the target population meet certain practical criteria such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate (as cited in Etikan et al., 2015). Therefore, convenience sampling includes gathering data and information from those members of the population who are accessible to provide it conveniently (Sekaran, 1992). In that case, researchers often plan the sample size in advance (Eisenhardt, 1989). Eisenhardt (1989), suggests that four to ten cases are enough to provide material for analysis. As a result of above discussion, six Turkish furniture firms

were targeted that geographically were close and accessibility to the owners of those companies was convenient. These case studies were selected according to the following criteria: (1) Turkish furniture companies which are located in Bursa-Inegol zone. (2) Those Turkish furniture firms which are already internationalized and have a presence in foreign markets. These firms are Kenderler Orman Urunleri, Alan Mobilya, Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home. Interviews were conducted with the owners and managers of these six companies. Owners are the most relevant source of information for the researched area since they are directly involved in decision making regarding the export activities of the firms. Respondents' length of work in the furniture companies varies from 7 to 19 years which shows the fact that they had enough experience to satisfy the objectives of this study. They are in order 9, 18, 19, 8, 12, and 7, for Kenderler Orman Urunleri, Alan Mobilya, Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home managers.

Kenderler Orman Urunleri: The company began the industrial sector in the timber in 1970 and the veneer production in 1982. However, this family company founded by Kenan & Muhittin Kender started furniture production in 2007 by producing kitchen cabinet. Laminate flooring, panel door, door, and PVC membrane are other products of this firm which made the principle of providing high-quality service and confidence for the company in the competition with rivals. The goal of the company is to produce high-quality products at an affordable price for its customers to satisfy and thus make them loyal to the company. The company has 23 number of full-time employees who help the company to reach its goals in the domestic and foreign markets. The firm entered into international markets in 2011 only after 4 years of activity in the domestic markets (Table 1). Kenderler Orman Urunleri operates in just one foreign country, thus the company has a strong domestic focus; around 90% of the total production is sold on domestic market while the rest (10%) is exported to the Azerbaijan that is Turkey neighbor with similarity in language and culture.

Table 1. Kenderler Orman Urunleri Profile

Name of the firm:	Kenderler Orman Urunleri
Name of founder:	Kenan & Muhittin Kender
Sector:	Timber Furniture
Year of foundation:	Firm: 1982 Furniture Sector: 2007
Year of internationalization:	2011
Number of full-time employees:	23

Foreign sales/Total sales rate:	10 %
Respondent's name and position:	Kenan Kender, Owner
Respondent's length of work in the company:	9 years
Number of foreign countries the company operates:	1

Source: Interview (2016)

Alan Mobilya: Inegol Alan (Area) Mobilya founded in Bursa and started to be a brand of furniture in 2005 when the "Area" name was registered. Alan Mobilya produces different furniture products for bedrooms, dining rooms, TV units, and sitting groups with coffee tables fitted with them. The firm tries to provide work health and security for labors as well as respecting to environmental conditions by producing environmentally friendly products. Furthermore, according to the company policy, production of fashionable, high quality, and strong furniture are other main targets for the firm. To be the world brand and reference firm that the only its rival is itself in the sector is another goal for the company. Alan Furniture's philosophy is to ensure that the company offers the customers a true value for the money that they pay. According to Fikret Alan the founder of Alan Mobilya, 140 employees are working in the different sections of the firm. The presence on the domestic market is by nearly 75% of the total production while the rest (25%) is exported to foreign markets with a propensity for growth in the markets (Table 2). By employing high-tech R&D and production methods combined with professional staffs, Alan furniture firm aims to assure a sustainable growth under a reliable brand name in the global furniture industry.

Table 2. Alan Mobilya Profile

Name of the firm:	Area Mobilya
Name of founder:	Fikret Alan
Sector:	Furniture
Year of foundation:	2005
Year of internationalization:	2008
Number of full-time employees:	140
Foreign sales/Total sales rate:	25 %
Respondent's name and position:	Fikret Alan, owner
Respondent's length of work in the company:	18 Years
Number of foreign countries the company operates:	5

Source: Interview (2016)

Eral Mobilya: Eral Mobilya has established in 1964 by Ismet Mollaer. The firm produces different types of furniture products such as living room, wall units, consoles, tables, coffee tables, bookshelves, and accessories products. The aim of the company is to be up to date with the last techniques and methods in the furniture industry which can help Eral Mobilya to satisfy customers needs and desires by offering the newest models of furniture

and accessories. According to Taner Mollaer manager of Eral, there are 23 number of full-time employees who are working for the company. The focus of the company has been on domestic markets for many years since Eral Mobilya started its internationalization in 2002, 38 years after inception. However, after participating in the international markets, now an impressive percentage of its total sale comes from foreign markets; around 60% of the total production is sold on domestic market while the rest (40%) is exported to foreign countries.

Table 3: Eral Mobilya profile

Name of the firm:	Eral Mobilya
Name of founder:	Ismet Mollaer
Sector:	Furniture
Year of foundation:	1964
Year of internationalization:	2002
Number of full-time employees:	28
Foreign sales/Total sales rate:	40 %
Respondent's name and position:	Taner Mollaer, manager
Respondent's length of work in the company:	19 Years
Number of foreign countries the company operates:	11

Source: Interview (2016)

Pianta Koltuk: Pianta Koltuk company founded in 2004 and adopted its field of activity as a concept of the modern sofa and living groups. The company tries to increase its quality of after-sales services to guarantee that customers need not to be worry about the quality of purchased Pianta furniture products. Besides, the company has different plans to conduct Research and Development works for improving the quality of products in order to satisfy customers' desires more and more. Muammer Mercan the owner of the firm stated that the company has employed 35 number of high-skilled workers to help the firm to produce products with higher quality. The company entered the international market in 2009, five years after the establishment of furniture firm in 2004. The presence of Pianta Koltuk company on the domestic market is by around 60% of the total production while the rest (40%) is exported to foreign markets.

Table 4: Pianta Koltuk Profile

Name of the firm:	Pianta Koltuk
Name of founder:	Muammer Mercan
Sector:	Koltuk
Year of foundation:	2004
Year of internationalization:	2009
Number of full-time employees:	35
Foreign sales/Total sales rate:	40 %
Respondent's name and position:	Muammer Mercan, owner

Respondent's length of work in the company:	12 Years
Number of foreign countries the company operates:	10

Source: Interview (2016)

Saka Mobilya: Saka Mobilya was founded by Ahmet Saka in 2004 with a focus on home furniture products. The firm produces furniture fitted for the bedroom, dining room, and wall unit. Space consideration is an important characteristic for the firm at the time of design and production. The company dream to become a star in the furniture industry by producing furniture with various designs which can attract more customers. The aim of the company is to produce eye-catching products which bring about the happiness of the customers not only when they are using the furniture but also when they are looking to them. According to Ahmet Saka the founder of Saka Mobilya, the company has employed 65 full-time employees. The firm started its internationalization in 2007, just three years after inception. Although an important part of the firm sale comes from international markets, however, still the Saka company earns most of its revenue from domestic markets. The figure is about 65% of the total production which is sold on the domestic market and the rest (40%) is exported to the foreign markets.

Table 5: Saka Mobilya Profile

Name of the firm:	Saka Mobilya
Name of founder:	Ahmet Saka
Sector:	Home Furniture
Year of foundation:	2004
Year of internationalization:	2007
Number of full-time employees:	65
Foreign sales/Total sales rate:	35 %
Respondent's name and position:	Ahmet Saka, owner
Respondent's length of work in the company:	12 Years
Number of foreign countries the company operates:	15

Source: Interview (2016)

VA Home: VA Home incepted its activity in the furniture industry in Turkey in 2009. A particular characteristic of the company is the presence in international markets from the first day of foundation. The company had a fast growth rate in the foreign markets in a short time. However, the main objective of the company is to increase its activities in foreign markets at a faster pace. The firm aims to produce furniture products with affordable price and acceptable quality in compare to the competitors. According to Fuat Kose owner of VA Home, 30 number of employees are working in the company at the moment. The firm from its inception in 2009 has been in foreign markets with no efforts in the domestic ones. The main motivation of VA Home owner for engaging in foreign

operations or activities has been limited domestic market. The company exports different types of furniture products to 15 countries.

Table 6: VA Home Profile

Name of the firm:	VA Home
Name of founder:	Fuat Kose
Sector:	Furniture
Year of foundation:	2009
Year of internationalization:	2009
Number of full-time employees:	30
Foreign sales/Total sales rate:	100 %
Respondent's name and position:	Fuat Kose, owner
Respondent's length of work in the company:	7 Years
Number of foreign countries the company operates:	15

Source: Interview (2016)

CHAPTER 3: EMPIRICAL FINDINGS

This chapter presents findings from the interview with six Turkish Furniture firms located in the Bursa-Inegol zone include Kenderler Orman Urunleri, Alan (Area) Mobilya, Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home. The chapter is conducted as follows: Firstly, this section presents information and findings of the interview about the profile of six furniture firms and their growth in the international markets. The next part will provide results about network relationships of Turkish furniture firms and the role of those networks in the way of firms' internationalization. The last part of this chapter will offer findings of the study about internationalization motives and barriers of six furniture firms. To provide more accurate and more complete results the research uses the complementary information presented in the Websites of furniture firms as well.

3.1 The Profile of Six Furniture Firms and Their Growth In the International Markets

3.1.1 Kenderler Orman Urunleri

The company selected indirect export entry mode as the first strategy to presence in the Azerbaijan markets and had no changes in operation mode during later stages. The company aims to expand its attendance in the foreign markets by increasing its exports. However, Kenan Kender owner of the firm believes that the capacity of the domestic markets is more important than the foreign markets.

Table 7. Kenderler Orman Urunleri internationalization process

Country name	Year of entry	Type of the first entry mode	Changes in operation mode in later stages
1. Azerbaijan	2011	Indirect Export	No change

Source: Interview (2016)

3.1.2 Alan Mobilya

The company began export activities in 2008, three years after the inception of the furniture production. Furniture products exported to 5 foreign markets including Azerbaijan, Libya, Saudi Arabia, UAE, and Algeria which all started in 2008. Azerbaijan official language has high similarity with the language of Turkey. Furthermore, the similarity of culture also can be seen between Turkey and Azerbaijan, and to some extent

between Turkey and Arab countries. The company chose direct export entry mode as the first strategy to engage in those five foreign markets with no changes in the operation modes during the later stages (Table 4). Therefore, all foreign markets are entered directly with importers or distributors, while domestic agents are not commonly used.

Table 8: Alan Mobilya Internationalization Process

Country name	Year of entry	Type of the first entry mode	Changes in operation mode in later stages
1. Azerbaijan	2008	Direct Export	No Change
2. Libya	2008	Direct Export	No Change
3. Saudi Arabia	2008	Direct Export	No Change
4. UAE	2008	Direct Export	No Change
5. Algeria	2008	Direct Export	No Change

Source: Interview (2016)

3.1.3 Eral Mobilya

38 years after the establishment of Eral Mobilya, in 2002 the firm started to export its products to Greece, Kosovo, and Albania which are the northwestern neighbors of Turkey. Soon after in 2003, the company increased its presence in other markets, like Jordan and Iraq the Southern neighbors. In 2004, Eral entered to markets of Iran, another country with similarity in culture and to some extent language. In 2005, the firm started activity in Austria and Israel. After five years in 2010, the firm entered to Azerbaijan and Libya. Finally, the company engaged in Kazakhstan a northwestern neighbor of Turkey in 2011. Exports are conducted through two modes: directly to the customers, through a domestic distributor, or indirectly through agents who are working in Turkey. The indirect export has been for Greece and Jordan, and direct export for Kosovo, Albania, Iraq, Iran, Austria, Israel, Azerbaijan, Libya, and Kazakhstan. Changes in the operation modes in later stages were for Greece by adding direct export while for Iran and Libya were by adding indirect export.

Table 9: Eral Mobilya Internationalization Process

Country name	Year of entry	Type of the first entry mode	Changes in operation mode in later stages
1. Greece	2002	Indirect Export	Indirect & Direct Export
2. Kosovo	2002	Direct Export	No Change
3. Albania	2002	Direct Export	No Change
4. Jordan	2003	Indirect Export	No Change
5. Iraq	2003	Direct Export	Indirect Export
6. Iran	2004	Direct Export	Indirect & Direct Export
7. Austria	2005	Direct Export	No Change

8. Israel	2005	Direct Export	No Change
9. Azerbaijan	2010	Direct Export	No Change
10. Libya	2010	Direct Export	Indirect & Direct Export
11. Kazakhstan	2011	Direct Export	No Change

Source: Interview (2016)

3.1.4 Pianta Koltuk

Internationalization of the firm started in 2008 by exporting furniture products to Iraq. Two years after first foreign market entrance, the firm entered into Iran markets in 2010. In the following year Azerbaijan, Jordan, and Algeria were three other countries in the way of internationalization growth of Pianta company. In 2013, the firm exported its furniture products to Macedonia a northwestern neighbor of Turkey. The Pianta Koltuk intensified its activities in foreign markets by growth in UAE and Austria in 2014 and in Oman and Israel in 2015. All markets that the company entered are nearly close to Turkey in terms of distance. It also seems that except Austria and Israel there is a similarity in terms of culture with other countries to some extent. The firm has selected direct export entry mode as the first strategy to engage in Iraq, Iran, Azerbaijan, Jordan, Algeria, Macedonia, UAE, Austria, Oman, and Israel markets with no changes in entry mode during later stages (Table 8). Therefore, all foreign markets are entered directly with importers or distributors, while domestic agents are not commonly used.

Table 10: Pianta Koltuk Internationalization Process

Country name	Year of entry	Type of the first entry mode	Changes in operation mode in later stages
1. Iraq	2008	Direct Export	No Change
2. Iran	2010	Direct Export	No Change
3. Azerbaijan	2011	Direct Export	No Change
4. Jordan	2011	Direct Export	No Change
5. Algeria	2011	Direct Export	No Change
6. Macedonia	2013	Direct Export	No Change
7. UAE	2014	Direct Export	No Change
8. Austria	2014	Direct Export	No Change
9. Oman	2015	Direct Export	No Change
10. Israel	2015	Direct Export	No Change

Source: Interview (2016)

3.1.5 Saka Mobilya

The company exported its product to 15 countries with roughly constant growth rate. The first export activity of Saka Mobilya was to Azerbaijan in 2007-the easiest target because of high similarity in language. The next market was Jordan in 2008. The firm engaged in

three Arab countries Iraq, Libya, and Oman in 2010. The next targets in 2011 and 2012 were Kosovo and Bulgaria which are European neighbors of Turkey. The international activities of Saka were significantly increased in 2013 by entering into 5 oversea markets include Saudi Arabia, Algeria, UAE, Georgia, and Germany. In 2014, the company began to export its goods to Palestine. Finally, the Saka furniture firm entered to markets of two other European countries, Belgium, and France in 2015 (Table 10). The firm chose direct export entry mode as the first strategy to operate its business activities in Azerbaijan, Jordan, Iraq, Libya, Oman, Kosovo, Bulgaria, Saudi Arabia, Algeria, UAE, Georgia, Germany, Palestine, Belgium, and France markets with no changes in entry mode in the later stages (Table 10). Therefore, all foreign markets are entered directly via host domestic importers or distributors, while local agents in Turkey are not commonly used.

Table 11: Saka Mobilya Internationalization Process

Country name	Year of entry	Type of the first entry mode	Changes in operation mode in later stages
1. Azerbaijan	2007	Direct Export	No Change
2. Jordan	2008	Direct Export	No Change
3. Iraq	2010	Direct Export	No Change
4. Libya	2010	Direct Export	No Change
5. Oman	2010	Direct Export	No Change
6. Kosovo	2011	Direct Export	No Change
7. Bulgaria	2012	Direct Export	No Change
8. Saudi Arabia	2013	Direct Export	No Change
9. Algeria	2013	Direct Export	No Change
10. UAE	2013	Direct Export	No Change
11. Georgia	2013	Direct Export	No Change
12. Germany	2013	Direct Export	No Change
13. Palestine	2014	Direct Export	No Change
14. Belgium	2015	Direct Export	No Change
15. France	2015	Direct Export	No Change

Source: Interview (2016)

3.1.6 VA Home

VA Home started internationalization from UAE, Iran, and Azerbaijan in 2009. The firm engaged in Libya, Germany, and France in the following year. The firm kept up its growth by entering to three other European countries, Swiss, Netherland, and Austria as well as Saudi Arabia a Persian Gulf State in 2011. The international activities of EV Home were increased in 2012 to four other countries include Belgium, Oman, Georgia, and Jordan. Finally, Israel was another market that the firm entered in 2013. The EV Home selected

direct export entry mode as the first strategy to participate in all market mentioned above with no change in strategy in the later stages.

Table 12: VA Home Internationalization Process

Country name	Year of entry	Type of the first entry mode	Changes in operation mode in later stages
1. UAE	2009	Direct Export	No Change
2. Iran	2009	Direct Export	No Change
3. Azerbaijan	2009	Direct Export	No Change
4. Libya	2010	Direct Export	No Change
5. Germany	2010	Direct Export	No Change
6. France	2010	Direct Export	No Change
7. Swiss	2011	Direct Export	No Change
8. Netherland	2011	Direct Export	No Change
9. Austria	2011	Direct Export	No Change
10. Saudi Arabia	2011	Direct Export	No Change
11. Oman	2012	Direct Export	No Change
12. Belgium	2012	Direct Export	No Change
13. Georgia	2012	Direct Export	No Change
14. Jordan	2012	Direct Export	No Change
15. Israel	2015	Direct Export	No Change

Source: Interview (2016)

None of the furniture firms in the sample study had any kind of Foreign Direct Investment (FDI) activity in other countries. Some managers argued that Turkey itself is an appropriate place for foreign companies to conduct FDI. Kenan Kender owner of Kender Orman company stated that since Turkey is a fast developing country with a large market size, low rent and energy expenses, and particularly have a rich source of raw material, thus it is a suitable country for the investment itself. Fuat Kose manager of VA Home firm expresses only when his firm will take actions for Foreign Direct Investment that a foreign country can provide better conditions for investment than Turkey, otherwise, they would not have any plan for FDI. Besides, almost all managers of furniture companies highly believed that the concept of short psychic distance was important on their decision for selecting foreign markets.

3.2 Network Relationships

The six furniture companies had some relationships with domestic and foreign distributors, suppliers, agent, and customers, firstly built based on their personal relationships. The second way that enabled Turkish furniture firms to access to the foreign network was being a member of a local association. Four from six companies were a member of IMOS (Inegol Mobilya Sanayicileri Dernegi) include Alan Mobilya, Eral

Mobilya, Pianta Koltuk, and Va Home. Another association was ICCI (Inegol Chamber of Commerce and Industry) that Kenderler, Alan, Eral, and Saka firms had a membership (Table 13). There were other important local unions which firms participated such as Inegol Young Businessmen Association, Istanbul Exporters Union, Industrial Trade Center of Turkey, and Independent Industrialist and Businessmen Association.

According to the owners and managers of six furniture enterprises, they made their personal relationships mostly by meeting their foreign counterparts in the international furniture fairs or exhibitions. They all agreed that presence in those fairs was essential for their marketing development and their growth in the foreign markets. Fuat Kose manager of VA Home company believed that many travels to different countries also helped him to build more relationships with foreign partners. In addition, owners of Pianta Koltuk and Alan Mobilya argued that they used consultancy firms and trade companies to create a connection with foreign partners (Table 13). Therefore, they utilized a third party such as brokers who connect buyers and sellers to facilitate the building of the relationships with international markets.

The manager of VA Home company argued that he had some strong personal relationships with domestic and oversea partners before the firm foundation. Five other firms, however, created the relationships in networks after their first internationalization (Kenderler Orman, Alan Mobilya, Eral Mobilya, Pianta Koltuk, Saka Mobilya). Besides, Kenderler and Alan firms only maintained their relationships in the first markets where they entered with no growth to other international markets. Therefore, it seems that the psychic distance was a more important factor for the establishment of firms' international operation than the network relationships at the first of their internationalization process, at least for five from six firms. However, four companies' managers (Eral Mobilya, Pianta Koltuk, Saka Mobilya, VA Home) argued that network relationships have been very useful for the growth of their firms in other foreign markets in the rest of their internationalization process (Table 13). On the other hand, Fikret Alan manager of Alan Mobilya stated that the network relationships helped the firm to gain more growth rate in the first markets but not in the other international markets.

According to the Muammer Mercan owner of Pianta Koltuk, the most important advantage of network relationships was that they could assure annually economic growth

of the firm. VA Home firm's owner argued that access to the valuable information about markets, customers' needs and desires have been significant benefits of networks for the firm development. Ismet Mollaer owner of Eral firm shared the same opinion that the business relationships provided them significant information and knowledge about new foreign market opportunities. According to Ahmet Saka, manager of Saka Mobilya the firm could learn more about the types of products which were more profitable for export through network relationships. Therefore, in that way, they could produce goods based on customer's needs and desires, and thereby reduce the risk of presence in foreign markets (see Table 13 on the next page).

Table 13: Role of network relationships in the process of internationalization

Name Of The Firm	Kenderler Orman	Alan Mobilya	Eral Mobilya	Pianta Koltuk	Saka Mobilya	VA Home Furniture
Member of an Association	ICCI; Some other	IMOS; ICCI; Some other	IMOS; ICCI; Some other	IMOS; Some other	ICCI; Some other	IMOS; Some other
How built network relationships?	International fairs	International fairs; Brokers	International fairs	International fairs; Brokers	International fairs	International fairs- Travels to different countries
When built network relationships?	After first Internationalization	After first Internationalization	After first Internationalization	After first Internationalization	After first Internationalization	Before first Internationalization
Role of networks for firm growth	Not important	Important for growth in the first markets	Very important	Very important	Very important	Very important
Networks advantages	Knowledge about fairs; Access to information	Knowledge about fairs; Access to information	Knowledge about fairs	Knowledge about fairs; Assure annually growth	Knowledge about fairs; Access to information	Knowledge about fairs; Access to information
Association's influence on manager's decisions	Nothing	Not necessarily	Not necessarily	Not necessarily	Not necessarily	Not necessarily

Source: Interview (2016)

Fikret Alan argued that Turkish furniture firms by becoming a member of an association or a union could access to network information more easily, otherwise according to Kenan Kender it was difficult to reach information provided by associations. Another benefit was that members by attending in the association could keep inform themselves about the

international exhibitions and fairs that were held in different countries. According to the manager of VA Home firm, unions sometimes send members to different international fairs as well. In this way, companies are able to facilitate their marketing process and find more foreign partners.

Kenan Kender owner of Kenderler Orman said that the firm internationalization decision is not influenced by associations. Five other furniture firms also argued that associations do not influence their decisions necessarily, but they may change their decision based on the information provided by associations or unions (Table 13).

3.3 Motives & Barriers

3.3.1 Motives

Managers or owners of sample study neither had experience of living and studying in foreign countries nor they had knowledge of the second language before beginning their internationalization. However, they argued that their personal experiences accumulated during the years of working with different partners from various countries (Pianta, Eral, Saka) as well as from their travels to those countries after internationalization (VA Home) helped them for more growth in the foreign markets. The personal characteristics that managers think propelled them toward international markets were generally entrepreneurial abilities of owners such as risk-taking and self-reliance. Besides, based on Ismet Mollaer and Ahmet Saka, founder of Eral and Saka Mobilya sociability or the ability to connect via social networking was an important personal factor which helped and motivated them to connect with more foreign partners and make a longer relationship with them. According to the owners of Pianta Koltuk, Alan Mobilya, and VA Home company, they also have tried to be innovative in furniture markets, and thus manufacture products based on the needs and the interests of customers (Table 14).

Even though the investigated furniture companies produce a various range of products but they more focused on special furniture sectors. The specific characteristic of the product for six Turkish furniture firms which facilitated their entering into foreign markets was the quality of their products. According to Kenan Kender owner of Kenderler Orman, innovation in production was another important factor for the company. For Alan Mobilya and VA Home, based on their managers' view, products' design was important forces. According to Ismet Mollaer, Ahmet Saka, and Muammer Mercan, founders of

Eral, Saka, and Pianta furniture firms the price of their products which is competitive with foreign rivals have been a significant factor for penetrating into international markets.

Almost all of the six furniture firms agreed that their conditions in the domestic markets such as their size or limited resources had no effect on their attendance in foreign markets before taking action toward internationalization. However, for all six furniture firms except for Kenderler Orman, limited domestic demand was the main reason for starting and developing international activity. Besides, owners of VA Home and Saka furniture firms added that their sales to foreign markets would be in cash, but in the domestic markets it is in credit, thus their preference is more for export activities. According to Fuat Kose and Ismet Mollaer, managers of VA Home and Eral Mobilya, demands of international markets for Turkish furniture products especially neighbor countries because of mainly similarity in culture has been another motivation factor to globalize their products. VA Home furniture firm started its presence in the foreign market from the inception and even does not have any activity in the domestic market. However, five other companies initially established their operations in the domestic markets and then entered to the foreign markets. Therefore, they have activities in the both domestic and foreign market simultaneously. Fikret Alan, manager of Alan Mobilya discusses that the firm tried to maintain a balance between domestic and foreign markets to not only take benefits of both markets but also be more flexible at the time of economic crisis in the world or recession in the home country. Manager of Saka Mobilya also mentioned some facilities provided by the government such as export without payment of tax as a motivational factor for internationalization (Table 14).

3.3.2 Barriers

According to the managers of Alan Mobilya, Eral Mobilya, Pianta Koltuk, and Saka Mobilya, Visa requirements for traveling to foreign countries have been a big issue to them. Two furniture owners (Pianta Koltuk, VA Home) argued some political problems of Turkey with other countries hindered the export of products to the markets of those countries. Regional problems such as the war in Syria was another big issue which disrupted firms' export activities (Kenderler Orman, Alan Mobilya, Eral Mobilya, Pianta Koltuk, Saka Mobilya, VA Home). Almost all managers believed that daily problems in the Middle East region influenced their growth rate to a high extent. According to the

Fikret Alan, founder of Alan Mobilya, regional problems caused the company to have a constant growth rate in the five past years, even with diversifying products.

According to Muammer Mercan manager of Pianta Koltuk, Iran was an important partner for the Turkish furniture firms until 2012, where they had more than 70% export annually. However, Iran's sanctions caused the firm to nearly stop the export of furniture products to Iran and finally lose its market share in that market. Ahmet Saka, owner of Saka Mobilya had a similar opinion with Muammer Mercan and added that Iran was a big foreign partner for Turkish furniture firms because of similarity in culture and good market size. However, after imposing sanctions some problems such as transfers of money between the two countries constrained the process of exportation to Iran. They mentioned that now the condition is getting better for transferring money to Iran, but another problem is high tariffs. Ahmet Saka expressed that for each thousand dollars products that they send to Iran, they have to pay three thousand dollars tariffs.

All of six furniture firms' owners stated that government provided some facilities for them to increase their export rates such as tax benefits, however, they also believed that the help of government is not as much as it should be. For example, one of the companies' managers argued that furniture firms located in the Bursa-Inegol zone make profits for the country more than other sections, therefore, they expect more attention from the government. One another manager also argued that European country governments support their local companies, for instance by imposing national export policy, which they also expect from the government (see table 14 on the next page).

Table 14: Internationalization Motives and barriers of Turkish Furniture Firms

Name of the firm	Motives of internationalization	Barriers of internationalization
Kenderler Orman	Innovation in production; Limited domestic market	Regional problems
Alan Mobilya	Risk taking; Manager's innovative views; Tax benefits; Limited domestic market; avoid a potential crisis	Visa requirements; Regional problems
Eral Mobilya	Risk taking; Manager's experience; Sociability of the Manager; Competitive price; Limited domestic market; Demands of international markets	Visa requirements; Regional problems
Pianta Koltuk	Manager's experience; Manager's innovative views; Competitive price; Limited domestic market	Visa requirements; Political problems; Regional problems; Host countries problems
Saka Mobilya	Self-reliance; Sociability of the manager; Competitive price; Limited domestic market; Cash sales	Visa requirements; Regional problems; Host countries problems; High tariffs
Va Home Furniture	Risk taking; Manager's experience; Manager's innovative views; Product design; Limited domestic market; Cash sales; Demands of international markets	Political problems; Regional problems

Source: Interview (2016)

CHAPTER 4: ANALYSIS AND DISCUSSION OF THE FINDINGS

In this chapter, the findings from the interviews with owners of six Turkish furniture firms located in Bursa-Inegol Zone will be analyzed in relation to the reviewed literature that is discussed in chapter two. According to the purposes of this study, this chapter is divided into three sections to address the research questions more accurately. Firstly, the study aims to identify and analyze the process of internationalization which is passed by Turkish furniture firms. Secondly, the thesis is going to examine the influence of network relationships in the way of internationalization for Turkish furniture firms. Finally, the research intends to explore the main motives and barriers of internationalization for already mentioned six furniture companies.

4.1 Internationalization Process

The question of “How does internationalization process look like for Turkish Furniture Firms?” initiated this survey. In this part, the answer to this question, in other words the internationalization process of Turkish furniture firms will be examined in the light of the theories discussed in Chapter 2, original Uppsala (Stage Model), revised Uppsala, Eclectic (OLI Paradigm), revised Eclectic, and Born Globals (International New Venture). The role of network relationships and network theory will be discussed separately.

4.1.1 Original Uppsala

In the original Uppsala or the stage internationalization model, firms gradually expand their operations and commitment by acquiring knowledge and experience in foreign markets step by step. They start the process by sporadic export, then use export mode, in the third stage they establish a foreign sales subsidiary, and finally in the last phase the firm produce products in the foreign markets (Johanson & Associates, 1994). This has not been the case for six Turkish furniture firms that their activities and behaviors were explored in the international markets.

Turkish furniture cases highly used direct export and to some extent indirect export modes for operating in foreign countries. Four from six firms only used direct export as the first entry strategy (Alan Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home). They preferred to make direct contact with foreign customers and distributors. One another firm

(Kenderler Orman Urunleri) chose indirect export as the first mode. These five enterprises had no change in the operation modes in later stages. However, Eral Mobilya started internationalization with indirect export to Greece and in the later stage, the company added direct modes as well. For other markets, Eral mainly began with direct export and added the indirect export mode to some countries in the later stages. Therefore, all companies just applied export modes which are the first and the second stages of the model and they did not increase their commitment further in the overseas markets.

Besides, the six firms in the sample used various methods and not just their experiential knowledge to gather data and information about potential and new foreign markets opportunities. For all cases, engage in international fairs and their network relationships are seen as the most valuable sources of gaining information and acquiring knowledge about foreign markets. Some managers also discussed that they acquired related knowledge from valid furniture publication and magazines (Alan Mobilya; Pianta Koltuk). Although three firms' managers (Eral; Pianta; VA) also mentioned their accumulated knowledge during the years as a useful factor for growth in the foreign markets, however, the results are not in line with the study conducted by Johanson & Vahlne (1977), that argues the right way of gaining market knowledge is just by learning from experiences step by step and slowly expand the operations.

Moreover, the stage model argues that internationalization often begins from oversea countries which are near to the local country especially in terms of the psychic distance. The companies would then gradually enter other markets that are further away in psychic distance (Johanson & Wiedersheim- Paul, 1975). It seems to be true to a high extent for Turkish furniture firms investigated in this study. The regional markets such as Azerbaijan, Iran, Arab countries, Greece, Kosovo, and Albania were the first choices of the Turkish furniture companies. In addition to the proximity of those countries to Turkey, Azerbaijan and to some extent Iran share a similarity in language. Besides, the culture of Turkey has resemblance with Arab countries, Iran, Azerbaijan and some other neighbor countries, which facilitated business communications between Turkey and those countries.

After entering to short psychic distance, then four companies (VA Home; Saka Mobilya; Pianta Koltuk; Eral Mobilya) gradually started their exports to other markets that were

further away such as Belgium, France, Germany, Swiss, and Netherland. Although, the concept of psychic distance has been a significant issue for six furniture firms in the market selection, however, the process stopped in the first steps of internationalization provided by the original Uppsala model. The results are in the same line with Forsgren (2002) findings that the model is only applicable at the first stages of the internationalization process. As a consequence, the original model of Uppsala internationalization does not entirely support any of the six furniture companies' internationalization process. Similarly, Sullivan and Bauerschmidt (1990), concluded that the empirical evidence does not support the model, after testing the incremental internationalization hypothesis. Recently, one study has been done about Internationalization process of Turkish SMEs (Karabulut, 2013), which claims that "Turkish SMEs internationalize gradually as it is explained in the original Uppsala theory", which is against to the results of the current study.

4.1.2 Revised Uppsala

The revisited model of Uppsala highlights the importance of network relationships in business activities. Therefore, firms will go abroad based on their relationships with important domestic or foreign partners who are committed to developing the business through internationalization (Johanson & Vahlne, 2009). Through these relationships, companies are able to find business opportunities as well as access to existing knowledge in the network. Business relationships have been very important in the growth of Turkish furniture firms in foreign markets. They tried to build more relationship either by their personal activity or by becoming a member of local associations in Turkey in order to access to more opportunities for export. Associations helped furniture firms' managers to meet with foreign partners by the presence in various international fairs. Besides unions provided useful information about possible future foreign markets opportunities.

According to the revised model companies will choose their partners where they see opportunities from market to market, thus, there will not necessarily be the first step of internationalization as such the original model discussed (Johanson & Vahlne, 2009). As a result, the model states that the importance of psychic distance and entry mode for choosing new foreign markets became less significant than the past. However, authors of the model (Johanson & Vahlne, 2009) discuss that if a firm has no valuable partners in

domestic or foreign markets, it may go where that is easy to connect with final customers. Therefore, in this situation, the short psychic distance will facilitate the establishment and development of relationships, which is a necessary but insufficient condition for identification and exploitation of opportunities (Johanson and Vahlne, 2009).

This can be true for four cases of the sample study (VA Home; Saka Mobilya; Pianta Koltuk; Eral Mobilya). They firstly started internationalization from short psychic distance markets such as neighbor countries and later developed their activities to both countries with short and long psychic distance. The interpretation can be like this: at first, these four firms had no strong position in the network, therefore, they began internationalization by going to the countries with more proximity to Turkey in terms of language, culture, and geographical distance. Then when they found better and stronger position in the networks they went further away markets, where they would see more opportunities such as Germany, France, Austria, swiss, and etc. It seems that the other two furniture firms did not follow opportunities in the further away markets since they are still working in the first markets they entered.

4.1.3 Eclectic Paradigm

The main assumption of the original Eclectic or OLI model is that Foreign Direct Investment (FDI) can be explained by satisfying three variables which are Ownership, Location, and Internalization advantages (Dunning, 1977). Ownership advantages are firm's characteristics such as technological or marketing knowledge. Internalization advantage is the ability to transfer firm's ownership advantages to foreign markets. Finally, host country must have a Locational advantage for FDI such as appropriate technology, market size, natural resources, and so on. By FDI companies will have more control on the markets, thus, they will be able to perform their programs in the way they like. However, none of the sample furniture cases had any FDI activity. Besides, they did not any plan for FDI except foreign countries can provide a better condition than Turkey for them. Therefore, results do not support the original eclectic paradigm of internationalization.

4.1.4 Revised Eclectic Paradigm

In the original Eclectic paradigm, the model only addresses one particular form of internationalization, namely FDI. However, in the new model, eclectic theory extended to cover other alternative entry modes as well. According to the model, internationalization can be done by FDI if three kinds of ownership, location, and internalization is prepared for companies (original model). If firms have ownership and internalization advantages they can go foreign markets through export mode by means of a sales subsidiary in the importing country. If the company only possesses ownership advantage, internationalization can be done by contractual agreements such as licensing, franchising, and joint venture (Pederson, 2003).

Even though the six furniture firms applied direct and indirect export modes, however, they had not any sales subsidiary in foreign markets. Besides, they did not use other types of entry modes suggested in the model. Therefore, the revised eclectic model also does not support internationalization process of the furniture firms. As a result, findings of this study is in the same line with Dunning's argumentation (1988) that the paradigm has little predictive power for individual firms. One study about "internationalization behavior of Turkish firms" conducted by Erdil (2012), concluded that "Turkish firms more extensively use direct investment in foreign markets, although they invest in small scales". However, in this study, the results show that furniture firms do not use direct investment since they mostly prefer direct and indirect exports to international markets without the establishment of a branch in foreign countries. Findings support results provided by Karabulut (2013) that "Turkish SMEs have more focus on exporting than other modes of internationalization".

4.1.5 Born Globals

According to the definition, a firm can be Born Global or international new venture if that firm pursues a vision of becoming a global actor rapidly from or near its inception without any preceding long-term domestic operation (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994). Some studies (Autio et al., 2000; McDougall & Oviatt, 2000), argue that for born globals the period from domestic establishment to initial foreign market entry is often three years or less.

From the furniture firms in the study Kenderler Orman Urunleri and Alan Mobilya started their internationalization four and three years after their inception but then the processes stopped in the first markets. Eral Mobilya began foreign activity 38 years after working in the domestic markets but then had a rapid growth in 11 countries from 2002 to 2011. Pianta Koltuk incepted internationalization 5 years after foundation and from 2008 to 2015 the company exported to 10 countries with a fast rate. Saka Mobilya engaged internationalization after 3 years working in the domestic market. The speed of internationalization has been faster for Saka Mobilya by the presence in 15 foreign markets from 2007 to 2015. Finally, VA Home company is the only case that had not any domestic activity and started internationalization right from inception. VA Home has the fastest speed rate of internationalization among six furniture firms by activity in 15 international markets from 2009 to 2015.

Reliance on cutting-edge technology in the development of a relatively unique product or process innovations is another characteristic of Born Global firms (Hollensen, 2007). Findings of the study show that the sample case studies have more focus on special types of furniture products. They are ready to change their production based on the customers' needs and desires. Some furniture firms' managers believe that their product's design and quality are unique and some owners talk about the innovation in their work as well as the competitive price of their products. These facts show that furniture firms' managers are aware of the importance of global niche markets.

Another significant factor of Born Global firms as a business organization is that they tend to be managed by entrepreneurial visionaries of owners (Hollensen, 2007). Findings show that owners and managers of the sample studies mostly have entrepreneurial abilities such as risk-taking, innovativeness, and self-reliance which facilitated the process of internationalization for the Turkish furniture companies. Particularly, ability to connect via social networking has been an important personal characteristic that managers think helped them to connect with more foreign partners and make a longer relationship to them. However, when the entry modes selected by furniture companies examine, using just export modes clarify that they are not big risk takers because they more prefer to engage in the international markets with undertaking the lower level of risk.

In the Born Global companies, often CEOs or owners make the decisions and does business deals personally (McDougall & Oviatt, 1997) which is confirmed by owners of six furniture firms that they make the decisions by themselves. Therefore, there is no organizational routines and internal politics to influence manager decisions. Born Globals also can be characterized by being SME, with less than 500 employees (Hollensen, 2007) and with more than 25% foreign sales revenue from total sales rate (Kuivalainen et al., 2007). All of the six furniture firms that were examined had less than 500 employees. The foreign sales revenue for Kenderler, Alan, Eral, Pianta, Saka, and VA Home were 10%, 25%, 40%, 40%, 35%, and 100%, respectively.

Based on the all above factors and characteristics that are discussed, it seems that VA Home and Saka Mobilya followed Born Global pattern of internationalization. On the other hand, findings also indicate that the internationalization process seems to be Born-again Global for Pianta Koltuk and Eral Mobilya since these firms worked for a long time in the domestic markets and then suddenly had a rapid internationalization. Particularly, Eral Mobilya which worked 38 years in the domestic markets before the first international engagement. The internationalization process for other two furniture firms (Kenderler Orman; Alan Mobilya) followed by stagnation. Besides foreign sales revenue was less than 25% for Kenderler company. Therefore, they do not consider to be conformed with Born Global or Born-again Global theories of internationalization.

4.2 Role of Networks

The findings of the survey search in the question of “How do network relationships influence internationalization process of Turkish furniture firms?” indicate that Turkish furniture companies engaged in networks based on their personal relationship or by becoming a member of an association. All companies are a member of at least one union, which owners and managers think helped their companies to find more opportunities in foreign markets, facilitated their marketing, and provided useful information about the kinds of products they should produce according to customers’ needs and desires. Besides, some furniture firms also employed a third party such as brokers in order to facilitate the process of building relationships with foreign partners. Therefore, the results demonstrate that Turkish furniture firms used the three types of network relationships which are formal, informal, and intermediary in the way of internationalization.

According to Ovaitt and McDougall (2005) and Coviello (2006), networks are very important for the initial stages of internationalization, especially for SMEs. However, findings of this study indicate that five sample cases created their relationships in the networks after their first internationalization. Only one firm that started its internationalization right from the inception already had some personal relationships with networks. On the other hand, findings show that network relationships had a significant influence on the growth of four Turkish furniture companies in the sample study include Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home firms. However, only using export modes and not contractual modes illustrate that the ties of these relationships are still weak within networks. The furniture managers argue that they aim to make more and stronger relationships by attending in new networks and by increasing their share in the foreign markets. Therefore, based on the network approach they believe that the cooperation is much more efficient than the competition, and thereby it is better for companies' development to share their capabilities and resources (Johanson & Johanson, 1999).

Findings illuminate that through networks the Turkish furniture companies could access to valuable information and knowledge about markets, customers' need and desires, and new foreign market opportunities (Brown & Butler, 1993; Johanson & Mattsson, 1988; Coviello & Munro, 1995; Johanson and Vahlne, 2003). Besides, they could guarantee annually economic growth of the firm, and learn about various international furniture fairs or exhibitions that are held in different countries. Presence in those fairs helped firms' managers to meet their international counterparts and establish personal relationships with them or engage in new networks of business relationships. According to Johanson and Vahlne (2009), information is told only to network insiders which is confirmed by the owners and managers of six case studies that without becoming a member of an association or a union, they could not reach information provided by them easily.

Coviello (2006), and Johanson and Mattsson (1988) argue that the firm's decision regarding which foreign markets to be entered is strongly influenced by networks. However, it is interesting that managers of six case studies argued that their internationalization decisions are not necessarily influenced by associations or networks. This is in line with the findings of Ojala (2009) that discusses that the decision for entering

the distant market is a result of the firm's own strategic reasons rather than influenced by networks.

According to the findings gained from internationalization process of six Turkish furniture firms, it is realized that, although, the concept of psychic distance was a significant issue in the internationalization of six furniture firms, but none of them followed the traditional models of internationalization. However, the revised model of Uppsala and Born Globals or International New Ventures (INVs), which are based on network relationships can be applied to four furniture firms (VA Home, Saka Mobilya, Pianta Koltuk, and Eral Mobilya). These findings highlight more the role of business networks relationships in the internationalization process of Turkish furniture firms. According to Johanson & Vahlne (2003), the main difference between gradual internationalization models, such as the original Uppsala model (Johanson & Wiedersheim-Paul, 1975), and the network model is that the network model is not gradually progressing in nature which is confirmed by findings of this study.

One study by Erdil (2012), conducted through an examination of secondary data from 1980 to 2010 about "internationalization behavior of Turkish firms" argues that "It seems that Turkish firms, in their internationalization process use network relationships in addition to the learning from existing export markets and market knowledge". However, the study does not provide enough evidence for this claim. Findings of the current study show that business network relationships had a significant influence on the growth of international activities of four from six Turkish furniture companies. The two other firms were aware of the importance of network relationships, but one of them only used those relationships for growth in the first markets that entered and not the new markets.

Furthermore, according to the network theory of internationalization six Turkish furniture firms can be distinguished among four different internationalization situations (the early starter, the lonely international, the late starter, the international among others) as follows: Kenderler Orman and Alan Mobilya are in the late starter situation, since degree of internationalization of each firm is low and degree of internationalization market is high. Four other companies (Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home) can be placed in the international among others condition. Even though, the four mentioned furniture firms are not highly internationalized as much as the markets are, however, in

compare with two other furniture companies, it can be claimed that these four firms categorize in the international among other classification.

4.3 Motives & Barriers

4.3.1 Motives

In this part the answer of the question of “What are the main motives and the barriers of internationalization for Turkish furniture firms?” examined. The findings of this study show that the first incentive of internationalization for furniture companies has been to make more profits by increasing their activities in foreign markets. This has been a case, especially for four furniture companies because of their fast growth in the international markets in the last decade. Personal characteristics of owners have been another incentive of internationalization for firms. These factors which motivated owners of six furniture firms towards international markets were generally entrepreneurial abilities such as risk-taking and self-reliance. According to Hollensen (2007), the urge to internationalize can be a reflection of general entrepreneurial motivations which are related to the personal propensities of managers of firms. Leonidou et al. (1998), also argue that firms with an entrepreneurial orientation engage in product market innovations, undertake relatively risky ventures, and initiate proactive innovations which are subjective characteristics of owners.

According to the results, some furniture firms’ managers follow innovative perspectives and some follow sociability in their work. Sociability or the ability to connect via social networking can be categorized in the subjective characteristics of companies’ managers since Leonidou et al., (1998) express that subjective characteristics are related to the attitudes, perceptions, and behavior of the decision maker. On the other hand, objective characteristics of decision makers include various personal or cultural characteristics of the decision maker such as demographics, educational background, professional experience, language proficiency, foreign travel and time spent abroad (Leonidou et al., 1998). Results indicate that managers or owners of furniture companies had not experience of living or studying in foreign countries. Besides, they had not knowledge of the second language before or after beginning their internationalization activities. But the experience accumulated during the years as well as their travels to foreign countries helped some firms to increase their international activities. Therefore, according to the

results, it seems that the subjective factors of managerial urge were stronger incentives than objective ones for starting and developing firms' business activities in the overseas markets.

Findings illuminate that the sample case studies have more focus on special types of furniture sectors such as chair, table, or home furniture. Results also show that firms change their production based on the customers' needs and desires which help them to maintain flexibility in the markets. According to some studies (Hollensen, 2007 ; Czinkota & Ronkainen, 2007) product uniqueness can provide a competitive edge and result in major business success abroad. Two furniture firms' managers believed that their product's design is unique and three owners mentioned the competitive price of their products as a motivational factor. However, it is hard to say that the furniture products of these firms are unique since many firms believe that their products or services are unique, even though, on a global level, this may not be the case (Hollensen, 2007).

According to the results, some facilities provided by government such as export without payment of tax is another motivational factor for the internationalization of furniture firms. Market information or market opportunities is a further stimulus. This includes knowledge about foreign customers, marketplaces, or market situations that are not widely shared by other firms (Czinkota & Ronkainen, 2007). None of the managers of six furniture companies directly talked about their knowledge as a motivative factor for internationalization. However, some stated that their personal experience accumulated during the years helped them to increase their international activities. Besides, findings show that the six firms' managers used various methods and techniques to gather data and information about potential and new foreign markets opportunities which can be considered as an incentive factor for increasing their growth in overseas markets. For all cases, presence in foreign fairs regarded as the most valuable source of gaining information and acquiring knowledge about international markets. Other important sources of knowledge have been unions or associations which provided useful and up to date information about foreign market opportunities for Turkish firms. The two sources are in line with Czinkota and Ronkainen (2007) that such knowledge may result from a firm's international research, special contacts, or by being in the right place at the right time.

Findings of this study show that the first reactive motives of internationalization for Turkish firms has been small or saturated domestic markets. A company may be pushed into exporting because of a small home market potential (Hollensen, 2007). For five furniture firms except for Kenderler, limited domestic demand was a reason for starting and increasing international activity. Another motivation for some firms related to the domestic market is that sales to foreign markets are in cash, while in the domestic markets are in credit, thus firms owners' preference is more towards export activities. Another motivation that is not classified in the literature part is maintaining flexibility in both domestic and foreign markets. One of the managers discussed that he have tried to retain a balance between domestic and foreign markets to not only take benefits of both but also be more flexible at the time of economic crisis in the world or recession in the home country.

Furthermore, results demonstrate demands of the international markets for Turkish furniture products have been a major incentive for the internationalization of Turkish furniture companies. These demands have been presented especially by neighbor countries because of similarity in culture. Besides, when the internationalization process of the six furniture firms analyzes, it can be realized that the concept of psychic distance is a significant issue for all cases because they initiated their internationalization process from nearby countries especially those of close in culture and language. Therefore, the results confirm this idea that physical closeness to foreign markets can encourage the international activities of a firm (Czinkota & Ronkainen, 2007). One study conducted by Kaya (2014) argues about "strategic motives of Turkish firms for foreign direct investment (FDI)". However, this has not been a case for this study because none of the examined companies already had FDI in the overseas markets. In another study conducted by Turkish Ministry of Economics in 2011, motives of internationalization for Turkish firms have been proximity to potential markets, resources advantage, openness to foreign markets, ability to use technology, and market knowledge respectively (as cited in Erdil, 2012).

4.3.2 Barriers

Findings demonstrate that none of the six furniture companies faced barriers to the initiation of their internationalization such as insufficient finances, resource, and

knowledge. Therefore, according to the findings gained from the interviews, the most important challenges and obstacles happened during the process of internationalization for Turkish furniture firms. Visa requirements for traveling to foreign countries especially the European ones is the first problem for furniture managers since their travel to different countries as well as their presence in the international fairs are important ways of meeting and connecting with foreign counterparts.

Findings also show that political problems of Turkey to some other countries influenced the export ratio for furniture firms to some extent. Furthermore, the regional problems in the Middle East such as the war in Syria intensified the internationalization barriers for growth of Turkish furniture companies. Political conditions, as well as the high tariff of host countries, are other problems encountered by the six furniture case studies. Finally, results demonstrate that even though the government provided some facilities for the furniture exporters, however, they need and expect more support for increasing their international activities as some other countries did for their exporters. This is in line with findings of Figueiredo and Almeida (1988), as inadequate diplomatic support for firms with small and medium sizes.

According to Hollenen (2007), critical barriers in the process of internationalization divided into three groups: general market risks, commercial risks, and political risks. Based on the findings of this study, it can be concluded that the main obstacles and barriers faced by Turkish furniture firms can be classified in the political risks group such as foreign government restrictions, to some extents lack of governmental assistance in overcoming export barriers, high foreign tariffs on the host countries, and finally civil strife, revolution and wars disrupting foreign markets. Besides, there was the problem of Visa requirement for Turkish furniture managers that it also can be lied in the group of political problems.

Dicle and Dicle (1991), mentioned the lack of new technology as an export barrier to Turkish manufacturing firms and Bodur (1986), argued the high costs involved in export credit. The results show that lack of new technology has not been a case for the investigated Turkish furniture companies. Besides, the interesting issue is that the findings are against results of Bodur (1986) since furniture companies have more preference for export to international markets because of cash sales which they do more

by credit in the domestic one. In another study conducted by Özkanlı et al. (2006), argued that the export barriers for Turkish SMEs are “Satisfaction in the domestic market”, “Lack of resources” , “Lack of international market relations”, “Difficulty in finding agent”, “Insufficiency of quality and quantity” and “Lack of foreign language skills”. However, none of these barriers can be supported by the results of the current study.

CONCLUSION

This study investigated the internationalization process, the role of networks in internationalization, and motives and barriers of internationalization for Turkish furniture firms in the sample of six case studies located in the Bursa-Inegol region. These all were based on the purpose of the research to describe how Turkish furniture producers located in this region internationalized. Since little attention has been devoted to the internationalization of firms in Turkey, this study tried to fill this gap by providing a better understanding of the phenomenon. Moreover, there is no related research examining the internationalization process of furniture firms located in the Bursa-Inegol region.

Survey results revealed that, although the concept of psychic distance has been a significant issue for these firms, none of them followed the stage model of internationalization (Uppsala). However, the Revised Model of Uppsala followed by four furniture firms including VA Home, Saka Mobilya, Pianta Koltuk, and Eral Mobilya. Findings also show that Eclectic (OLI) and the Revised Eclectic model of internationalization are not followed by furniture companies. Moreover, this illuminates that two furniture firms, VA Home and Saka Mobilya, followed Born Global pattern of internationalization while two other firms, Pianta Koltuk and Eral Mobilya followed the Born-again Global model.

Findings demonstrate that companies engage in networks based on their personal relationships or by becoming a member of an association. Associations or unions provide market opportunities for the furniture firms in terms of exchanging information and creating a relationship with their foreign counterparts. According to the findings, network relationships had a significant influence on the growth of four Turkish furniture companies in the international markets including Eral Mobilya, Pianta Koltuk, Saka Mobilya, and VA Home firms. Investigated small sized furniture companies used to

engage in overseas markets by export modes rather than contractual agreements which may indicate that the ties of these firms within the networks are still weak. The two other firms (Kenderler; Alan) were aware of the importance of networks, but only Alan firm used those relationships for growth in the initial markets where the firm entered. If Turkish furniture companies want to assure a long lasting presence in the international markets it may be better for them to reinforce their existing relationships by taking more risks via using contractual modes and acting for direct investment. In this way, they would be able to find more control over their actions within foreign markets.

The research findings show that the main forces which motivated Bursa-Inegol based Turkish furniture firms toward international markets include both proactive and reactive factors. Proactive incentives are classified as (1) profit and growth goals, (2) managerial urge, (3) products with a good design and competitive price, (4) tax benefits provided by government, and (5) foreign market opportunities or market information. The reactive motives of internationalization for Bursa-Inegol based Turkish furniture firms are explored as (1) limited domestic market (2), cash sales in the international markets (3) maintaining flexibility in both domestic and foreign markets, (4) unsolicited foreign orders, and (5) proximity to international customers.

On the other hand, findings indicate that the major barriers constrain the process of internationalization rather than the initiation of internationalization. Moreover, almost all barriers are related to political risks rather than general or financial ones, which were discussed in the literature review chapter. Based on the findings, it can be concluded that the major internationalization obstacles faced by Bursa-Inegol based Turkish furniture companies are: (1) foreign government restrictions, (2) lack of governmental assistance in overcoming export barriers (3) high foreign tariffs, and (4) civil strife, revolution, and wars in the Middle East region, which constitutes the most important barrier for Turkish companies.

Limitations and Suggestion for Further Researches

The scope of this study is limited to the internationalization process of six Turkish furniture firms located in the Bursa-Inegol zone. However, it is recommended that further research should be carried out to fortify existing knowledge on the subject matter:

It would be interesting to investigate the internationalization process of other Turkish furniture firms located in some other important industrial regions of Turkey such as Istanbul, Kayseri, Ankara, and Izmir. Since in these cities there are many furniture enterprises, it would also be interesting to explore the role of network relationships in the internationalization process of furniture firms located in those regions.

A more comprehensive research is needed that will involve more sample cases. The purpose of this survey was exploratory with a focus on a qualitative research methodology. However, other and more detailed researches can be conducted by taking more case studies with quantitative approach. Since quantitative research can cover more furniture firms, it would be interesting to make a comparison between the results that will provide by those studies and findings of the current study.

It would also be a good idea to categorize furniture companies based on the size and then study their internationalization process to find out whether the theories can explain the behavior of firms with a different size or not. For instance, further research can search differences between the internationalization process of small and large furniture firms located in the Bursa-Inegol Zone.

A more comprehensive research can be conducted on enterprises operating in other industries in Turkey as well. This study only researched some firms that are working in the furniture industry. A study may examine the differences between motives and barriers of companies operating in those different industries for taking action toward international markets.

At the end of the study, it can be concluded that internationalization is a broad concept that unlimited factors can influence the process. Furthermore, internationalization process is a broad concept which can be influenced and changed by unlimited factors. That's why different kinds of internationalization theories, as well as revisiting previous models, have emerged based on the changes during the time. This study just explored the four most well-known theories of internationalization include Uppsala, Eclectic, Born Global, and network theories. However, there is no one single accepted theory which can describe and demonstrate the internationalization process of all enterprises. Further research may also investigate other theories of internationalization for internationalization process of Turkish furniture firms.

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APPENDIX : INTERVIEW GUIDE

Company Profile

Name of the firm:

Sector:

Name of founder:

Year of foundation:

Year of internationalization:

Number of full-time domestic employees:

Number of full-time foreign employees:

Foreign Sales/Total sales rate of the company:

Respondent's name and position in the company:

Respondent's length of work in the company:

Number of foreign countries the company operates (including export):

Please fill the table:

Country name	Year of entry	Type of the first entry mode	Changes in operation mode in later stages

Internationalization Specific Question

1. What are the international objectives of your firm?
2. How important was the psychological distance for the international activities of your firm?
3. What were the ways of gaining knowledge about the countries you selected?
4. How does your firm learn about new potential international opportunities?
5. Did you have any foreign direct investment? Reasons? Was it directly or step by step?
6. Do you have any plan for foreign direct investment in the near future?
7. Do you have any network business relationship with other domestic or foreign partners?
8. Is your firm a member of a local furniture association/s?
9. How you made these relationships?
10. When you made these relationships?
11. How much were these relationships useful at the start of international operation of your firm?
12. How much were these relationships useful for the growth of your firm in a foreign market?
13. What are the advantages of being a member of an association?
14. Does the membership in an association increase international opportunities?
15. Does the membership in an association ever influence the international decisions of your firm?
16. What are the products you sell?
17. Did founder/s or management have any previous experience in international activities? How? Where? When?
18. What are the personal characteristics of the owner/s or managers that you think influenced the internationalization process of your firm?

19. How was your firm condition in the domestic market before going abroad? Do you think it was important for growth in the foreign markets?
20. What have been your firm-specific characteristics that you think helped your firm for going abroad?
21. What have been main internal drivers which motivate your company to involve in international operations?
22. What have been main external drivers which motivate your company to involve in international operations?
23. What have been the main obstacles and challenges that your company experienced during the internationalization?
24. Does the Government support the international activities of your firm? How?

RESUME

He was born in 1988 in the province of Isfahan. He completed his primary and secondary education in Kashan. He graduated from the University of Kashan in Computer Engineering in 2011.

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