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RESEARCH ARTICLE

The Moderating Effect of Dynamic Capabilities and Institutional Context on Internationalization of Turkish Business Groups*

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Abstract

This study aims to investigate the outward foreign direct investment (FDI) location choices of leading Turkish business groups (TBGs) regarding internationalization motives, dynamic capabilities (DC), and institutional context. The scope of the study consists of eleven multinational TBGs with FDI exceeding 100 million USD and a two-stage mixed method was used. In the qualitative methodology, person-to-person interviews and content analysis were used for determining TBGs' internationalization motives and DC. The quantitative methodology included an analyses that measured the effect of internationalization motives on location choice with the moderation of DC and institutional context. The qualitative stage results of the research suggested that TBGs act with market, resource, efficiency, and strategic asset-seeking motives. Formal institutions were effective in TBGs' internationalization, and their DC consists of marketing, internationalization, and innovation capabilities. According to the quantitative stage results, institutional context moderated the effect of dynamic capabilities between internationalization motives and location choice. The importance and originality of this study were that it explored the internationalization process of business groups (BGs) and affiliates, and it investigated the effect of DC and institutional context with a combination of quantitative and qualitative approaches.

Keywords

Business Groups, Dynamic Capabilities, Internationalization Motives, Emerging Country, Formal Institutions

Introduction

Location choice is one of the most important decisions for multinational enterprises (MNEs) and it has been studied by many researchers (Brouthers & Hennart, 2007). Internationalization motives are useful tools to develop theory in the international business (IB) field and Benito (2015) suggested that the motives for internationalization such as market-seeking, resource-seeking, efficiency-seeking, and strategic asset-seeking could be used to explain internationalization processes.

* This research derived from the first author's doctoral dissertation which is titled as "The Effect of Dynamic Capabilities on Internationalization Strategies: Example of Turkish Business Groups".

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According to Dau, Randall, & Yeung (2021), business groups (BGs) had many advantages when compared to stand-alone firms. Large BGs could adapt more easily in terms of recruitment status, property rights protection, and adaptation to the law as compared to stand-alone firms. Large BGs can play role in countries' institutional development (Dau et al., 2021). Erdener & Shapiro (2005), argued that BGs in China created an important ownership advantage in the internationalization processes. Huang and Renyong (2011) also suggested that state-owned firms rather than stand-alone firms could make high investments in FDI to natural resources when seeking resources with the financial strength they had. Therefore, it was necessary to examine whether the TBGs created an ownership advantage like China.

In the strategic management literature, the study discovered a critical issue to determine how the unique characteristics of firms affected their future success under competitive conditions, and the dynamic capabilities (DC) approach was a useful tool at this point (Winter, 2003). DC was seen as one of the most critical factors for emerging countries (ECs) MNEs to be successful. Especially if you invested in ECs, your DC could not be easily imitated because of changing economic conditions of the ECs and the contribution of DC to performance in ECs was more effective than developed countries (Fainshmidt, Pezeshkan, Frazier, Nair, & Markowski, 2016).

There were still unanswered questions on location choices, so it was necessary to increase studies done about location choice in the field of IB (Brouthers & Hennart, 2007). In other words, it was necessary to reveal the motives that affected internationalization decisions on location choices towards developed or ECs (Benito, 2015). This study examined how Dunning's (1998) motives of market-seeking, resource-seeking, efficiency-seeking, and strategic asset-seeking affected the location choices of ECs MNEs.

MNEs' DC would succeed by overcoming institutional distances between the home and host country. As stated by Dunning & Lundan (2010), the institutional context was not sufficiently emphasized in studies about DC and MNEs. Especially, institutions were defined as constraints that shaped the interaction between people (North, 1990), and they should be examined in studies on the DC approach in IB literature. The aim of this study was to investigate the outward FDI location choices of leading TBGs in the context of internationalization motives, DC, and institutional distance.

Aguilera, Crespí-Cladera, Infantes, & Pascual-Fuster (2020) argued that studies conducted at the level of BGs and their affiliates, that used primary-secondary data sources, and both qualitative-quantitative research designs in BGs literature were limited. In the qualitative aspect of this study, content analysis was conducted at two levels according to semi-structured interviews and documentation. In the quantitative aspect of the study, some primary data was obtained from the qualitative stage and some other secondary data was integrated. Then, regression analyses were performed with the Process Macro application developed by Hayes

(2018) and visualized with slope charts moderator effects. Due to these reasons, this study distinguishes itself from other studies and provides a theoretical contribution by integrating internationalization theories, DC, and institutional context on the axis of leading TBGs.

Theory and Hypotheses

When the accident elements affecting the location decisions of MNEs were examined, internationalization motives were essential elements (Ramachandran, Clark, McIver, & Miller, 2011: 155-156). In the 1970s and early 1980s, internationalization motives were defined as market-seeking, resource-seeking, and efficiency-seeking (Erdener & Shapiro, 2005). In the 1990s, with Dunning's (1998) revision in which he expanded the ownership advantage, the strategic assets-seeking motive became one of the fundamental dimensions of internationalization motives. In this context, the motives that pushed firms to internationalize occurred in the direction of asset exploitation or asset-seeking (Child & Rodrigues, 2005: 396). In other words, while firms with various advantages wanted to use their assets in areas where they could spread these advantages, they preferred ECs with asset-exploitation motives. Firms that did not have these advantages often moved towards developed countries in search of assets that would give them competitiveness with asset-seeking motives.

With the increasing number of FDI originating from ECs, the need for research in this field also emerged rapidly. In numerous studies, it was claimed that the number of studies on FDI decisions of enterprises that internationalize from ECs to foreign markets compared to outward FDI from developed countries, was limited (Álvarez & Marín, 2010; Egan, 2013). Although developed countries offered more stable and reliable economic conditions, growth opportunities in ECs were attractive factors for MNEs. There was a rapid economic development and liberalization process in ECs, which were highly dynamic and heterogeneous. The fact was that the markets in emerging economies had development opportunities for MNEs operating there (Ngo, Bucic, Sinha, & Lu, 2019).

MNEs needed strategic capabilities to overcome the disadvantages they encountered in foreign markets they newly entered. The distribution of these critical capabilities required for MNEs was not homogeneous in every country. While it provided strategic capability, efficiency, and effectiveness in one country, it might not be in another (Luo, 2000: 359). In the literature on DC, it was argued that one of the most important reasons for success in the international arena and achieving competitive advantage for MNEs was their DC (Griffith and Harvey, 2001: 598). All these conditions caused MNEs to focus on internationalization and developing DC (Ngo et al., 2019). The DC approach, which was based on a resource-based view, was a subject that was frequently examined at the level of MNEs and their subsidiaries in international business literature (Luo, 2000; Teece, 2009; Chakrabarty & Wang, 2012; Michailova & Zhan, 2015).

According to Dunning & Lundan (2010), the constraints faced by MNEs in different institutional and economic environments created opportunities for MNEs to develop DC. The authors argued that institutional differences between the home country and host countries, and the difficulty in overcoming these differences, could cause MNEs to develop their DC. For this reason, the effects of institutions should be taken into consideration in research on DC (Dunning & Lundan, 2010). Especially in the context of the asset-exploitation motives, MNEs acted with their ownership advantages, and high institutional distance increased the efficiency of DC. According to Stevens & Shenkar (2012), institutional adaptation was of key importance for MNEs that remained between different institutional environments, and they were expected to develop various skills like DC.

ECs MNEs in a low corporate context formed BGs to overcome product, labor market and capital market challenges gained competitive advantage (Deilos & Henisz, 2000). While the number of studies in the field of IB related to BGs increased, a significant part of this interest belonged to ECs BGs (Douma, George, & Kabir, 2006). Despite this situation, Aguilera et al. (2020) argued that studies conducted at the level of BGs and their affiliates were below the 10 percent sample they had chosen. According to their investigation, they did not find any study using mixed methods and there were few studies that benefitted from both primary and secondary sources (2020). Therefore, the literature on BGs needed to be developed on these points, as indicated in the study of Aguilera et al. (2020).

When the institutional context in Turkey was examined, both uncertainties and incentives affected TBGs. TBGs were faced with many uncertainties due to reasons such as political instability, economic turnover, and the lack of government stability. Therefore, they formed BGs to overcome these uncertainties to reduce the risk or to increase profits (Öniş & Türem, 2002). Factors of the institutional context, which were effective in the internationalization processes of TBGs, needed to be investigated. In ECs such as Turkey, the international spread was towards countries that had similar institutions (Dau et al., 2021: 193). Similarly, Turkish MNEs were expected to act following the institutional context in the country of FDI and this caused institutional duality. To eliminate the dichotomy that arose from the differences in home and host countries' institutional environment, it was argued that MNEs should develop strategies (Hillman & Wan, 2005).

Dunning & Lundan (2010) argued that institutions should be included in the analysis of DC, as they were the main tools of the uncertainties faced by people and firms in the environment. Formal and informal institutions and their coercive instruments determined the game rules, shaped how the firm would direct its resources, and the paths it must follow while achieving its other goals. In this study, as stated by Dunning & Lundan (2010), the institutional context was discussed based on the North's (1990) frequently used definition of "institution".

MNEs began the institutional adaptation process when they performed FDI in a country that had an institutional context different from the origin country. The institutional adaptation process could be achieved successfully through the learning activities of MNEs. When MNEs invested in a new country, many subjects such as market structure, entry barriers, industry standards, legal practices, and government rules needed to be learned. When all these issues regarding the institutional context were learned, MNEs adapted to the institutions of new countries (Perkins, 2014).

It was thought that these institutional differences, which were the biggest challenges, faced by MNEs could have an impact on strategies (Hillman & Wan, 2005). The institutional distance, which was calculated by political stability and absence of violence, regulatory quality, voice and accountability, rule of law, government effectiveness, and control of corruption, affected the affiliates' performance (Yang, 2015). Ramachandran et al. (2011) stated that institutional distance affected the strategic decisions of the firm. According to Ando & Ding (2014), institutional distance affected the competitiveness of the firms negatively. It was emphasized in numerous studies that MNEs' DC had critical importance in overcoming these problems and becoming successful (Hillman & Wan, 2005; Dunning & Lundan, 2010).

Investments made with asset-exploration motives were often seen as the acquisition of valuable brands in developed countries by MNEs of ECs. Emerging country-based firms needed strategic assets to be successful against their competitors by overcoming both being latecomers and other disadvantages with which they must deal. Emerging country-based firms often looked for opportunities for strategic assets while using the springboard to be successful (Luo & Tung, 2018). Since the asset-exploration motive was based on the search for a strategic asset, the existence of high institutional distance would not be a motivation for developing DC.

In this study, DC definitions were based on Teece (2007), who accepted DC as a skill or ability. DC consisted of various capabilities such as marketing capabilities (Hsu &Wang, 2012; Rodenbach & Brettel, 2012; Tartaglione & Formisano, 2018), internationalization capabilities (Kor & Mahoney, 2005; Filatotchev & Piesse, 2009; Chakrabarty & Wang, 2012; Pinho & Prange, 2016; Vithessonthi & Racela, 2016), and innovation capabilities (Filatotchev & Piesse, 2009; Chakrabarty & Wang, 2012; O'Cass & Sok, 2012; Singh, Oberoi & Ahuja, 2013). Marketing capabilities, which were built on market-based assets, became one of the most important drivers of firm performance in competitive global markets (Eng & Spickett-Jones, 2009). These dynamic marketing capabilities, which emerged above organizational skills, expressed the firms' efforts to understand and adapt to dynamic markets quickly (Ngo et al., 2019). In the following pages, internationalization motives are separated into sub-hypotheses (a for market-seeking, b for resource-seeking, c for efficiency-seeking). Hypotheses developed on the moderation of marketing capabilities and institutional context are as follows.

Hypothesis 1. Institutional context positively moderates the moderator effect of marketing capabilities between internationalization motives and the choice of the ECs.

Hypothesis 2. Institutional context negatively moderates the moderator effect of marketing capabilities between strategic asset-seeking motives and the choice of the developed country.

According to Zaheer (1995), MNEs needed to develop organizational and managerial skills to overcome foreignness and gain a competitive advantage against local firms. On the other hand, valuable, rare, and inimitable resources were necessary for businesses to be successful in internationalization. However, the important thing was to manage these resources efficiently by DC. DC was one of the most effective factors for the success of MNEs. Especially, MNEs originating from ECs developed DC because of the difficulties they faced in the institutional context in different foreign markets (Gölgeci & Arslan, 2014). Chittor (2009) emphasized that the internationalization capabilities of firms, which struggled with various uncertainties and differences in foreign markets, had improved. Internationalization capabilities were one of the key factors in the international success of firms and investigated in numerous studies (Filatotchev & Piesse, 2009; Pinho & Prange, 2016). It was suggested that internationalization capabilities positively affected the internationalization performance of firms (Pinho & Prange, 2016). In this context, the hypotheses developed on the moderation of internationalization capabilities and institutional context are as follows.

Hypothesis 3. Institutional context positively moderates the moderator effect of internationalization capabilities between internationalization motives and the choice of the ECs.

Hypothesis 4. Institutional context negatively moderates the moderator effect of internationalization capabilities between strategic asset-seeking motive and the choice of the developed country.

In today's changing world, innovation is extremely important. Increasing efficiency in R&D and production processes will reduce costs and enable firms to gain a competitive advantage (Ellonen, Jantunen, & Kuivalainen, 2011: 461-467). According to Pitelis and Teece (2015), empirical studies on DC and MNEs were shifting toward the innovation axis. Additionally, innovation capabilities positively affected the performance of MNEs (Ngo & O'Cass, 2012). Innovation capabilities were seen as a complement to sustainable competitive advantage (Collison & Narula, 2014). BGs used diversification strategies in different sectors with their innovation capabilities (Colpan, Hikino, & Lincoln, 2010).

According to Chakrabarty and Wang (2012: 206), R&D activities were considered one of the prominent concepts in DC literature. Innovation capabilities were simply defined as the ability to transform information and ideas into new products, processes, and systems for the benefit of firms and stakeholders (Breznik & Hisrich, 2014). As the internationalization rate of MNEs increased, firms had to meet the demands of their stakeholders and try to realize these demands with their R&D activities. R&D activities, which enabled companies to produce products that create added value, were a very important factor for innovation (Bayraktar & Tütüncü, 2022). Hypotheses developed on the moderation of innovation capabilities and institutional context are as follows.

Hypothesis 5. Institutional context positively moderates the moderator effect of innovation capabilities between internationalization motives and the choice of the ECs.

Hypothesis 6. Institutional context negatively moderates the moderator effect of innovation capabilities between strategic asset-seeking motive and the choice of the developed country.

Methodology

This study investigated the outward FDI location choices of leading TBGs regarding internationalization motives, DC, and institutional context. The sample of the study was selected from the 2014-year report titled "Foreign Investments from Turkey Continues to grow" by Vale Columbia Sustainable International Investment Center, DEİK, and Kadir Has University. The scope of the research consisted of 11 TBGs including Anadolu Group, Koç, Yıldız, Zorlu, TAV Airports, Borusan, Sabancı, Hayat, Alarko, Eczacıbaşı, Çelebi and 270 foreign affiliates of these TBGs. These TBGs could formThis group created a strong representation due to their large volumes of internationalization and their ability to manage serious investments successfully in many locations with different institutional contexts.

In this study, both qualitative and quantitative perspectives were used as a two-step mixed method (Creswell, 2009). The qualitative perspective consisted of 14 person-to-person interviews completed in 2017 and 2018 with 15 executives and a two-level content analysis of collected data. The study's quantitative perspective includes analyses evaluating the moderation effect of DC and institutional context on the relationship between internationalization motives on location choice.

Qualitative Methodology

Audio recordings of semi-structured interviews were backed up to prevent data loss. In addition, the audio recordings of all interviews and the notes taken during the interviews were documented and stored electronically. In the process of documentation, the researcher listened to the interviews several times to minimize the possibility of error, and for additional control, another researcher working in the field was asked to confirm the accuracy by listening to the interviews.

The data of *first-level content analysis* consisted of the documentation of interview recordings. Following the protocol of Weber (1990), the reliability test of coding was performed by the SPSS 25 program. According to protocol, the standard correlation coefficient was expected to be 0.7 and above for the measurement of inter-coder reliability value (Weber, 1990). The stages of implementation of Weber's (1990) protocol are given in Table 1.

Table 1
Content Analysis Coding Protocol

1	The documents were transferred, and record units were described in the NVivo-12 software program.
2	First coders decided on the important procedures and then the codes were established.
3	Two researchers selected five TBGs and coded on this sample of TBGs.
4	The reliability analysis for the sample was performed and reliable results were found (Kappa; 0.857).
5	At this stage, the coding procedure was evaluated, and researchers agreed upon the process.
6	Due to the sample text coding results and the consensus of coders, there was no need to turn back 3rd step.
7	Two separate coders completed the coding of all text.
8	The reliability of the coding was lastly measured, and reliable results were found (Kappa: 0.859).

According to Arend & Bromiley (2009), in 70% of the studies in DC literature, there were problems in questionnaires and case studies in terms of it being subjective or not being able to get support from primary and secondary data sources. Although it was a lengthy process, qualitative studies were needed in the field of DC to overcome these problems. Only 20% of studies in the literature measured DC over long-term data (Arend & Bromiley, 2009: 84). For all of these reasons, in this study, second-level content analysis consisting of long-term data was conducted to determine BGs' DC. The data used in the *second-level content analysis* are interviews, researcher's memos, BGs' annual and sustainability reports, histories, vision, mission, values, and news from their press centers and other newspaper news, and magazine news. This data obtained over a period of five years consisted of approximately 10,000 pages of text, six video recordings, and 14 audio recordings. In the second-level content analysis, NVivo 12 program and Weber's (1990) protocol were used again. Due to the quantity of data being remarkably high at this point, approximately 10 percen of the data was tested for reliability. The results of the measure of coding reliability were found to be sufficient (Kappa: 0.832).

Quantitative Methodology

According to the qualitative level findings, the variables to be used in the qualitative level of the study were determined. These findings suggested that TBGs act with market-seeking, resource-seeking, efficiency-seeking, and strategic asset-seeking motives. Additionally, it was found that formal institutions were effective in TBGs' internationalization, and their DC consisted of marketing, internationalization, and innovation capabilities. Figure 1 shows the research model of the study.

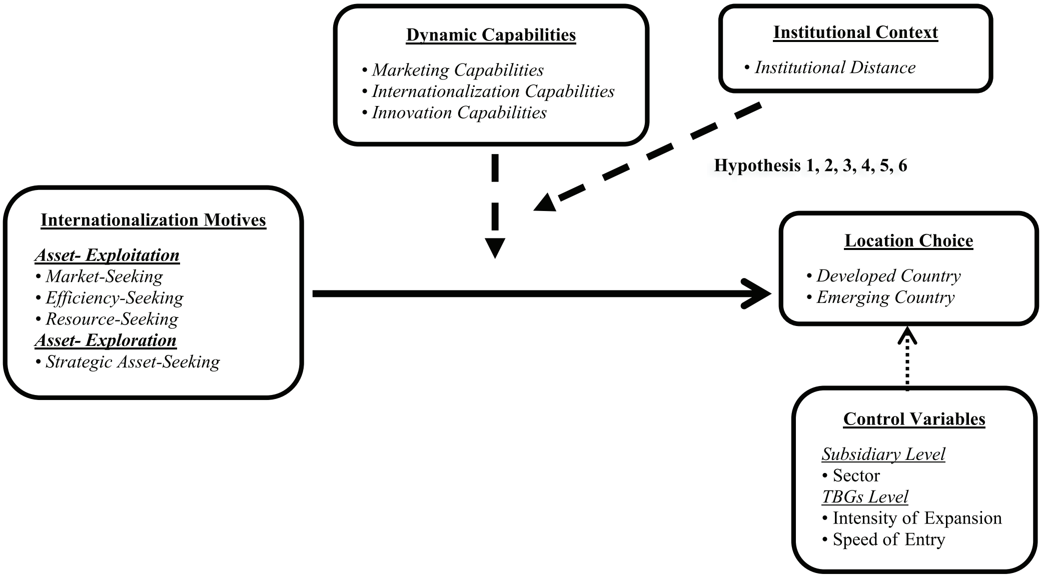


Figure 1. Research model

The Process Macro application tool developed by Hayes (2018) provided a more practical and useful analysis of mediator, moderator, and conditional effects. The analysis made by the bootstrap technique provided valid and reliable results in moderating models (Gürbüz, 2019). Process Macro Model 3 was appropriate for moderated moderation model (Isak, Bryant, & Klein, 2020). For these reasons, Process Macro Model 3 application 3.5 version was used for analyses in this study. The details of the variables, which were taken from the 2017-year data, are given in Table 2.

Findings

Qualitative Findings

Table 3 shows the codebook and key tenets of codes that were developed with the NVivo 12 program. At "Files," there is the number of files where the code was taken. At "Refer.", there is the number of references of the taken code, and "Ratio" shows the ratio of the code to total coding. The motives were ranked as market-seeking (2.72%), strategic asset-seeking (1.15%), efficiency-seeking (0.33%), and resource-seeking (0.30%). An important finding was that TBGs were more likely to seek markets and strategic assets in both emerging (3.12%) and developed (2.31%) countries. DC of TBGs consisted of internationalization capabilities (9.58%), marketing capabilities (8.74%), and innovation capabilities (7.16%), respectively. According to the findings of institutions, rather than informal institutions (0.40%), formal institutions (1.50%) came to the fore.

Table 2
Definition of Variables

Internationalization Motives	**Detail**	**Source**
• Asset-Exploitation (market, resource, efficiency-seeking) • Asset-Exploration (strategic asset-seeking)	If there is motivation, it is coded as 1 or otherwise 0	Codes from the interview and first-stage content analysis
DC		
• Marketing Capabilities (marketing development ratio)	The increase in marketing development over 3 years (Hsu & Wang, 2012)	DC which was determined from second stage content analysis, taken from TBGs' annual and financial reports as secondary data
• Internationalization Capabilities (internationalization ratio[1])	The ratio of foreign sales to total sales (Filatotchev & Piesse, 2009; Chakrabarty & Wang, 2012)	
• Innovation Capabilities (R&D intensity)	The ratio of R&D spending to total sales (Filatotchev & Piesse, 2009; Chakrabarty & Wang, 2012)	
Institutional Context		
• Voice and Accountability • Political Stability and Absence of Violence • Government Effectiveness • Regulatory Quality • Rule of Law • Control of Corruption	Kogut & Sing's (1988) process: Institutional Distance (Yang, 2015; He & Zhang, 2018; Konara & Shirodkar, 2018) $D = \sqrt{\sum_i \frac{\left(I_{host,i} - I_{origin,i}\right)^2}{V_i}}$	The data were taken from Worldwide Governance Indicators (WGI) 2017 index
Control Variables		
•• Affiliate Level (sector)	If the sector is manufacturing, it is coded as 1 or otherwise 0	TBGs' annual reports, websites, histories
• TBGs Level — The Intensity of Expansion	The number of countries that invested at the same time	
Speed of Entry	The difference between foundation year and internationalization year	
Dependent Variable		
• Development of Country	Countries' income level from the Atlas method is taken.	World Bank

1 In this study, internationalization capabilities are measured by the ratio of foreign sales to total sales. In addition, internationalization experience is also used in the regression analysis as a factor of internationalization capabilities. The results of the analysis showed that there is no significant difference between internationalization experience and internationalization ratio. Thus, it was decided to use the internationalization ratio in the analysis but to prevent bias findings intensity of expansion and speed of entry were taken as control variables.

Table 3
Codebook and Key Tenets

Name		Files	Refer.	Ratio	Key Tenets
Location Choice	**Developed Country**	147	1923	2.31	▪ In developed countries, the market is large, currencies are stable, and they have sustainability advantages. ▪ We prefer geographies that can be considered developed countri-es in this regard
	Emerging Country	136	1226	3.12	▪ We invest in our brands in countries such as Russia and India ▪ We focus on ECs markets instead of developed matured markets. ▪ We prefer ECs because growth is much faster there
Internationalization Motives	**Market-See-king**	118	1045	2.72	▪ We are also working on new markets. ▪ Opening the brand to new markets ▪ Will grow in new markets
	Resource-Se-eking	18	61	0.30	▪ It is necessary to be close to the raw material. ▪ Our industry is a resource-based structured industry. ▪ Our industry is mining and if we invest in minerals, it will be where the resources are
	Efficiency-Se-eking	29	62	0.33	▪ Energy costs and raw materials are cheap here. ▪ Center of attraction without customs, VAT, corporate tax ▪ Energy prices were extremely attractive when we came to Indo-nesia
	Strategic-As-set Seeking	84	531	1.15	▪ This acquisition developed within the scope of its rapid growth strategy. ▪ The company will be stronger in Vienna with strategic acquisiti-on. ▪ We will continue to do so by incorporating unique brands. ▪ The world-famous chocolate brand… acquired
DC[2]	**Marketing Capabilities***	111	616	8.74	▪ We were awarded the "Most Reputable of the Year" award for the third time. ▪ The most admired brand was selected. ▪ The company provides the highest customer satisfaction. ▪ We are by far ahead in market share in Turkey
	Internationa-lization Capa-bilities*	91	581	9.58	▪ The company that exports to the most countries ▪ We are a serious player in Europe. ▪ One of the world's largest companies in its sector ▪ We are ranked sixth in Europe and 10th in the world. ▪ Acquiring %70 of its turnover from sales outside of Turkey
	Innovation Capabilities*	88	456	7.16	▪ Our R&D center was chosen as the second most qualified R&D center in our country. ▪ We want to be a pioneer in digital transformation. ▪ Our company, which closely follows digitalization in the in-dustry… ▪ In the next 5 years, all our factories in the world will turn to smart manufacturing bases

2 The file and reference numbers are the average of the subcodes of marketing, internationalization, and innovation capabilities.

	Name	Files	Refer.	Ratio	Key Tenets
Institutions	**Informal Institutions**	20	48	0.40	▪ Cultures of developed countries and less developed countries can be quite different. ▪ Of course, it can make adaptation difficult in a culture we do not know at all ▪ Cultures we know… there is a facilitator side
Institutions	**Formal Institutions**	91	610	1.50	▪ The contract was signed between the relevant ministry and the company today ▪ Despite all protective policies ▪ This country has made a great reform in preventing corruption ▪ Legal obligations want local partners. ▪ We are subject to the decision of governments, especially on this matter
Sector	**Sector**	103	476	1.50	▪ The biggest investment is in the energy sector, with a weight of %50 ▪ We are the first and only company in the sector to produce in more than one place ▪ As you know, this sector is an employment-intensive sector ▪ We created an industry giant

Quantitative Findings

In the models with more than one moderator variable, slope charts were very descriptive and used to determine the effects of both moderators in different conditions (Aiken & West, 1991). Therefore, after the results of regressions, the slope graphs of the moderator effects of the accepted hypotheses would be given. As can be seen in Table 4, in the relationship between market-seeking and location choice, the moderator effect of institutional context and marketing capabilities was found to be significant ($p<0.05$), and H1a was supported (R^2 change=0.007; F= 6.472; $p<0.05$). In the relationship between resource-seeking and location choice, the moderator effect of institutional context and marketing capabilities was found to be significant ($p<0.01$), and the H1b was supported (R^2 change=0.029; F=28.451; p<0,01).

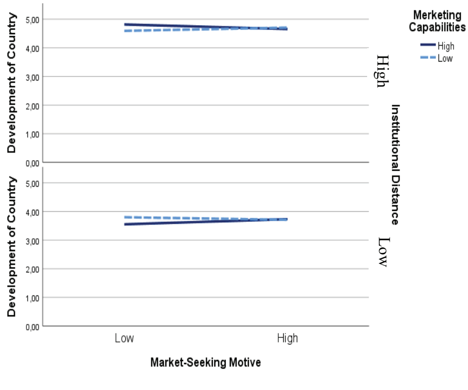
Table 4
Marketing Capabilities' Regression Results

Variables	Dependent Variable: Location Choice			
	Model-1	**Model-2**	**Model-3**	**Model-4**
Sector	0.042	0.010	-0.018	-0.001
Intensity of Expansion	-0.010	-0.010	-0.016	-0.024
Speed of Entry	-0.019	-0.012	-0.004	-0.004
Market-Seeking	0.017			
Resource-Seeking		0.309***		
Efficiency-Seeking			0.105	
Strategic Asset-Seeking				-0.101
Marketing Capabilities	-0.010	0.007	-0.015	0.005
Institutional Context	0.412***	0.458***	0.411***	0.415***
Market-Seeking*Marketing Capabilities	0.020			

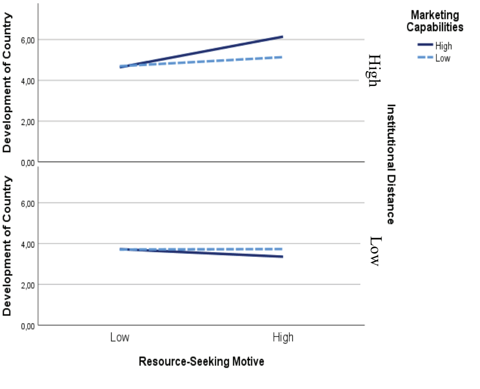
Variables	Dependent Variable: Location Choice			
	Model-1	**Model-2**	**Model-3**	**Model-4**
Market-Seeking*Institutional Context	-0.028			
Marketing Capabilities*Institutional Context	0.020			
Market-Seeking*Marketing Capabilities*Institutional Context	-0.109**			
Resource-Seeking*Marketing Capabilities		0.105		
Resource-Seeking*Institutional Context		0.480***		
Marketing Capabilities*Institutional Context		0.021		
Resource-Seeking*Marketing Capabilities*Institutional Context		0.294***		
Efficiency-Seeking*Marketing Capabilities			-0.110	
Efficiency-Seeking*Institutional Context			0.037	
Marketing Capabilities*Institutional Context			-0.003	
Efficiency-Seeking*MarketingCapabilities*Institutional Context			-0.241	
Strategic Asset-Seeking*Marketing Capabilities				0.108
Strategic Asset-Seeking*Institutional Context				0.040
Marketing Capabilities*Institutional Context				0.006
Strategic Asset-Seeking*Marketing Capabilities*Institutional Context				-0.064
Constant	4.103***	4.151***	4.124***	4.108***
F	61.565***	71.492***	58.885***	59.261***
R^2	0.704	0.734	0.695	0.696

Significant at * p<0.10, ** p<0.05, *** p<0.01.

According to Graph 1, when the institutional distance was high, the strength of the moderator effect of high marketing capabilities between market-seeking and choosing ECs increased (β=-0.131; p<0.05). Graph 2 shows that when the institutional distance was high, the strength of the moderator effect of high marketing capabilities between resource-seeking and choosing the ECs reached its highest level and even caused it to change direction (β=0.511; p<0,01).



Graph 1. Market-Seeking*Marketing Cap.*Inst. Dis.



Graph 2. Resource-Seeking*Marketing Cap.*Inst. Dis.

As seen in Table 5, in the relationship between resource-seeking and location choice, the moderator effect of institutional context and internationalization capabilities was significant ($p<0.01$), and the H3b was supported (R^2 change=0.037; F=36.983; $p<0.01$). In the relationship between strategic asset-seeking and location choice, the moderator effect of institutional context and internationalization capabilities was significant ($p<0.10$). Thus, the H4 hypothesis was supported (R^2 change=0.004; F=3.287; $p<0.10$).

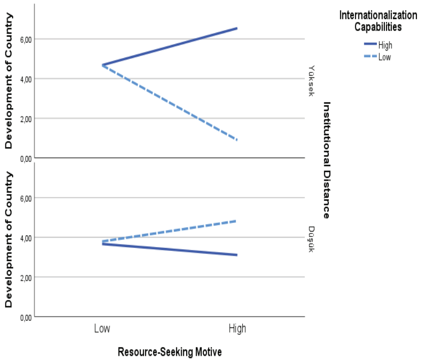
Table 5

Internationalization Capabilities' Regression Results

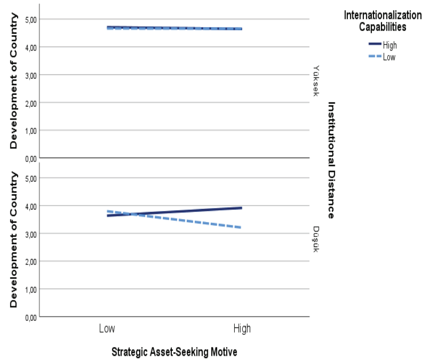
Variables	Dependent Variable: Location Choice			
	Model-1	Model-2	Model-3	Model-4
Sector	0.010	0.009	-0.027	-0.006
Intensity of Expansion	-0.008	0.015	0.008	-0.003
Speed of Entry	0.019	0.004	0.021	0.020
Market-Seeking	0.051			
Resource-Seeking		-0.092		
Efficiency-Seeking			-0.047	
Strategic Asset-Seeking				-0.048
Internationalization Capabilities	-0.018	0.052*	-0.029	-0.006
Institutional Context	0.415***	0.386***	0.413***	0.416***
Market-Seeking*Internationalization Capabilities	-0.063			
Market-Seeking*Institutional Context	-0.012			
Internationalization Capabilities*Institutional Context	0.029			
Market-Seeking*Internationalization Capabilities*Institutional Context	0.030			
Resource-Seeking*Internationalization Capabilities		0.711***		
Resource-Seeking*Institutional Context		-0.143**		
Internationalization Capabilities*Institutional Context		0.208***		
Resource-Seeking*Internationalization Capabilities*Institutional Context		1.483***		
Efficiency-Seeking*Internationalization Capabilities			0.256	
Efficiency-Seeking*Institutional Context			-0.075	
Internationalization Capabilities*Institutional Context			0.034	
Efficiency-Seeking*Internationalization Capabilities*Institutional Context			-0.173	
Strategic Asset-Seeking*Internationalization Capabilities				0.236*
Strategic Asset-Seeking*Institutional Context				0.005
Internationalization Capabilities*Institutional Context				0.017
Strategic Asset-Seeking*Internationalization Capabilities*Institutional Context				-0.189*
Constant	4.101***	4.104***	4.112***	4.113***
F	61.862***	74.950***	64.976***	62.797***
R^2	0.705	0.743	0.715	0.708

Significant at * $p<0.10$, ** $p<0.05$, *** $p<0.01$.

According to Graph 3, when the institutional distance was high, the strength of the moderator effect of high internationalization capabilities between resource-seeking and choosing the ECs reached its highest level and even caused it to change direction (β=2.759; $p<0.01$). Graph 4 shows that when the institutional distance was low, the strength of the moderator effect of high internationalization capabilities between strategic asset-seeking and choosing the developed country was at the highest level (β=0.426; $p<0.05$).



Graph 3. Resource-Seeking*Inter. Cap.*Inst. Dis.



Graph 4. Strategic Asset-Seeking*Inter. Cap.*Inst. Dist.

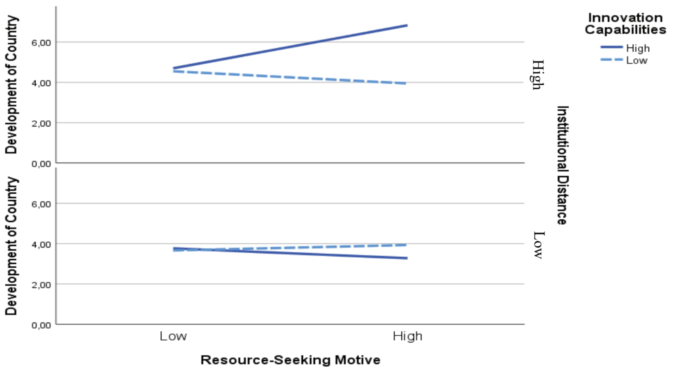
Table 6
Innovation Capabilities' Regression Results

Variables	**Dependent Variable: Location Choice**			
	Model-1	**Model-2**	**Model-3**	**Model-4**
Sector	0.017	-0.001	-0.024	0.009
Intensity of Expansion	-0.016	-0.001	-0.006	-0.016
Speed of Entry	-0.03	-0.052**	-0.028	-0.042
Market-Seeking	0.050			
Resource-Seeking		0.356***		
Efficiency-Seeking			0.024	
Strategic Asset-Seeking				-0.020
Innovation Capabilities	0.058***	0.113***	0.047**	0.039
Institutional Context	0.400***	0.453***	0.403***	0.403***
Market-Seeking*Innovation Capabilities	0.011			
Market-Seeking*Institutional Context	-0.012			
Innovation Capabilities*Institutional Context	0.020			
Market-Seeking*Innovation Capabilities*Institutional Context	0.034			
Resource-Seeking*Innovation Capabilities		0.388***		
Resource-Seeking*Institutional Context		0564***		
Innovation Capabilities*Institutional Context		0.108***		
Resource-Seeking*Innovation Capabilities*Institutional Context		0.795***		
Efficiency-Seeking*Innovation Capabilities			0.086	
Efficiency-Seeking*Institutional Context			0.056	
Innovation Capabilities*Institutional Context			0.029	
Efficiency-Seeking*Innovation Capabilities*Institutional Context			-0.060	
Strategic Asset-Seeking*Innovation Capabilities				-0.294**
Strategic Asset-Seeking*Institutional Context				0.003
Innovation Capabilities*Institutional Context				0.058
Strategic Asset-Seeking*Innovation Capabilities*Institutional Context				0.129

Variables	Dependent Variable: Location Choice			
	Model-1	Model-2	Model-3	Model-4
Constant	4.102***	4.158***	4.113***	4.114***
F	62.005***	78.138***	62.649***	64.440***
R^2	0.705	0.751	0.708	0.713

Significant at * p<0.10, ** p<0.05, *** p<0.01.

As seen in Table 6 above, in the relationship between resource-seeking and location choice, the moderator effect of institutional context and innovation capabilities was significant ($p<0.01$), and the H5b was supported (R^2 change=0.046; F=47.830; $p<0.01$). According to Graph 5, when the institutional distance was high, the strength of the moderator effect of high innovation capabilities between resource-seeking and choosing the ECs reached its highest level and even caused it to change direction ($\beta=1.486$; $p<0.01$).



Graph 5. Resource-Seeking*Innovation Capabilities*Institutional Distance

Discussion and Limitations

Although many scholars dealt with MNEs and DC, the few studies dealing with the effect of institutions were quite limited. Claiming that DC and institutional context should be examined together, DC could be seen as a supporter of the OLI paradigm (Dunning & Lundan, 2010). At this point, especially for MNEs, it was necessary to consider the DC together with the institutional context. We investigated the outward FDI location choices of leading TBGs in the context of internationalization motives, DC, and institutional distance. We used qualitative and quantitative perspectives. Qualitative findings of the study showed that TBGs invested in both emerging and developed countries to seek markets, strategic assets, efficiencies, and resources with their internationalization, marketing, and innovation capabilities. In the internationalization process, TBGs' executives emphasized formal institutions rather than informal institutions.

As suggested by Hillman & Wan (2005) the institutional differences between the home and host country affected MNEs, in our study's quantitative perspective, institutional distance had a moderator effect on location decisions. We supported previous research which examined outward FDI from ECs by highlighting the importance of the institutional context (Stoian, 2013). On the other hand, our study expanded previous research claiming that the institutional distance based on the definition of formal institutions by North (1990) was effective in internationalization decisions (He & Zang, 2018).

Regarding marketing capabilities, we found that when the institutional distance was high, marketing capabilities had a moderation effect with market-seeking and resource-seeking motives. MNEs acting with market-seeking motive search markets to seek new markets, protect existing markets, maintain, expand, increase their market shares, or acquire new markets. Firms that had marketing capabilities could perform these activities (Ellonen et al., 2011). In our study, it was determined that marketing capabilities were critical for firms in internationalization processes, consistent with other studies (Chakrabarty & Wang, 2012; Ripolles & Blesa, 2012). However, we had some results that differed from the previous studies. We emphasized how important marketing capabilities were in investing in ECs with high institutional distance by acting with the market-seeking motive. In our study, marketing capabilities were detected as a facilitator in investing in both developed and ECs with the resource-seeking motive.

Considering internationalization capabilities, our results showed that when the institutional distance was high, internationalization capabilities had a moderation effect with the resource-seeking motive. The moderator effect of internationalization capabilities with resource-seeking motive on location choice differed at high and low levels of institutional distance. This result could be explained by the nature of the resource-seeking motive. In some cases, investing in resources had higher costs and it might be difficult for firms. Huang & Renyong (2011) claimed that state-owned firms rather than stand-alone firms made high-cost investments when seeking resources with the financial strength they had. However, in our study, the strength of the firms came from their DC which served as a lever for location choices.

Another important finding was that when the institutional distance was low, internationalization capabilities had a moderation effect with the strategic asset-seeking motive. The presence of high institutional distance was not a motivation for the increase of the internationalization capabilities of BGs acting with a strategic asset-seeking motive. Therefore, BGs preferred more developed countries when they acted with a strategic asset-seeking motive. These results supported studies that examined the strategic asset-seeking motives of MNEs originating from ECs (Luo & Tung, 2018). Moreover, we determined that internationalization capabilities should be developed because of the difficulties of being in different institutional contexts (Chittor, 2009).

Our findings about innovation capabilities indicate that when the institutional distance was high, innovation capabilities had a moderation effect with resource-seeking motives. These findings suggest that the moderation effect of institutional distance on the moderation of innovation capabilities seems to change the direction of the location choice. In high institutional distance conditions, BGs that had low innovation capabilities were more likely to invest in ECs while BGs that had higher innovation capabilities were more likely to invest in developed countries. In developed countries firms, DC were more widespread which gave local firms easier access to innovations (Fainshmidt et al., 2016). This may generate difficulties for firms that want to make outward FDI to developed countries. Our findings provided a further explanation of TBGs' success in investing in developed countries. Therefore, we can infer that TBGs used ownership advantage of being a BG, as Erdener & Shapiro (2005) stated. Our findings agree with studies that investigaged the effects of asset-exploitation motives in the context of the ECs (Benito, 2015; Luo & Tung, 2018) and emphasized the importance of innovation capabilities for MNEs (Michailova & Zhan, 2015; Pitelis & Teece, 2015).

Our study had some limitations. Internationalization decisions are strategic decisions, and it was not easy to reveal all the elements related to these decisions. For instance, many managers did not find it correct to explain the underlying reason for some of the FDI as to provide foreign exchange flow. Such justifications made it difficult to identify the underlying reasons for strategic decisions. Moreover, the measurement of innovation capabilities was based only on R&D intensity in this study. The sample of the study consists of BGs and their affiliates from different sectors. It was challenging to get various data from BGs such as patents, design applications, product/process innovations, innovation motivation/culture, and the quality of R&D activities from various sources. Some of this data could be found at the firm/affiliate level, and some data could be found at the BGs level. Nevertheless, R&D intensity had frequently been used as a global measure of input of innovation management (Adams, Bessant & Phelps, 2006). Thus, R&D intensity was an appropriate measure for this study.

One of the future study suggestions could be related to different measurements of capabilities in various levels of firms. Another future study could focus on the process after the choice of location. As mentioned before, although there were intense studies on the factors that affected location choice in the IB literature, studies on the process after the location selection were limited. In this direction, post-FDI integration processes could be examined. Especially, the exploitation process of DC in various locations of MNEs should be investigated or the differences in DC of BGs and their affiliates could be compared.

Conclusions and Implications

Our study has various theoretical contributions to the literature. First, we provided deeper insight into IB literature on the OLI paradigm by identifying the impact of market-seeking, resource-seeking, and strategic asset-seeking motives on the location choices with the moderation of DC and institutional context. It seems that despite the high costs of resource-seeking, BGs can invest in both emerging and developed countries when they are seeking resources. In addition, resource-seeking motives came to the fore with higher marketing, internationalization, and innovation capabilities in the internationalization process.

Second, our study expanded the DC literature by highlighting the value of DC for BGs in the internationalization process. We also strengthened the previous research on the issue that DC was more effective on ECs. Our study contributed to existing knowledge of DC by suggesting evidence of the importance of marketing, internationalization, and innovation capabilities. According to this study, we inferred that marketing capabilities are likely to be more effective in investing with market-seeking motives in ECs. Besides, it could be suggested that internationalization capabilities are likely to be stronger in investing with strategic asset-seeking in developed countries. Our study has found that innovation capabilities also strengthen internationalization decisions when investing with resource-seeking motives.

Additionally, in this study, we provided a comprehensive investigation of BGs' internationalization, especially from ECs. Our study integrated the OLI paradigm, DC approach, and the institutional context on the axis of Türkiye as an example of an EC. It should be said that in the context of Türkiye, BGs might not be the best-internationalized form, but they have marketing, internationalization, and innovation capabilities to overcome the differences between home and host countries' institutional contexts. Their pioneer results could be an example for firms that have other organizational forms.

The moderator effects of DC and institutional context on location decisions, which were addressed separately in the field, were investigated together in our study. It seems that despite the institutional distance, BGs that have marketing, internationalization, and innovation capabilities can invest in both emerging and developed countries, especially when seeking resources. Furthermore, nevertheless the high institutional distance, BGs can invest in ECs while they are seeking markets through their marketing capabilities. Additionally, when BGs are seeking strategic assets, they can invest in developed countries that have lower institutional distance with their innovation capabilities.

The approach of using the moderated moderation model expanded our understanding of how internationalization decisions of BGs are shaped by the moderation effects of DC and institutional context together. We handled both BGs and affiliates levels, collected data from both primary and secondary sources, and performed both qualitative and quantitative analyses. The findings of qualitative and quantitative analyses were found to be compatible with each other. Taken together, these are the methodological contributions of our study.

The findings of this study have some practical implications. First, the evidence from our study suggested that the executives of BGs should give importance to develop DC. Additionally, we provided insights into the internationalization decisions regarding the institutional context of home and host countries. Our study showed how important the DC of the firm are, especially at the BGs level, with the effect of ownership advantage and institutional context within the host country. This pioneering result can be an example and valuable for other organizational forms. Our findings indicated that when the institutional distance between home and host country is higher, the influence of DC is greater. Therefore, another important practical implication is that the DC of BGs can be a facilitator in terms of investing in countries with high institutional distance.

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