

**COGNITIVE BACKGROUND OF VERTICAL FDI SPILLOVERS: AWARENESS,  
MOTIVATION AND COGNITIVE CAPACITY<sup>1</sup>****Prof. Tülay İLHAN NAS (PhD)\*** **Fatih ŞAHİN (PhD)\*\*** **ABSTRACT**

*This study aims to investigate how local organizations' awareness, motivation, and capacity affect vertical FDI spillovers in the Turkish automotive industry within the institutional theory framework. A multiple case study method was used in this study, in which interviews, observations, and documents of seven local supplier organizations were subjected to content analysis. The findings showed that the expectations of multinational companies for efficiency in buyer-supplier relationships have limited local suppliers' awareness, motivation and capacity for internationalization and innovation. This situation prevents local organizations, especially those located at the lower rungs of the supply chain, from capturing the positive effects of vertical FDI spillovers.*

**Keywords:** FDI Spillovers, Turkish Automotive Industry, Innovation, Internationalization.

**JEL Codes:** F21, F23, L62, O32.

**1. INTRODUCTION**

Inward foreign direct investment (FDI) flows represent an essential source of capital for host countries. Particularly for developing countries, FDI inflows offer not only capital flows but also a source of valuable technological and managerial knowledge from investor organizations originating in developed countries. These potential benefits have attracted the attention of many developing country governments and many policies have been developed to encourage FDI flows. Correspondingly, researchers have been exhibiting greater interest in this issue (e.g., Zhang and Song, 2000; Blomstrom and Kokko, 2003; Morck, Yeung and Zhao, 2008). Researchers consider the effects of FDI inflows along two different axes, which are often confused. The first is the concept of technology transfer, which refers to transferring knowledge and technology used by a foreign organization in its home country to the host country through its subsidiaries (e.g., Glass and Saggi, 1998; Kostova, 1999; Munir, 2002; Qin,

<sup>1</sup>This study is derived from the doctoral thesis "Local Institutional Context of Vertical Spillovers: The Case of the Turkish Automotive Industry" prepared within the scope of the 1003 R&D project numbered SOBAG-117K787 supported by TÜBİTAK. We would like to thank TUBİTAK for their support.

\* Karadeniz Technical University, Trabzon/Türkiye, E-mail: tulayco@ktu.edu.tr

\*\* Gumushane University, Gumushane/Türkiye, E-mail: fatihshahin@gumushane.edu.tr

**Makale Geçmişi/Article History**

Başvuru Tarihi / Date of Application : 6 Mart / March 2023

Düzeltilme Tarihi / Revision Date : 4 Mayıs / May 2023

Kabul Tarihi / Acceptance Date : 2 Haziran / June 2023

2019). It cannot be disputed that technology transfers have a significant impact for host countries to a certain extent, the knowledge and technology subject to - transfer remains within the investor organization and the organization needs to be more willing to share this technology in a competitive environment. The other phenomenon that is more beneficial for developing countries to provide necessary knowledge and technology is FDI spillover.

The FDI spillovers, which refers to the process by which valuable technological and managerial knowledge transferred by MNEs to the host country is internalized by local organizations through various channels and influences their innovation and productivity, represents an important part of the economics and international business literature (e.g., Caves, 1974; Aitken and Harrison, 1999; Meyer and Sinani, 2009; Orlic, Hashi and Hisarciklilar, 2018; İlhan-Nas, Okan and Şahin, 2021). The potential success of the FDI spillover process in providing much-needed knowledge and technology to developing country organizations is explained in terms of many factors. In explaining this success, researchers consider variables such as the level of development of the country of origin (Buckley, Clegg and Wang 2002), the technology intensity of investments (Jude, 2016), and the technology gap (Meyer and Sinani, 2009). Although these studies provide important theoretical contributions, the literature has contradictory findings. For instance, some studies (e.g., Liu, Siler, Wang and Wei, 2000; Tian, 2007; Bournakis, Christopoulos and Mallick, 2018) show that inward FDI flows lead to positive productivity and innovation spillovers for local organizations, while others (e.g., Buckley et al., 2002; Singh, 2007; Orlic et al., 2018) argue that these effects may be negative due to competition and market-stealing effect. Thus, it is crucial to approach the problem from various theoretical perspectives.

Moreover, contrary to the theoretical expectation that vertical FDI spillovers are more positive for local organizations than horizontal spillovers, some studies reporting negative FDI spillovers make it even more necessary to try to understand the spillover phenomenon from different theoretical perspectives.

One of the factors that is particularly noteworthy at this point is the absorptive capacity, which is discussed with the concept of technological gap between foreign organizations that own technology and knowledge and local organizations that are expected to internalize this technology and knowledge (Xu, 2000; Meyer and Sinani, 2009). Absorptive capacity is an important determinant of how and to what extent local organizations can internalize the technological and managerial knowledge presented in the context of FDI spillovers (Chen, Su and Tsai, 2007; Moralles and Moreno, 2020). However, it is also known that absorptive capacity, which is considered as technological openness from an economic perspective in the literature, is sensitive to institutional factors (Ahmad and Erçek, 2019; Qi, Jia and Zou, 2021). In short, the absorptive capacity of local organizations depends on the institutional environment in which they are embedded as much as the level of technology they have. Despite its

importance, the institutional background of absorptive capacity has been neglected in the spillover literature.

Meyer and Sinani (2009) argue that the positive outcomes of FDI inflows in terms of productivity, innovation, and internationalization depend on local organizations' awareness, motivation, and capacity. The institutional environment, which determines the unwritten rules of the game played by organizations (North, 1990), serves as an important background for FDI inflows. The cognitive dimension of the institutional environment defines the thought systems, ways of defining knowledge, and capacities of individuals and organizations (Scott, 1995). When considering the fundamental argument of institutional theory, Meyer and Sinani's (2009) views indicate that the awareness, motivation, and capacity of local organizations will emerge as a reflection of their cognitive environment. Furthermore, it is anticipated that the awareness, motivation, and capacity of local organizations, which are expected to direct their absorption of technological and managerial knowledge as a component of the cognitive environment, will also be sensitive to regulatory and normative factors, which are other dimensions of institutions. Moreover, given that the institutional environment directs the established buyer-supplier relationships (Krammer, 2015), studies centered on institutional theory can provide important insights to understand whether the spillover effects will be positive or negative.

The purpose of the current study is shaped accordingly. Turkey is considered being a promising research field for investigating the phenomenon defined in the context of its institutional environment and unique business system as a developing country. The study aims to understand how vertical FDI spillovers expected to occur from advanced country-originated main industry organizations in the Turkish automotive industry towards local suppliers are directed by local organizations' awareness, motivation, and cognitive capacities. We consider the automotive sector being of particular importance for such a research problem. This is because many multinational organizations originating from developed countries have established buyer-supplier relationships with local supplier organizations in the Turkish automotive industry. Thanks to the intensive vertical linkages between local and foreign organizations, it will be possible to focus on the absorptive capacity of local organizations in the Turkish automotive industry, where the preconditions for positive FDI spillovers are provided.

At this point, another factor ignored in the FDI spillover literature will also be addressed. When the related literature is examined, it can be said that MNEs are given priority attention, but local organizations are ignored. By focusing on the absorptive capacity of local organizations, this study aims to fill this gap. Moreover, focusing on the absorptive capacities of local organizations and the institutional environment in which these capacities are shaped through qualitative research methods that offer the possibility of in-depth research (Yin, 2009) has the potential to respond to some of the calls (Eden, 2009; Perri and Peruffo, 2016) to liberate the spillovers literature from economic perspectives.

Moreover, thanks to the epistemological and ontological common grounds that institutional theory shares with qualitative research methods, this qualitative study will also contribute to the field methodologically. As a result, this study examines the buyer-supplier relationships between foreign main industry organizations and local supplier organizations in the Turkish automotive industry in depth and tries to obtain findings that may offer new perspectives to the spillover literature and practitioners.

## **2. THEORETICAL FRAMEWORK**

Given that innovation of new technological and managerial knowledge is one of the most important determinants of development (Hall and Jones, 1999; Stenholm, Acs and Wuebker, 2013), it is crucial to understand how and to what extent the external knowledge transferred by MNEs spillovers among local organizations. Unlike transfer, the FDI spillover process, which is not based on any contractual agreement between the parties, requires the unilateral effort of local organizations (Yang, Phelps and Steensma, 2010). Therefore, in contrast to the transfer process, it is expected that the flow of technology and knowledge in the spillover process is much more likely to be influenced by external factors (Ko and Liu, 2015). In line with this, there are some contradictory findings in the FDI spillover literature. Some authors show that local organizations internalize the technological and managerial knowledge of the MNEs with which they establish relationships in their countries through demonstration effects, resulting in positive productivity and innovation benefits (Liu et al., 2000; Tian, 2007; Bournakis et al., 2018). Some authors (e.g., Aitken and Harrison, 1999; Buckley et al., 2002; Singh, 2007; Orlic et al., 2018), on the other hand, argue that in sectors hosting intensive FDI activity, these effects are likely to be negative, as local organizations may be excluded and their market shares may be exploited by foreign organizations and their affiliates. Recent studies continue to present these inconsistent results (Demena and van Bergeijk, 2019; Han, Chen and Sun, 2021; İlhan-Nas et al., 2021).

FDI spillovers are divided into two categories: horizontal and vertical. Horizontal spillovers arise from the relationships between local organizations and MNEs operating in the same sector as competitors. Local organizations can generate positive horizontal FDI spillovers by encouraging them to be efficient and innovative in order to compete with foreign-invested organizations (Liu, Wang and Wei, 2009) by internalizing the products of their foreign competitors through reverse engineering and imitation (Coe and Helpman, 1995; İlhan-Nas et al., 2021) or by transferring their foreign competitors' workforce in the sector (Lenger and Taymaz, 2006). However, this process may need to be improved by successful knowledge preservation policies of foreign organizations and by the fact that they operate in different segments of the same industry. Moreover, the fact that MNEs offer an attractive set of benefits for employees may also challenge labor flows (Gu and Lu, 2011; Xiao and Park, 2018). Many studies show that horizontal linkages often lead to negative productivity and innovation spillovers (Chang and Xu, 2008; Javorcik, 2004; Lenger and Taymaz, 2006; Xiao and Park, 2018).

Vertical spillovers arise from buyer-supplier relationships established between local organizations and MNEs. Since the competitive effects of horizontal linkages are not present in vertical linkages, there is a view that productivity and innovation spillovers resulting from vertical linkages lead to more positive effects (Lenger and Taymaz, 2006; Javorcik, 2004; Meyer and Sinani, 2009). These positive effects are even more likely to occur in backward vertical linkages where local organizations are suppliers and MNEs are buyers. This is because, in such linkages, MNEs can offer several technical and managerial support to local organizations for their benefit (Alfaro, Rodríguez-Clare, Hanson and Bravo-Ortega, 2004; Javorcik, 2004). Thus, MNEs that achieve efficiency in their supply chains encourage positive FDI spillovers by supporting local organizations' efficiency and innovative efforts.

Despite all this potential, there is no assurance that vertical linkages will lead to positive FDI spillovers. This is because more is needed for MNEs to bring valuable technological and managerial knowledge to the host country, and support local organizations for positive FDI spillovers. In such a process, local organizations need the awareness, motivation, and capacity to internalize this technological and managerial knowledge (Meyer and Sinani, 2009). This brings to the spotlight the concept of absorptive capacity, which has been suggested in the previous literature as an important determinant for the realization of FDI spillovers (Andersen, 2015).

Absorptive capacity, which refers to the ability of organizations to internalize external knowledge through various channels and transform it into organizational capacity to be used in their own activities (Cohen and Levinthal, 1990; Zahra and George, 2002; Narula and Marin, 2003), represents an important factor for FDI spillovers. This capacity has been treated as the level of technology gap in the spillover literature (Perez, 1997; Borensztein, De Gregorio and Lee, 1998, Xu, 2000; Meyer and Sinani, 2009; Narula and Driffield, 2012). However, absorptive capacity refers to a concept that is too broad to be explained solely by the resources possessed (Zahra and George, 2002) and sensitive to the institutional environment (Ahmad and Erçek, 2018; Qi et al., 2021). Considering these statements, it is crucial to incorporate the concepts of awareness, motivation, and capacity into the theoretical framework of absorptive capacity. This is necessary to ensure that FDI spillovers deliver the anticipated level of benefits related to productivity, innovation, and internationalization, consistent with the limitations of the prior literature and the main objective of the current study.

Absorptive capacity refers to capabilities related to organizations' own R&D activities (Narula and Marin, 2003). However, considering the extent to which organizations care about and invest in R&D activities independently of the institutional context would lead to incomplete perspectives. According to institutional theory (DiMaggio and Powell, 1983; Kostova et al., 2020; Scott, 1995), since organizations are part of the institutional environment in which they are embedded, they have a certain

level of knowledge seeking and external knowledge absorption capacity depending on the characteristics of the institutional context (Stenholm et al., 2013; Baron, 2007).

At this particular point, it is considered that the institutional context in which organizations are embedded provides an appropriate framework to understand the phenomenon examined within the scope of the research. Although there are different perspectives on conceptualizing the institutional environment (e.g., North, 1990; Scott, 1995; Kostova et al., 2020), a widely accepted conceptual framework is the regulatory, normative, and cognitive pillars proposed by Scott (1995). The regulatory dimension concerns the institutionalized legal framework and the legitimacy obtained as a result of compliance with it (Meyer and Rowan, 1977). The normative dimension, an important institutional environment dimension for the automotive industry, emerges especially in the focus of the standards widely adopted in the sector. The cognitive dimension emerges as a result of the cognitive capacities of individuals that determine how they perceive and make sense of the world (Scott, 1995). Therefore, the ability of automotive supplier organizations from developing countries to take on and manage a complex process such as internationalization and innovation, which requires multidimensional thinking and simultaneous evaluation of all dimensions of the environment, is related to their cognitive capacities in this respect. Consequently, since the cognitive capacities of individuals and organizations will differ across the institutional contexts in which they are embedded, the positive effects of FDI spillovers, such as innovation and internationalization, will also be sensitive to cognitive institutional frameworks.

### **3. METHODOLOGY**

To understand absorptive capacity and how it is driven by the institutional environment, it is necessary to go beyond existing studies and delve deeper into the context of local organizations and their cognitive frameworks through which they define and interpret knowledge. For this purpose, qualitative research methods can provide significant benefits. In this study, multiple case study method, one of the qualitative research designs (Yin, 2009), was preferred. Multiple case studies, which allow researchers to gain deep insights into how and why phenomena occur, represent an appropriate method for exploring overlooked patterns and background effects (Weick, 1995). The ability to interpret phenomena and events in their context through multiple case studies, which requires in-depth examination of a few examples (Dijk, 2008), is the main motivation for our methodological choice.

The context in which the cases are embedded is important for multiple case studies. In this study, the context of the Turkish automotive industry was chosen to examine the phenomenon of vertical FDI spillovers. The choice of the context was influenced by the researchers' similar studies conducted in different sectors and their field experiences during these studies. The fact that buyer-supplier relations in the automotive industry constitute a suitable context to understand the nature of the phenomenon has been an important factor in the researchers' choice of the sector.

The Turkish automotive industry is a different research domain from the developed country examples in terms of buyer-supplier relations subject to FDI spillovers. In the context where all the main industry organizations operating in the sector (for the passenger car segment) are of developed country origin, many local organizations operate as suppliers of these organizations. There is a significant asymmetry in terms of knowledge and technology between main industry organizations and local suppliers. This asymmetry is important for the purpose of the current research, which is shaped around absorptive capacity. While main industry organizations originating from developed countries represent globally recognized organizations with international experience due to their operations in different countries, for local suppliers, working with these organizations requires meeting their expectations in regulatory, normative, and cognitive frameworks. As a result of meeting these expectations, the relationship between main industry organizations and local suppliers can lead to positive vertical FDI spillovers effect for local suppliers after a while. However, these effects are expected to occur in different ways for every supplier organization, and it is thought that the level of these effects will differ according to local suppliers' awareness, motivation, and capacity. Within the framework of the purposeful sampling strategy, which is a feature of qualitative research methods, the automotive industry is an appropriate research field for the reasons mentioned above.

The level of awareness, motivation, and capacity of local supplier organizations, and in turn, the extent to which they are able to absorb vertical FDI spillovers, also varies according to the structural characteristics of the context. In the automotive industry, supplier organizations are located at different supply chain stages, such as OEM, TIER 1, TIER 2 and TIER 3. It is thought that organizations located at OEM and TIER 1, which have a higher opportunity to establish direct relations with foreign main industry organizations, and organizations located at other stages where relations are more indirect, will not benefit from vertical FDI spillovers at the same level and will be subject to different institutional pressures. For this reason, it was thought that it would be appropriate to determine the case studies with the maximum variation sampling strategy. With these considerations in mind, attention was paid to representing each step of the supply chain in the sample of the study. Another factor considered while including the context's diversity in the study is R&D activities. Because the absorptive capacity is a reflection of organizations' own R&D activities, organizations with and without R&D centers were included in the sample. At this point, it should be mentioned that the main purpose of maximum variation sampling is not to make comparisons between case studies, but the inclusion of different characteristics of the context is the main motivation of this strategy.

Although many local organizations operating in the Turkish automotive supply industry meet the specified criteria, based on the experience and observations of the researchers in the automotive industry for about 1.5 years, the companies that can provide the most saturated information were identified.

Among these companies, interviews were conducted with 8 organizations that responded positively to

the interview request.<sup>2</sup> In addition, field observations and documents obtained from various secondary data about the organizations were used as further data sources. The first organization interviewed was considered as a pilot study, and the data of this supplier organization was not included in the research findings.

In the light of the criteria outlined above, seven supplier organizations were included in the research as cases. Data were collected through 90-minute (average) face-to-face interviews with the organizations' R&D managers (Case 1, 3, and 7), owner (Case 2), production (Case 4) and project (Case 6) managers, and export manager (Case 5). Case 1, 2, 5, 6, and 7 are well-established organizations operating in the sector for more than 50 years. The youngest supplier organization is Case 3, established in 1995. Case 6 and 7 carry out supply activities in OEM and TIER 1 position. Case 1 is only a TIER 1 organization, while Case 2 and Case 4 are TIER 2 suppliers. Case 3, the youngest supplier organization, is positioned as TIER 1 and TIER 2. In the case studies, Case 1, 3, 5, and 7 have an R&D center, while the other organizations carry out their R&D activities within the production department.

Systematic content analysis method was used to analyse the data. After all the data were collected, the meaningful parts of the data obtained for each organization were transformed into codes, and the common ones from these codes were transformed into themes. In the data analysis, two researchers first read the data sets several times separately and performed the coding process after they developed familiarity. Then, the coding of the researchers was compared, and it was seen that there was approximately 78% agreement between the codings. As a result of the discussions on the differently coded statements, a common ground was found in these statements and the coding process was completed.

#### 4. FINDINGS AND DISCUSSION

According to the findings obtained through content analysis of individual cases, it is revealed that vertical FDI spillovers are driven by the theme of awareness and motivation and capacity, which consists of (1) innovation awareness and motivation, (2) internationalization motivation and capacity, and (3) economic and political instability codes. Table 1 summarizes the extent to which the relevant codes are coded on a case-by-case basis within the data sets.

**Table 1. Distribution of Codes by Cases**

<b>Awareness &amp; Motivation &amp; Capacity*</b>		<b>C1</b>	<b>C2</b>	<b>C3</b>	<b>C4</b>	<b>C5</b>	<b>C6</b>	<b>C7</b>
Code 1	Innovation Awareness and Motivation	6	3	2	4	2	3	5
Code 2	Int. Motivation and Capacity	3	-	5	2	1	3	5
Code 3	Economic and Political Instability	3	2	3	2	3	-	-

\*The numbers in the table show the frequency of the statements related to the relevant codes within the cases.

<sup>2</sup> Prior to data collection, ethical committee approval numbered E-82554930-050.02.04-124355-726 was obtained from Karadeniz Technical University Social and Human Sciences Ethics Committee.



It has been argued that FDI in developing countries by multinational organizations from developed countries can bring innovation, productivity, and internationalization benefits to local organizations, especially in terms of vertical linkages (Aitken and Harrison, 1999; Blomström and Kokko, 1999; Lenger and Taymaz, 2006). However, it is argued that the emergence of these positive FDI spillovers is sensitive to the extent and content of foreign investments as well as the awareness and motivation of local organizations to innovate and respond to the presence of FDI (Meyer and Sinani, 2009). Despite being portrayed as passive recipients in the literature, local organizations derive different levels of benefits from FDI spillovers. One of the important reasons for this heterogeneity is local organizations' capabilities, awareness, and motivation (Chen et al., 2007).

FDI spillovers can be considered as a learning process. The extent to which learning takes place depends primarily on the activities (Meyer and Sinani, 2009) and cognitive schemas of local organizations that can be considered as recipients of knowledge. Accordingly, in order to understand how valuable technological and managerial knowledge provided by foreign-owned buyers to the local context can translate into FDI spillovers and provide productivity, innovation and internationalization benefits for local organizations, it is useful to address some factors such as awareness, motivation, and cognitive capacities of local organizations.

FDI spillovers are based on the assumption that MNEs, thanks to their strong technological and managerial knowledge, offer significant opportunities for local organizations (Lenger and Taymaz, 2006; Liu et al., 2009). However, these opportunities may not be equally understood by all local organizations. FDI activities represent a high-profile mode of entry compared to international trade (Dunning, 1998; Meyer and Sinani, 2009). Therefore, local organizations are aware of MNEs investing in their host countries through FDI activities. Nevertheless, they may not always grasp the potential impact of MNEs on their own operations in terms of learning potential. In the Turkish automotive industry, this risk is relatively lower. The high level of legitimacy of foreign-owned MNEs in the eyes of local organizations also indicates that local organizations have a high awareness of the benefits of doing business with MNEs.

Local organizations' cognitive frameworks, characterized by a high level of awareness of the contributions of doing business with foreign-owned main automotive industry organizations to their operations, represent an important incentive for FDI spillovers. In this way, local organizations that identify FDIs as a rich source of managerial and technological knowledge may be more open to learning and open up wider spaces for the potential positive effects of spillovers. However, awareness of the benefits of establishing buyer-supplier relationships with foreign-owned buyers does not necessarily imply that they will actually benefit from these relationships.

The fact that local organizations are exposed to new external knowledge through buyer-supplier relationships, and are even aware of its importance, is not sufficient for the successful assimilation of such knowledge by the organizations (Deng, 2010). As mentioned earlier, the existing capacities (Meyer and Sinani, 2009) and cognitive frameworks of local organizations need to be ready for learning process to transform the valuable technological and managerial knowledge provided by MNEs to the local context into positive FDI spillovers. An important point here is how local organizations define and perceive innovation. The cognitive dimension of institutions, representing the nature of reality and the cognitive frameworks through which individuals and organizations interpret information (Scott, 1995), can significantly guide the absorptive capacity required for FDI spillovers by influencing the values and meanings attributed to innovation across organizational domains. The conceptual frameworks shared by organizations about why and how innovation is done and under what conditions it can be beneficial (Clark, 1985) represent an important dimension of the cognitive institutional environment that can drive innovation (Shane, 1995), absorptive capacity (Cohen and Levinthal, 1990; Zahra and George, 2002) and indirectly FDI spillovers.

Innovation represents comprehensive activities that require a long-term perspective (Krammer, 2015; Igartua et al., 2010) and have many types such as product, process, technical and managerial (Armbruster, Bikfalvi, Kinkel and Lay, 2008; Alan and Yeloğlu, 2013). In short, it would not be correct to perceive innovation activities only as the development of a new product and expect it to yield results in the short term. Product innovation is only one dimension of the concept of innovation and is often associated with radical innovation (Varis and Littunen, 2010). However, innovation activities, which private sector organizations often define as anything that makes money while excluding the scientific dimension (Massa and Testa, 2008), represent much broader and long-term activities. While innovation can be classified as radical and incremental depending on the level of change and differentiation (Alan and Yeloğlu, 2013), it can also be classified as product, process, market and managerial innovation according to its application areas (Christensen, 1995). Each innovation activity is important for organizational success both in terms of its scale and field of application. Therefore, if organizations' motivations for innovation include cognitive frameworks that include all dimensions of innovation, it can significantly encourage FDI spillovers.

However, it is observed that the cognitive frameworks of local organizations operating in the Turkish automotive supplier industry, including their perceptions and definitions of innovation, have some limitations. For instance, R&D and innovation are perceived by some managers as product-related activities and, moreover as radical processes only. Their conceptual frameworks and cognitive schemas of R&D and innovation create significant cognitive constraints for local organizations by excluding important dimensions of innovation such as process innovation, managerial innovation, and incremental innovation (Damanpour, 1991);

In other words, if that product is not being produced in the world when you are engaged in an R&D activity, and if what you do does not bring you a competitor, it is actually an R&D activity, an innovation activity (C6).

This narrow-mindedness, which restricts innovation only in terms of the product and its radical dimension, creates a restrictive cognitive framework for local organizations in terms of patent applications, one of the most important outputs of innovation;

Our belief in patents is also a bit weak, our R&D manager also says so. In other words, you need to compete with the things in the world in terms of patents, and frankly, we do not make a product that will bring great innovation to the world. Or we have yet to design a process that will make a big impact in the world. Therefore, we have a sense of disbelief towards patents, and we have not applied for a patent (C1).

The fact that local organizations' cognitive frameworks of innovation include only one or two dimensions poses important constraints for FDI spillovers and spillover-induced internationalization processes. First, the view of innovation as only radical product-related activities leads to the neglect of other important dimensions of innovation, such as process innovation and managerial innovation by local organizations. In addition, as can be understood from the above statements, radical product innovations are seen as almost impossible for local organizations, further limiting their innovation activities.

In addition to the problems of the short-sightedness of local organizations of the automotive supplier industry in terms of innovation, their cognitive framework regarding their expectations from innovation can also cause significant constraints for FDI spillovers. As mentioned earlier, innovation is, by its very nature, a complex activity that requires a long-term perspective and investment. However, when the impressions from the interviews and the statements of some managers are considered together, local organizations see innovation only as a way to gain cost advantages and profit margins in the short term. The following statement of the manager of C3 supports this conclusion;

Now, most significant difference between us and foreigners in terms of innovation is that we are in a great hurry; that is, we want results very quickly. I mean, what I see is that foreigners plan it better; they plan the profit, loss, or how much they need to spend on the road better. We are neither very patient about these things, nor our investors here (C3).

Of course, private sector organizations' main purpose is to make a profit, and all activities, including innovation, are carried out to serve this purpose. However, what is considered as a cognitive constraint here is not the expectation of profit from innovation activities, but the expectation of realising this expectation in very short term. Such a perspective on innovation may lead to failure to achieve the desired results from the activities and to the failure to build the capacity and innovation culture that local organizations need in the process of FDI spillovers.

These constraints in the cognitive frameworks of local organizations operating in the Turkish automotive supplier industry regarding innovation also significantly direct their motivations for innovative activities. When the non-innovative, cost-oriented expectations of customers are considered together with the constraints in the cognitive frameworks of local organizations on innovation, the most important motivation for innovative activities is to reduce production costs. However, innovation can

be seen as an activity more related to a differentiation strategy than a cost leadership strategy. None of the local organizations interviewed stated that innovation is adopted with the motivation of achieving competitive advantage by differentiating in the sector. Based on these findings, the following proposition is developed;

*Proposition 1: The innovation benefits of FDI spillovers are constrained when local organizations' awareness and motivation towards the importance and benefits of innovation are limited in the institutional context.*

Local organizations that develop buyer-supplier relationships with multinational buyers in the automotive main industry can generate not only productivity and innovation benefits but also significant benefits for their own internationalization (Rhee and Belot, 1990; Buckley et al., 2002; Gu and Lu, 2011). However, as with the innovation effects of FDI spillovers, internationalization spillovers do not occur automatically through linkages. Local organizations that are able to increase their productivity and innovativeness through FDI spillovers are expected to have the necessary awareness and motivation to internationalize through their connections.

Internationalization through FDI offers various opportunities for local organizations. In the literature, these benefits are seen as benefiting from scale economies, spreading risks in the local context, reducing costs by accessing cheap labour and raw materials, and accessing valuable knowledge resources (Contractor, 2012; Andersson and Lööf, 2009). However, as with innovation, local organizations' awareness and cognitive frames of the benefits of internationalization may differ across institutional domains. The cost-oriented expectations of foreign customers from local organizations and the fact that they see them as valuable only in the host country may cause local organizations' cognitive frameworks about the benefits of internationalization to be limited to a cost-cutting perspective. In recent years, however, it has been observed that local organizations, especially those from developing countries, have been investing in developed countries with rich technological and managerial knowledge in order to gain access to technological and managerial resources that they cannot access in their home countries (Mathews, 2006; Sun vd., 2015).

5 out of 7 organizations within the scope of the study do not engage in international activities through FDI. Among these 5 organizations, C1 and C4 state that they occasionally include FDI activities in their agenda, while C2, C5 and C6 do not even consider that. It is noteworthy that both the local organizations that have FDI activities on their agenda from time to time and the organizations that do not have this mission at all explain their motivation for internationalization through FDI activities only in terms of cost. For example, according to the manager of C1, which until recently had internationalization on its agenda by acquiring a firm in Romania, the main motivation for this strategy of the organization was to reduce production and logistics costs;

There was such an agenda, as far as I know, there was an agenda to buy a company in Romania, but I think a lot of water has flowed under that bridge...I mean, this idea was motivated to reduce logistics costs (C1).

The statements of C4, another supplier that did not carry out FDI activities despite being on the organization's strategic agenda, are of particular interest. As in C1, C4, who explains the benefits of internationalization through FDI in terms of logistics costs, has decided not to make FDI investments despite being demanded and supported by foreign-owned buyers and explains this decision on the cost basis;

Two or three years ago, some of our customers invited us, they wanted us to invest abroad, in Romania or Bulgaria, and they said that they could share their connections and provide the support they could, but of course, there were purely political reasons behind this. ... But we did not get into this business. Investing abroad is a process that requires serious preparation... When we calculated the cost, we thought it was not necessary (C4).

Local organizations that do not have international investment decisions on their plan also seem to have cognitive frameworks with similar motivations;

To setting up a production facility abroad was something we had been thinking about for a while. Why were we thinking about it? In China, labour is very cheap, and they do it very cheaply. In fact, our European competitors opened facilities there, but I think they started to give up...They are going very fast in Industry 4.0...you can do it with a robot there, or you can do it with a robot here. There is nothing attractive like labour cost anymore. I think there is an idea that this is no point in it anymore. I mean, the industry 4.0 storm has made this tendency lose its meaning a little (C2).

At the moment, as a company, we do not have an obligation to invest in another country, we do not need to make such an investment decision since there is no such demand from our customers. When such an obligation arises in the future, we may of course put it on our agenda (C5).

In relation to the cost-based expectations of foreign-owned customers from local suppliers, local organizations only consider internationalization through FDI to the extent that it can reduce costs. The fact that local organizations' awareness and motivation of the benefits of internationalization are limited to cognitive frameworks that exclude important motivations such as strategic assets seeking, which has been seen as the main motivation for the internationalization of developing country local organizations in recent years, constitutes an important constraint for the internationalization benefits of FDI spillovers. First, even when local organizations do consider international investment activities, as a reflection of their cost leadership strategy, they only consider investing in other developing countries where they are less likely to acquire strategic assets, such as Romania and Bulgaria. In addition, local organizations that are not seen as solution partners by FDI customers try to maintain their status quo. This situation causes local organizations to continue their activities only in Turkey and develop a high level of dependency on FDI customers. These dependencies can limit the internationalization benefits of FDI spillovers. In light of the findings presented above, the following proposition is developed;

*Proposition 2: In the institutional context, the internationalization benefits of FDI spillovers will be constrained when local organizations have limited awareness and motivation towards the importance and benefits of internationalization.*

Innovation and internationalization can be defined as a set of activities that require a long-term perspective and vision, and in this respect, organizations need to show patience. However, it will not be

enough to explain the long-term perspective only by the cognitive frameworks or organizational structures that organizations have. Local organizations in developing countries may be motivated to invest more in innovation and respond more to foreign investments if the institutional environment allows them freedom of movement (Meyer and Sinani, 2009). Government institutions and policies act as guarantors of regulation and stability in the economy (North, 1990). The fact that innovation, and indirectly FDI spillovers, require a long-term perspective and vision is sensitive to a sufficiently stable institutional context (Aidis, 2005; Krammer, 2016). In particular, local organizations operating in an economically and politically more stable environment are expected to invest more readily in innovative activities that can strengthen the positive effects of FDI spillovers (Krammer, 2016; Feng and Johansson, 2017). Economic and political stability can reduce uncertainty about the future, providing greater incentives for local organizations to engage in long-term innovative activities such as R&D (Allard, Martinez and Williams, 2012). On the contrary, an unstable economic and political environment can significantly constrain local organizations in their FDI spillovers by creating a bottleneck effect for innovation activities (Leydesdorff and Meyer, 2006; Varsakelis, 2006).

Political and economic instability, which is often associated with the perceived inefficiencies of regulatory institutions (Nadeem et al., 2020), further reinforces the short-term perspectives in organizations' cognitive frameworks and can create significant constraints for innovation and, indirectly, FDI spillovers and spillover-induced internationalization processes. Organizations in the Turkish automotive supplier industry also state that political and economic instability is one of the biggest obstacles, especially concerning R&D;

Now, we make 10-year contracts in the automotive sector, but we cannot even see our 1-2 years ahead. This creates quite a problem for Turkish companies. Political and economic stability comes to the forefront here (C2).

For example, there is the F35 project today, we have been investing in the F35 project for years. But suddenly, we were thrown out of the project for purely political reasons. What happens as a result? We become unable to see the future (C4).

When the above two discourses are interpreted together, it can be said that the instability in the policies of state institutions plays a role in limiting the long-term time horizons of local organizations and prevents the establishment of the necessary ecosystem for FDI spillovers. In addition to political instability, it is clear that economic instability will also affect local organizations, especially in the automotive industry, where most of the factors of production are provided in foreign currency and export activities are carried out intensively. As in the case of political instability, economic instability, which is particularly associated with the exchange rate, is said to increase uncertainties for local organizations about the future;

So, in fact, economic instability, exchange rate etc. caused a serious boom in our sales. But when we look again to see if we can see ahead, frankly, we can't see much...So at this point, we cannot carry out the R&D activities we want a hundred percent (C5).

High levels of political and economic instability perceived by local organizations, combined with normative and cognitive constraints, push local organizations away from innovative activities. As one manager stated, innovative activities such as R&D are perceived as almost impossible for local organizations trying to ensure the sustainability of their business operations;

So, do I want to deal with R&D and innovation as a company? No. Because as I said, companies in Turkey are obviously struggling for the sustainability of their commercial activities (C6).

As a result, it can be said that an institutional context of political and economic instability creates significant constraints for local organizations in activities such as innovation and internationalization, which require a long-term perspective, patience, and resources. Consequently, even if a great deal of technological and managerial knowledge is transferred by MNEs to the host country, local organizations may lack the motivation and capacity to absorb and use this knowledge in their own operations, and thus the positive effects of FDI spillovers may be missed.

*Proposition 3: High levels of political and economic instability perceived by organizations in the institutional context will negatively affect the innovation and internationalization activities of local organizations and limit the benefits of FDI spillovers in this direction.*

## **5. CONCLUSION**

This study uses multiple case study methods to examine how awareness, motivation, and cognitive capacity play roles in absorbing valuable technological and managerial knowledge contextualized by foreign-owned parent industry organizations in the Turkish automotive industry. The main assumption of the study is that FDI by MNEs in developing countries is likely to be loaded with technological and managerial knowledge that can provide significant opportunities and wealth for local organizations. The findings of the content analysis of data from in-depth interviews with seven local supplier organizations, observation notes, and documents suggest that institutional environmental factors significantly drive the absorptive capacities of local organizations.

The emergence of positive FDI spillover effects in vertical linkages depends not only on the extent of technological and managerial knowledge that FDI customers possess and can transfer to the local context, but also on the extent to which local organizations have sufficient awareness, motivation, and capacity to internalize this knowledge (Meyer and Sinani, 2009). Based on the findings, the high level of awareness of local organizations in the Turkish automotive supplier industry about the contribution of buyer-supplier relationships developed with FDIs to their own operations, due to the high legitimacy of foreign customers, offers important opportunities for FDI spillovers. Local organizations increase their efficiency by responding to customers' cost-oriented expectations. However, efficiency gains force local organizations to maintain their status quo. This leads to inertia in local organizations in terms of innovation and internationalization. Accordingly, the awareness and motivation of local organizations

in innovation and internationalization phenomena diminish, which weakens the potential effects of FDI spillovers.

This situation, which causes some limitations in their cognitive frameworks towards innovation and internationalization, may cause local organizations to define innovation only as product-based and radical activities and to utopianize them as activities that cannot be realized with their own resources. This limits the extent to which local organizations can benefit from the rich managerial and technological knowledge transferred by MNEs to the host country through FDI activities. Local organizations are content with the efficiency benefits of FDI spillovers and accordingly, at the expense of maintaining their status quo, they define innovative activities as solely cost-cutting activities. Moreover, these constrained cognitive frameworks on innovation further limit the ability of local suppliers to absorb and transform new external information into their own operations, thus making it even more difficult for the positive effects of FDI spillovers to emerge.

Similar to innovation, the emergence of internationalization effects of FDI spillovers is hampered by the limited cognitive frameworks of local organizations. Local suppliers are likely to engage in internationalization activities to the extent that they contribute to meeting customers' cost-based expectations, while their awareness and motivation for other motivations of internationalization may be limited. However, it is noteworthy that these restrictive effects do not occur for all organizations, and that organizations with a high level of awareness, motivation, and capacity towards the benefits of innovation and internationalization can benefit positively from buyer-supplier relationships. It is an important finding that these exceptional local organizations are already intensively conducting their own internationalization activities through FDI. This suggests that the views in the related literature that local organizations that achieve productivity and innovation gains through FDI spillovers can use these gains to carry out their own internationalization activities (e.g., Rhee and Belot, 1990) are not valid for the Turkish automotive supply industry. Accordingly, in the context of the Turkish automotive supply industry, FDI spillovers do not affect the internationalization of local organizations, but internationalization affects FDI spillovers.

This study, which attempts to explain the phenomenon of FDI spillovers by examining local organizations, which have so far been neglected in the literature, and their embedded institutional environments, has the potential to make a theoretical and methodological contribution to the related literature. In addition, the current study has the potential to contribute to local organizations and policy makers in the Turkish automotive industry, which hosts intensive FDI flows, in internalizing these flows to their benefit.

This paper takes a specific perspective derived from a large-scale project carried out by the researchers. It is clear that future studies with different theoretical frameworks are needed to understand



how FDI spillovers occur. However, the current study was conducted in the context of the automotive industry. In future studies, it would be useful to consider different contexts simultaneously to understand the role of organizational fields in the process of FDI spillovers by comparing the dynamics of sectors.

## REFERENCES

- Ahmad, B. and Ercek, M. (2018) “Absorptive Capacity and Institutional Theory: A Review and Appraisal of Future Research Agenda”, *Journal of Economic & Management Perspectives*, 12(2): 5-17.
- Aidis, R. (2005), “Institutional Barriers to Small-and Medium-Sized Enterprise Operations in Transition Countries”, *Small Business Economics*, 25(4): 305-317.
- Aitken, B. J. and Harssion, A. E. (1999) “Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela”, *American Economic Review*, 89(3): 605.
- Alan, H. and Yeloğlu, O. (2013) “Markalaşma ve Yenilikçilik”, *İktisadi Yenilik Dergisi*, 1(1): 13-26.
- Alfaro, L., Rodríguez-Clare, A., Hanson, G. H. and Bravo-Ortega, C. (2004) “Multinationals and Linkages: an Empirical Investigation [with Comments]”, *Economia*, 4(2): 113-169.
- Allard, G., Martinez, C. A. and Williams, C. (2012) “Political Instability, Pro-Business Market Reforms and Their Impacts on National Systems of Innovation”, *Research Policy*, 41(3): 638-651.
- Andersén, J. (2015) “The absorptive capacity of family firms: How Familiness Affects Potential and Realized Absorptive Capacity”, *Journal of Family Business Management*, 5(1): 73-89.
- Andersson, M. and Lööf, H. (2009) “Learning-By-Exporting Revisited: The Role of Intensity and Persistence”, *Scandinavian Journal of Economics*, 111(4): 893-916.
- Armbruster, H., Bikfalvi, A., Kinkel, S. and Lay, G. (2008) “Organizational Innovation: The Challenge of Measuring non-technical Innovation in Large-scale Surveys”, *Technovation*, 28(10): 644-657.
- Baron, R. A. (2007) “Behavioral and Cognitive Factors in Entrepreneurship: Entrepreneurs as the Active Element in New Venture Creation”, *Strategic Entrepreneurship Journal* 1 (1–2): 167–182.
- Blomstrom, M. and Kokko, A. (2003) “Human Capital and Inward FDI”, Available at SSRN 387900.
- Borensztein, E., De Gregorio, J. and Lee, J. W. (1998) “How Does Foreign Direct Investment Affect Economic Growth?”, *Journal of international Economics*, 45(1): 115-135.
- Bournakis, I., Christopoulos, D. and Mallick, S. (2018) “Knowledge Spillovers and Output per Worker: An Industry-level Analysis for OECD Countries”, *Economic Inquiry*, 56(2): 1028-1046.

- Buckley, P. J., Clegg, J. and Wang, C. (2002) “The Impact of Inward FDI on the Performance of Chinese Manufacturing Firms”, *Journal of International Business Studies*, 33: 637-655.
- Caves, R. E. (1974) “Multinational Firms, Competition, and Productivity in Host-Country Markets”, *Economica*, 41(162): 176-193.
- Chang, S. J. and Xu, D. (2008) “Spillovers and Competition Among Foreign and Local Firms in China”, *Strategic Management Journal*, 29(5): 495-518.
- Chen, M. J., Su, K. H. and Tsai, W. (2007) “Competitive Tension: The Awareness-Motivation-Capability Perspective”, *Academy of Management Journal*, 50(1): 101-118.
- Christensen, J. F. (1995) “Asset Profiles for Technological Innovation”, *Research Policy*, 24(5): 727-745.
- Clark, K. B. (1985) “The Interaction of Design Hierarchies and Market Concepts in Technological Evolution”, *Research Policy*, 14(5): 235-251.
- Coe, D. T. and Helpman, E. (1995) “International R&D Spillovers”, *European Economic Review*, 39(5): 859-887.
- Cohen, W. M. and Levinthal, D. A. (1990) “Absorptive Capacity: A New Perspective on Learning and Innovation”, *Administrative Science Quarterly*, 35(1):128-152.
- Contractor, F. J. (2012) “Why Do Multinational Firms Exist? A Theory Note about the Effect of Multinational Expansion on Performance and Recent Methodological Critiques”, *Global Strategy Journal*, 2(4): 318-331.
- Damanpour, F. (1991) “Organizational Innovation: A Meta-Analysis of Effects of Determinants and Moderators”, *Academy of Management Journal*, 34(3): 555-590.
- Deng, P. (2010) “Why Do Chinese Firms Tend to Acquire Strategic Assets in international Expansion?”, *Journal of World Business*, 44(1): 74-84.
- Demena, B. A., and van Bergeijk, P. A. (2019) “Observing FDI Spillover Transmission Channels: Evidence from Firms in Uganda”, *Third World Quarterly*, 40(9): 1708-1729.
- Dijk, S. J. V. (2008) “Realizing Radical Innovation in Established High-Tech Companies: A Micro Institutional Perspective”, PhD Thesis, Eindhoven /Eindhoven University.
- DiMaggio, P. J. and Powell, W. W. (1983) “The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields”, *American Sociological Review*, 48(2): 147-160.
- Eden, L. (2009) “Letter from the Editor-in-chief: FDI Spillovers and Linkages”, *Journal of International Business Studies*, 40(7): 1065-1069.

- Feng, X. and Johansson, A. C. (2017) “Political Uncertainty and Innovation in China”, Stockholm School of Economics Asia Working Paper Series, 44.
- Glass, A. J. and Saggi, K. (1998) “International Technology Transfer and the Technology Gap”, *Journal of Development Economics*, 55(2): 369-398.
- Gu, Q. and Lu, J. W. (2011) “Effects of Inward Investment on Outward Investment: The Venture Capital Industry Worldwide 1985–2007”, *Journal of International Business Studies*, 42: 263-284.
- Hall, R. E. and Jones, C. I. (1999) “Why Do Some Countries Produce So Much More Output Per Worker Than Others?”, *The Quarterly Journal of Economics*, 114(1): 83-116.
- Han, J., Chen, Y. and Sun, H. (2021) “Foreign Direct Investment Spillover Effect on China’s Sustainable Development”, *Ecological Chemistry and Engineering S*, 28(1): 117-127.
- İlhan-Nas, Okan, T. and Şahin, F. (2021) Doğrudan Yabancı Sermaye Yatırım Kaynaklı Teknolojik Yayılımların Türk İmalat Sanayiindeki Yerel Firmaların Yenilik ve Ar-Ge Gelişimleri Üzerindeki Etkileri, TÜBİTAK 1003- Priority Areas R&D Program Project, 117K787.
- Javorcik, B. (2004) “Does Foreign Direct Investment Increase the Productivity of Domestic Firms? Search of Spillovers Through Backward Linkages”, *American Economic Review*, 94(3): 605-627.
- Jude, C. (2016) “Technology Spillovers from FDI. Evidence on the Intensity of Different Spillover Channels”, *The World Economy*, 39(12): 1947-1973.
- Ko, W. W. and Liu, G. (2015) “Understanding the Process of Knowledge Spillovers: Learning to Become Social Enterprises”, *Strategic Entrepreneurship Journal*, 9(3): 263-285.
- Kostova, T. (1999) “Transnational Transfer of Strategic Organizational Practices: A Contextual Perspective”, *Academy of Management Review*, 24(2): 308-324.
- Kostova, T., Beugelsdijk, S., Scott, W. R., Kunst, V. E., Chua, C. H. and van Essen, M. (2020) “The Construct of Institutional Distance Through the Lens of Different Institutional Perspectives: Review, Analysis, and Recommendations”, *Journal of International Business Studies*, 51: 467-497.
- Krammer, S. (2015) “Do Good Institutions Enhance the Effect of Technological Spillovers on Productivity? Comparative Evidence from Developed and Transition Economies”, *Technological Forecasting and Social Change*, 94: 133-154.
- Krammer, S. (2016) “Coping With Political Instability: Firm Innovation in Sub-Saharan Africa”, 9th Model-Based Evidence on Innovation and Development MEIDE Conference, Moscow.

- Lenger, A. and Taymaz, E. (2006) “To Innovate or to Transfer? A Study on Spillovers and Foreign Firms in Turkey”, *Journal of Evolutionary Economics*, 16(1): 137-153.
- Leydesdorff, L. and Meyer, M. (2006) “Triple Helix Indicators of Knowledge-Based Innovation Systems: Introduction to the Special Issue”, *Research Policy*, 35(10): 1441-1449.
- Liu, X., Siler, P., Wang, C. and Wei, Y. (2000) “Productivity Spillovers from Foreign Direct Investment: Evidence from UK Industry Level Panel Data”, *Journal of International Business Studies*, 31: 407-425.
- Liu, X., Wang, C. and Wei, Y. (2009) “Do Local Manufacturing Firms Benefit from Transactional Linkages with Multinational Enterprises in China?”, *Journal of International Business Studies*, 40: 1113-1130.
- Mathews, J. A. (2006) “Dragon Multinationals: New Players in 21 St Century Globalization”, *Asia Pacific Journal of Management*, 23(1): 5-27.
- Meyer, J. W. and Rowan, B., (1977) “Institutionalized Organizations: Formal Structure as Myth and Ceremony”, *American Journal of Sociology*, 83(2): 340-363.
- Meyer, K. E. and Sinani, E. (2009) “When and Where Does Foreign Direct Investment Generate Positive Spillovers? A Meta-Analysis”, *Journal of International Business Studies*, 40(7): 1075-1094.
- Morales, H. F. and Rosina M. (2020) “FDI Productivity Spillovers and Absorptive Capacity in Brazilian Firms: A Threshold Regression Analysis”, *International Review of Economics & Finance*, 70(1): 257-272.
- Morck, R., Yeung, B. and Zhao, M. (2008) “Perspectives on China's Outward Foreign Direct Investment”, *Journal of International Business Studies*, 39: 337-350.
- Munir, K. A. (2002) “Being Different: How Normative and Cognitive Aspects of Institutional Environments Influence Technology Transfer”, *Human Relations*, 55(12): 1403-1428.
- Nadeem, M. A., Liu, Z., Ali, H. S., Younis, A., Bilal, M. and Xu, Y. (2020) “Innovation and Sustainable Development: Does Aid and Political Instability Impede Innovation?”, *SAGE Open*, 10(4): 1-16.
- Narula, R. and Driffield, N. (2012) “Does FDI Cause Development? The Ambiguity of the Evidence and Why It Matters”, *European Journal of Development Research*, 24: 1–7.
- Narula, R. and Marin, A. (2003) “FDI Spillovers, Absorptive Capacities and Human Capital Development: Evidence from Argentina”, 1-51.
- North, D. C. (1990) “Institutions, Institutional Change and Economic Performance”, Cambridge: Cambridge University Press.

- Orlic, E., Hashi, I. and Hisarciklilar, M. (2018) “Cross Sectoral FDI Spillovers and Their Impact on Manufacturing Productivity”, *International Business Review*, 27(4): 777-796.
- Perez, T. (1997) “Multinational Enterprises and Technological Spillovers: An Evolutionary Model”, *Evolutionary Economics*, 7(2): 169-192.
- Perri, A. and Peruffo, E. (2016) “Knowledge Spillovers from FDI: A Critical Review from the International Business Perspective”, *International Journal of Management Reviews*, 18(1): 3-27.
- Qi, G., Jia, Y. and Zou, H. (2021) “Is institutional Pressure the Mother of Green Innovation? Examining the Moderating Effect of Absorptive Capacity”, *Journal of Cleaner Production*: 278(1): 1-11.
- Qin, J. Y. (2019) “Forced Technology Transfer and the US–China Trade War: Implications for International Economic Law”, *Journal of International Economic Law*, 22(4): 743-762.
- Rhee, Y. W. and Belot, T. (1990) “Export Catalysts in Low-Income Countries: A Review of Eleven Success Stories”, Washington D.C: The World Bank.
- Scott, R. W. (1995) “Institutions and Organizations”, CA: Sage, Thousand Oaks.
- Shane, S. (1995) “Cultural Differences in Innovation Championing Strategies”, *Journal of Management*, 21(5): 931-952.
- Singh, J. (2007) “Asymmetry of Knowledge Spillovers Between MNCs and Host Country Firms”, *Journal of international business studies*, 38: 764-786.
- Stenholm, P., Acs, Z. J. and Wuebker, R. (2013) “Exploring Country-Level Institutional Arrangements on the Rate and Type of Entrepreneurial Activity”, *Journal of Business Venturing*, 28(1): 176-193.
- Sun, S. L., Peng, M. W., Lee, R. P. and Tan, W. (2015) “Institutional Open Access at Home and Outward Internationalization”, *Journal of World Business*, 50(1): 234-246.
- Tian, X. (2007) “Accounting for Sources of FDI Technology Spillovers: Evidence from China”, *Journal of International Business Studies*, 38(1): 147-159.
- Varis, M. and Littunen, H. (2010) “Types of Innovation, Sources of Information and Performance in Entrepreneurial Smes”, *European Journal of Innovation Management*, 13(2): 128-154.
- Varsakelis, Nicos C. (2006) “Education, Political Institutions and Innovative Activity: A Cross-Country Empirical Investigation”, *Research Policy*, 35(7): 1083-1090.
- Weick, K. E. (1995) “Sensemaking in Organizations”, CA: Sage, Thousand Oaks.

- Xiao, S. S. and Park, B. II (2018) “Bring Institutions into FDI Spillover Research: Exploring the Impact of Ownership Restructuring and Institutional Development in Emerging Economies”, *International Business Review*, 27(1): 289-308.
- Xu, B. (2000) “Multinational Enterprises, Technology Diffusion, and Host Country Productivity Growth”, *Journal of Development Economics*, 62(2): 477-493.
- Yang, H., Phelps, C. and Steensma, H. K. (2010) “Learning from What Others Have Learned from You: The Effects of Knowledge Spillovers on Originating Firms”, *Academy of Management Journal*, 53(2): 371-389.
- Yin, R. K. (2009) “Case Study Research: Design and Methods”, CA: SAGE Inc.
- Zahra, S. A. and George, G. (2002) “Absorptive Capacity: A Review, Reconceptualization, and Extension”, *Academy of Management Review*, 27(2): 185-203.
- Zhang, K. H. and Song, S. (2001) “Promoting Exports: The Role of Inward FDI in China”, *China Economic Review*, 11(4): 385-396.

<b>KATKI ORANI / CONTRIBUTION RATE</b>	<b>AÇIKLAMA / EXPLANATION</b>	<b>KATKIDA BULUNANLAR / CONTRIBUTORS</b>
Fikir veya Kavram / <i>Idea or Notion</i>	Araştırma hipotezini veya fikrini oluşturmak / <i>Form the research hypothesis or idea</i>	Prof. Tülay İLHAN NAS (PhD) Fatih ŞAHİN (PhD)
Tasarım / <i>Design</i>	Yöntemi, ölçeği ve deseni tasarlamak / <i>Designing method, scale and pattern</i>	Prof. Tülay İLHAN NAS (PhD) Fatih ŞAHİN (PhD)
Veri Toplama ve İşleme / <i>Data Collecting and Processing</i>	Verileri toplamak, düzenlenmek ve raporlamak / <i>Collecting, organizing and reporting data</i>	Prof. Tülay İLHAN NAS (PhD) Fatih ŞAHİN (PhD)
Tartışma ve Yorum / <i>Discussion and Interpretation</i>	Bulguların değerlendirilmesinde ve sonuçlandırılmasında sorumluluk almak / <i>Taking responsibility in evaluating and finalizing the findings</i>	Prof. Tülay İLHAN NAS (PhD) Fatih ŞAHİN (PhD)
Literatür Taraması / <i>Literature Review</i>	Çalışma için gerekli literatürü taramak / <i>Review the literature required for the study</i>	Prof. Tülay İLHAN NAS (PhD) Fatih ŞAHİN (PhD)

**Hakem Değerlendirmesi:** Dış bağımsız.

**Çıkar Çatışması:** Yazar çıkar çatışması bildirmemiştir.

**Teşekkür:** -

**Peer-review:** Externally peer-reviewed.

**Conflict of Interest:** The author has no conflict of interest to declare.

**Acknowledgement:** -

---