

## Born Global Firms: A Foreign Trade Related Study on Turkey

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### **Abstract**

*With the comprehensive advent in information and communication technologies and worldwide ease of transportation, the volume of international trade and business increased profoundly. Within this process, a Born Global Firm (BGF), right from its initiation, aims at creating competitive advantage by marketing a large volume of its products in various international markets by utilizing technological advances. Therefore, the rationale behind the idea of BGF is to become an international firm in a short period of time and making international business affairs core of its business activities. Thus, the aim of this study is to review the concept of BGF theoretically and relate the issue to foreign trade affairs resting on significant sources related to the Turkish case mainly focusing on trade statistics as to review the potential development of BGFs in Turkey.*

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## 1. Introduction

Born Global Firms (BGFs) are instant international businesses right from the inception of an enterprise by utilizing high technology, contemporary know-how and information and communication means with a geocentric managerial point of view. BGF concept is familiar to Western developed states. However, with respect to Turkey, there are only two significant studies by Aktepe, Üner and Koçak (2011) and Üner, Koçak, Çavuşgil and Çavuşgil (2013). Thus, the aim of this study is to review the BGF literature, relate it to foreign trade affairs on Turkey and make interpretations on why enterprises could not become instantly global in Turkey resting on the most detailed and updated statistical figures, also with considering the small and medium enterprises (SMEs) since the inception of a BGF is based on SMEs.

## 2. Literature Review on Born Global Firms

Much of the studies on international business have been focused on considerable international, global ventures and multinational businesses. However, after 1990s, the concept of BGF began to rise. Regarding to many studies, in various instances, small and medium enterprises tend to internationalize after their inception quickly. BGF refers to the quick internationalization of new founded small businesses, which could also be denoted as entities aiming at securing comprehensive competitive advantage by importing its products in various countries. As stated in some sources, the internationalization of BGFs materializes in 2 to 8 years and large volumes of their activities comprise of exportation and overseas transactions. Such firms are also delineated as Born-Globals, International New Ventures, High Technology Start-ups, Global Start-ups, Instant Exporters and Instant Internationals (Moen et al., 2008; Rialp et al., 2005; Eden et al., 2010; Brännback et al., 2007; Thai, Chong, 2008; Glowik, Götttert, 2009).

Irrespective of the term used for such businesses, the main trait of the process is to become an international business from the initiation and devote much of its sources and transactions in international business affairs in various international markets. Moreover, BGFs enjoy business development by means of quick internationalization with substantial amount of international operations, they rest on various options to access sources, seek to found local advantages in host markets and monitor unique capabilities in order to create and coordinate value chains on international basis, become extensive export and/or import start-ups, become region specific businesses and global actors. Swiftly alternating technology is considered as the basics of this process, additionally the support and incentive of governments, industrial drivers and managerial paradigms are considerable. The theory of internationalization of BGFs is generally rested on the resource based view which denotes the importance of firm specific sources and advantages (such as technology, human, capital and know-how) and the appropriate materialization of these sources as advantages in rapid globalization process (Freeman, Çavuşgil, 2007; Rialp et al., 2005; Andersson, Wictor, 2003).

Furthermore, one could conclude that internationalization of a firm at a great extent, right from its inception is not a simple issue and could require some instigating drivers such as (Rialp et al., 2005; Andersson, Wictor, 2003):

1. Profitable marketing opportunities in various countries, especially the niche markets that encourage small and medium businesses,
2. Utilization of technological developments particularly in the scope of information, communication and transportation technologies,
3. Enhancing significance of global and regional business networks and alliances to establish business initiatives,
4. Entrepreneurial capabilities and experience of senior managers coupling with taking risks in international investment.

The internationalization of BGFs refer to a rapid process. However, previous theories of internationalization were consisted of incremental processes of Stage Models (SM). There are two main categories in SMs. The theory of internationalization in SMs involve the Jonason & Vahlne's (1977) Uppsala Model and Bilkey & Tesar (1977), Çavuşgil (1980) and Reid's (1981) Innovation Related Internationalization Theory. These theories have conceptualized the internationalization of businesses as a gradual process. These theories contemplate the internationalization of a firm as a step by step approach, long after inception. According to the SMs, firms shall have a comprehensive domestic market base. Only after this stage, internationalization of a business initiates exportation with domestic and international experience and experimental know-how. Businesses, at the inception of the process, acquire experience, knowledge and know-how, utilize these assets in a gradual process to gain knowledge on international markets. The process involves a chain reaction beginning in a single market, shifting from domestic business operations to export activities by way of independent distributors or agents, later through establishing foreign sales subsidiaries or making greenfield investments. Another substantial factor closely related with SMs is the psychic distance. The term psychic distance refers to the concept of subjective or entrenched perceptions of self and other operations across international markets. It is a substantial variable while expanding to the international markets within the mind set of an executive. Psychic distance involves language, culture, technology, knowledge and industry similarities while expanding abroad as to choose analogous markets to invest. This view rests on the opinion of the ease of entry to markets which enjoy similar specifications (Andersen, 1993; Andersson, Wictor, 2003; Rialp et al., 2005; Moen et al., 2008; Bell et al., 2003).

Even though, the SMs depend on the incremental internationalization of businesses in a step by step sequence, hindrances to SMs appeared as criticism. As to be specific, the SMs were regarded as to be deterministic, meaning to be compelled to follow a gradual sequence in each case. However, with the changing business and market circumstances, it is possible to skip some of the stages in the internationalization process and avoid a risk averse manner in international

business operations. Since, the high-tech and knowledge-wide conditions of the 21st century and globalization enable businesses to make transactions and investments in every part of the world, a newly established and dynamic small and medium sized business could search and find investment opportunities in various international markets and make transactions both regionally and globally. Since, BGFs are generally small and intensively technology focused businesses acting in the global market place and in various countries from the very beginning of their establishment, it would be possible to circumvent some of the phases in SMEs and gain profound competitive advantage by using their unique sources in multiple markets. Furthermore, BGFs do not have to deal with comprehensive domestic business affairs. If there are profitable and adequate business opportunities viable abroad, it is possible to utilize them with high-tech frameworks and communication facilities on the contrary to follow a step by step sequence as it is in the SMEs (Andersen, 1993; Rialp et al., 2005; Brännback et al., 2007; Andersson, Wictor, 2003; Glowik, Göttert, 2009).

From the very nature of it, one could possibly state that businesses closely related to BGF phenomenon regard the world as a single and global market place, in which various and multiple opportunities appear consecutively and instantly. They do not have to be domestic or region focused, but on the contrary, BGFs are niche market oriented businesses on the global basis. They can develop and manufacture consumer specific products for narrow markets as to obtain pervasive competitive advantage. Moreover, penetration into various international and niche markets require BGFs to have ability to detect the opportunities instantly as well as build strong executive and business networks in order to both search and maintain global business networks and facilities. Additionally, another considerable aspect of BGFs is to have senior executives with a global point of view, considering the world as a single market place right from the inception of the business. Top managers of the BGFs enjoy a global paradigm and utilize updated knowledge, comprehensive networks and high technology to consider global investment opportunities. Besides, coupling with network capacity, whenever it is necessary, BGFs deal with key business partners, such as suppliers and distributors, in new business markets in order to fortify their business relationships. Thus, the core of the BGF concept rests on having a profound competitive advantage, core competence, geocentric point of view and choosing the best investment opportunities on the global scale (Rialp et al., 2005; Andersson, Wictor, 2003; Thai, Chong, 2008; Bell et al., 2003; Glowik, Göttert, 2009).

### **3. Export Transactions and Internationalization**

The internationalization pattern of businesses could realize in various forms (licensing, franchising, IJV, greenfield investment, management contracting). Yet, the very basic form of internationalization is exporting. Besides, BGF theory comprises the internationalization of a business with high volume of exportation transactions right from the inception of a business. Exporting is the activity of

manufacturing of products in home country and making the sales of goods and services in various host markets. Exportation could be classified as direct and indirect exporting. Direct exporting is to make sales of products without intermediaries, sometimes by means of a foreign sales office or agent. Indirect exporting involves the utilization of domestic and international distributors. Each strategy has its unique specifications, advantages and disadvantages (Freeman, Çavuşgil, 2007; Rialp et al., 2005; Çavuşgil et al., 2008: 382; Keegan, Green, 2013: 249-250; Cullen, Parboteeah, 2010: 244-246; Taoka, Beeman, 1991: 404-405). However, certain traits should be considered when internationalization by exporting such as (Çavuşgil et al., 2008: 383; Hill, 2009: 540; Cullen, Parboteeah, 2010: 245-249; Taoka, Beeman, 1991: 405-408):

- Focusing firm specific sources on profitable market opportunities,
- Control on the decision making process, operations and assets,
- Availability of human, financial, knowledge, technological sources to fulfill issues,
- Possessing tolerance to the level of risk in every market,
- Legal, cultural, political, economic and financial circumstances in a host country market,
- Partnering with local businesses, degree of competition and strategic alternatives that range long term.

Exportation is a popular form of internationalization with respect to low level of, business risks, costs and the degree of market affiliation and knowledge. Conventionally, production of merchandise is maintained in the home market, but, the marketing mix is designed for host markets and transactions are executed in accordance. Furthermore, exportation involves incredible amount of flows of goods, services and financial capital. Besides, as it is in the BGF case, a great portion of global exportation is conducted by small and medium sized enterprises. And, with respect to developed Western countries, SMEs comprise of at least 500 laborers (Çavuşgil et al., 2008: 387; Hill, 2009: 540-542; Taoka, Beeman, 1991: 404-406; Cullen, Parboteeah, 2010: 245-249). Therefore, the advantages of exportation to firms and countries could be denoted as (Çavuşgil et al., 2008: 389-390; Hill, 2009: 540-541; Cullen, Parboteeah, 2010: 245-249);

- Contribution to the rise in the volume of sales, profits and market share,
- Amounting rate of economies of scale to decrease total and per unit costs,
- Enlarging the domestic customer base on the global scale,
- Offsetting the business cycles with other investment options, thereby reinforcing the firm level capacity and economic growth,
- Optimal degree of risk associated with flexibility,
- Low cost of market entry by committing minimum amount of resources,

Disadvantages of exporting could be stated as lower level contact with clients abroad; prevention of obtainment of local market knowledge and experience;

obligation of focusing on international legal issues, transportation, distribution; as well as possibility of encountering tariff and non tariff barriers, foreign exchange fluctuations and risks (Keegan,Green, 2013: 252; Çavuşgil et al., 2008: 390-391; Hill, 2009: 540-541).

#### **4. A Critical Analysis of BGF and Export Relation on Turkey**

The internationalization process of BGFs rests on the attainment of a considerable volume of exports from the initiation of a business. By all means, the businesses executing this process are SMEs which utilize high-tech, contemporary knowledge, modern communication and transportation technologies. Moreover, the export operations of the SMEs and their processes regarding to future pose great importance (Freeman, Çavuşgil, 2007; Rialp et al., 2005; Andersson, Wictor, 2003). Turkey is at the threshold of Europe and Asia, consolidating the East with the West and North with the South at the convergence of many countries. Therefore, the location of the Republic of Turkey gives it a geographical advantage with respect to commercial operations since it is adjacent to many countries and regions. The trade policy of the Republic is based on an export-led-economic growth for years in order to increase the production capacity, commercial volume, foreign exchange amount and enhance economic power. Thus, the official commercial policy of the government has been developed towards expanding the general conditions and principles on goods and services exports, domestic and foreign processing activities, improving strategies regarding to the instigation of export volume, incentives, subsidies as well as the promotional operations and transit trade. Within this commercial, political, economic and legal framework, the inward commercial processing policies are objected to allow the exporting parties to procure raw materials, semi finished goods and capital items at the global quality standards and the lowest prices without being exposed to tariffs and non-tariff barriers. By all means, in order to facilitate the commercial activities, the trade policy of the Republic of Turkey is aligned with WTO applications. The outward oriented commercial policy of the Republic is complied with global contemporary standards as to facilitate the outflow of goods and services to as many host markets as possible in order to increase the commercial volume, currency transactions and GDP growth rate<sup>1</sup>.

##### **4.1. The Export Strategy of Turkey and BGFs**

Moreover, the economic development strategy of Turkey is officially based on increasing the volume of exports that is called the “Turkish Export Strategy for 2023<sup>2</sup>” that was initiated by the Ministry of Economy in 2009. The target of the strategy is to attain a 500 billion USDs export volume, become one of the ten

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<sup>1</sup> [www.economy.gov.tr](http://www.economy.gov.tr) \_ legislation / export; [www.mfa.gov.tr](http://www.mfa.gov.tr) \_ Prospects and Developments in the Turkish Economy.

<sup>2</sup> 2023 is the centennial of the foundation of the Republic of Turkey.

largest economies of the globe and enjoy 1.5% share of world trade by 2023. The plan towards 2023 also comprises of substituting the low-tech export items with high-tech export items. As to materialize this strategy and goals, the possible measures and actions to be taken could be denoted as<sup>3</sup>;

- Encouraging R&D projects to enhance international competitiveness,
- Resting on sectoral and country focused export diversification strategy,
- Improving the business conditions and export possibilities of SMEs,
- Focusing on brand creation in order to establish Turkish global brands,
- Facilitating the procurement of necessary inputs for export manufacturing,
- Establishing industry clusters and improving transportation and communication facilities as to cope with the world standards.

Speaking broadly, the 2023 export strategy of Turkey is rested on manufacturing facilities focused on exportation as the core of their operations and makes export activities as indispensable transactions and operations to make Turkey as one of the 10 largest economies in the world.

When Table 1 is reviewed, it is obvious that Turkey has been enjoying an improving export volume for years. An increasing export volume is an indicator of increasing production capacity and enhancing economic power with respect to capital, foreign currency and know-how accumulation. However, despite the statements made in the 2023 Export Strategy of Turkey, indicating an economic growth resting on export-led-economic growth, it is clear in Table 1 that Turkey has always been subject to foreign trade deficits at considerable rates. This is a sign of realizing domestic manufacturing and consumption with the foreign factors of production.

**Table 1: Foreign Trade Statistics & Deficits 2002 – 2012 (Billion USD)**

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP	230.5	304.9	390.4	481.5	526.4	658.8	742.1	616.7	734.9	772.3	822
Exports	36.1	47.3	63.2	73.5	85.5	107.2	132.0	102.2	113.9	135	139.9
Imports	-51.6	-69.3	-97.5	-116.7	-139.5	-170.0	-201.8	-140.9	-185.5	-240.8	-216.7
Foreign Trade Deficit	-15.5	-22.1	-34.4	-42.3	-54.0	-62.8	-69.8	-38.7	-71.6	-105	-76.7
Current Account Deficit	-1.8	-8.0	-15.7	-22.6	-32.2	-38.0	-41.4	-13.9	-48.6	-77.1	-35.0

Reference: [www.economy.gov.tr](http://www.economy.gov.tr); [www.tuik.gov.tr](http://www.tuik.gov.tr); [www.tcmb.gov.tr](http://www.tcmb.gov.tr).

When Table 2 is analyzed it is obvious that the composition of the import volume has always been comprehensively comprised of capital goods and intermediate goods. This means that, on the contrary to the 2023 Export Strategy of Turkey, the

<sup>3</sup> [www.economy.gov.tr](http://www.economy.gov.tr) \_ the Export Strategy of Turkey for 2023.

commercial policy of Turkey is based on import-led-export growth strategy, instead of pure export-led-growth strategy within the economic framework. This also implies that the domestic production of Turkey is rested on foreign factors of production, instead of utilizing domestic sources of production in the genuine sense (Gökmen, 2010).

**Table 2: Imports by Broad Economic Category, 2002-2012 (Billion USD)**

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Capital Goods	8.399	11.325	17.397	20.363	23.348	12.055	28.020	21.462	28.818	37.270	30.598
Intermediate Goods	37.665	49.733	67.549	81.868	99.604	123.639	151.748	99.509	131.445	173.140	160.918
Consumption Goods	4.898	7.813	12.100	13.975	16.116	18.694	21.489	19.289	24.735	29.692	24.320
Total	51.653	69.339	97.539	116.773	139.576	170.062	201.863	140.928	185.544	240.841	216.750

Reference: [www.tuik.gov.tr](http://www.tuik.gov.tr); [www.economy.gov.tr](http://www.economy.gov.tr).

However, manufacturing the merchandise with domestic sources and exporting globally is considerable for a state as to become competitively strong and be a significant actor on the global basis. With respect to this, encouraging SMEs to make initiatives to become a considerable part of domestic production and state commercial policies is indispensable to gain competitive advantage over other states. For, SMEs could become the future international or global businesses and provide capital, technology, know-how and foreign currency to a country. If SMEs could internationalize and implement business transaction in various countries as BGFs, the magnitude of this process could reveal much more. When the situation is considered regarding to Turkey, there is only 2 important studies. Within these studies, the research was executed with in-depth interviews and empirical analysis. But, the possibility of SME internationalization could also be reviewed with respect to statistical figures too.

#### **4.2. Statistical Reality and Review on the BGF Performance of Turkey**

As mentioned previously, Turkey strives to become one of the 10 largest economies in the world by 2023 with outward oriented policies. By all means, manufacturing goods and services with domestic sources of production and also generating high-tech and know-how are substantial to gain global competitive advantage. However, Turkey has always been subject to a foreign trade and related current account deficit, leading to potential capital and currency shortage as well as inadequacy to generate contemporary know-how and technology too, since Turkey is importing technology and knowledge in highly competitive sectors such as engineering and software.

The latest figures and data on foreign trade of the Republic of Turkey with respect to enterprise attributes are available in detail up until the end of 2011 within the

data base of the Turkish Statistical Institute<sup>4</sup>. According to these statistics, almost 59% of the export volume of Turkey was comprised of SMEs in year of 2011. In the entire 2011<sup>5</sup>, while, 52495 enterprises involved in export transactions, 63351 enterprises involved in import transactions. 59.6% of the exportation was made by businesses employing 0-249 laborers<sup>6</sup>. Within the export volume, the proportion of enterprises with 0-9 employees is 15.2%, with 10-49 employees is 25.7%, with 50-249 is 18.7% and with 250+ employees is more than 40%. With regards to OECD standards, SMEs employ less than 500 employees, comprise %95 of an economy, create most of the job opportunities (about 70%) and make almost 40% of exportation<sup>7</sup>. Respecting these figures, the SMEs in Turkey do not possess the employment standards of OECD as well as the same level of economic potential and contribution shall not be expected. Moreover, 63.6% of the export volume was materialized by large enterprises. SMEs comprised 46.8% of the export volume. Besides, large enterprises performed about 75% of importation and rest was done by SMEs<sup>8</sup>.

Moreover, with respect to external trade statistics, a great portion of the goods and services were exported to the EU (63.6%) by the large industrial businesses. Near Eastern countries ranked with 17.4% as the second commercial destination. Businesses operations in industrial activities involved in the 41.2% of all goods and services imported from the EU. In 2011, the largest and top 100 businesses in the domestic market materialized 46.4% of the export volume as well as the largest and top 50 businesses involved in 50% of the importation volume. Additionally, the 5 largest enterprises in the whole domestic industrial sector, acquired 18.8% of the industrial production, 13.8% of the export volume and almost 12% of the import volume<sup>9</sup>. As it is clear in this statement, a great portion of the commercial volume is in the disposal of large industrial businesses. However, as mentioned previously in this study, BGFs are the SMEs at the initiation of their life cycle as well as contribute to the domestic industrial production and foreign commercial volume comprehensively between 2 to 8 years. BGFs are high-tech focused innovative ones, also executing their business operations in various host markets by means of contemporary information & communication technologies and modern transportation facilities. But, as it is in the Turkish case, a comprehensive portion of the foreign trade volume is accomplished by the very large businesses listed in top 100 industrial enterprises. Therefore, when the foreign trade volume is mostly in

<sup>4</sup> 2012 statistics will be released at the end of 2013.

<sup>5</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr) \_ foreign trade statistics.

<sup>6</sup> SMEs employ less than 500 employees in contemporary Western standards. However, in Turkey, SMEs employ 250 or less employees. According to the Small and Medium Enterprises Development Organization of the Republic of Turkey, a SME is the one employing 249 or less employees with an annual turnover of no more than 40 million €s\_ [www.kosgeb.gov.tr](http://www.kosgeb.gov.tr).

<sup>7</sup> [www.oecd.org](http://www.oecd.org) \_ Small and Medium Sized Enterprises: Local Strength & Global Research.

<sup>8</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr) \_ press release on external trade statistics.

<sup>9</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr) \_ press release on external trade statistics.

the disposal of large and profound enterprising businesses, it would not be possible to witness significant born-global instances in the Turkish case.

Furthermore, out of the 52495 businesses exporting in 2011, 23695 of them exported to 1 country, 8772 of them exported to 2 countries, almost 10000 of them exported to 3-5 countries. 2183 businesses exported to more than 20 countries, comprising 58% of all exports and involving mainly the large businesses, excluding SMEs as it is supposed to be in the BGF case<sup>10</sup>. As one can recall that BGFs tend to enjoy a geocentric managerial point of view and aim at exporting to multiple host markets at the very early stages of their development. Here, the most important factor is to be able to export various countries. Nonetheless, more than 23000 businesses out of 52495 have commercial relation with only one host country market. Businesses possessing foreign trade relations with more than 20 countries are about 1/25 of the total exporters and comprise the largest industrial enterprises. However, as to instigate the inception and development of small and medium sized born-global enterprises, BGFs shall have facilities to achieve exportation to multiple host country markets irrespective of size and volume. Therefore, it would not be possible to consider Turkey a good location to initiate high-tech start-ups or instant internationals.

With respect to the external commercial statistics of the Republic of Turkey in 2011, 28726 enterprises out of 52495 exported to the EU and 17805 of them to the other European countries. Near and Middle Eastern countries rank as the third classification. When the import figures are considered, out of the 63351 enterprises, 39105 of them materialized import transactions with the EU countries and 37106 of them with the Asian countries, mainly China. When the exports are considered by commodity group and economic activity, about 125 billion USDs volume of commodity was involved of manufactured goods (mainly food products, textiles, apparels, paper products, basic metals and motor vehicles). When the imports are considered by commodity group and economic activity, more than 183 billion USDs volume was involved of manufactured goods (mainly food products, textiles, appeals, leather and related products, refined petroleum, chemicals, basic metals, motor vehicles and various minerals)<sup>11</sup>. As it is evident in the commodity group and economic activity data and figures, export items and import items are complementary. When Table 2 is reviewed, it is obvious that most of the imports involve capital and intermediate items utilized in the domestic production process. Global sourcing is very common in the 21st century, but importing too much of factors of production as it is in the Turkish case hampers indigenous R&D and technology & knowledge generation activities and gaining competitive advantage in international business affairs. BGFs are technology oriented firms producing merchandise, technology and know-how. Yet, first of all, by importing too much of

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<sup>10</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr) \_ press release on external trade statistics.

<sup>11</sup> [www.tuik.gov.tr](http://www.tuik.gov.tr) \_ press release on external trade statistics.

capital and intermediate items, it would not be possible to generate, technology and know-how with merchandise production. Second of all, when the commodity group and economic activities are regarded, most of the imports and exports are mainly comprised of food products, textiles, apparels, leather and related products, refined petroleum, chemicals, basic metals and various minerals that are far from being high-technology oriented. Since, the development of BGFs in an economy is comprehensively based on quick start, high-technology and profound know-how, it might not be possible to encourage and facilitate the development of BGFs in Turkey as to make the utmost contribution to economic development. Nonetheless, that's why, BGF cases are mostly confronted in the USA, Canada, Norway, Australia, New Zealand, France and Denmark, where technology, know-how and capital intensive merchandises have long been produced (Moen et al., 2008).

BGF is a phenomenon to become instantly international right at the establishment of the enterprise and focus on sweeping international business activities by exporting in 2 to 8 years of periods. Yet, when the BGF concept is considered with respect to Turkey by reviewing external trade statistics, enterprise characteristics and commodity group and economic activities, it is evident that SMEs, which are the foundation for BGFs, do not possess the necessary importance in foreign commercial policies of Turkey. Therefore, it is likely to mention that when the composition of exports & imports, extent of the enterprise size and import & export classifications, technology and R&D opportunities are regarded, Turkey is not a favorable location to establish born-global high technology start-ups.

## **5. Conclusion**

BGFs are small and medium sized enterprises which, from the initiation of business activities, aim at creating significant competitive advantage by way of utilizing high-tech, knowledge and core competences in order to do international business in multiple host country markets. BGFs begin their business life cycles as SMEs that could be regarded as backbones of an economy. SMEs account for more than 95% of businesses in a contemporary economy, provide about 70% of employment opportunities and act as promising development factors of a country. According to the OECD standards SMEs employ less than 500 employees and achieve a turnover of 40 million €s a year or have a balance sheet value no more than 27 million €. However, the upper limit could be determined as 200 or 250 in some countries too. Besides, the upper limit of employees for the very small micro enterprises could be as 50, 20 or 10 in other instances. Moreover, as the large enterprises downsize or complete their life cycles, SMEs improve to fill the gaps and extend their weight in an economy. SMEs could contribute to productivity growth, innovation, job creation and enhancement in commercial facilities, thereby, improving the

economic progress entirely<sup>12</sup>. That's why, consolidating and reinforcing SMEs is indispensable to develop economic power and competitive advantage. At the same time, by providing contemporary knowledge, know-how, technology, financial sources and communication & transportation facilities, it would be possible to foster the establishment and development of BGF process.

However, when the situation is regarded with respect to Turkey, Turkey is and has always been in need of contemporary knowledge, technology, sufficient financial resources and know-how. These sources have mostly been procured from abroad. Besides, BGF concept depends on the utilization of domestic sources, especially high-tech, know-how and firm specific core competences. Yet, Turkey has for years been importing foreign factors of production to cover these deficits. Turkey has always been subject to foreign trade deficit and as a result of this current account deficit. When the imports are analyzed by broad economic categories, about 80%-85% of all imports have been comprised of capital and intermediate goods. This means that the Republic of Turkey is a production factors importing country. Therefore, in such instances, it would not be possible to develop domestic sources of production, enhance SMEs and facilitate the emergence of BGFs.

When the external trade statistics are considered with enterprise characteristics, a significant portion of exportation and importation are realized by large industrial businesses, especially by the largest ones in top 100. Additionally, a great portion of the Turkish enterprises export to 1 to 5 host country markets. One should recall that BGFs consider the globe as a single market and attempt to act in as many host country markets as possible. But, in Turkey only about 2000 large enterprises have foreign trade relations with more than 20 countries. Furthermore, within the export and import commercial volume of Turkey, if the commodity groups and economic activities are considered, most of the items traded are mainly food products, textiles, apparels, leather and related products, refined petroleum, chemicals, basic metals and various minerals. Most of these items do not require high technology, comprehensive know-how or distinctive core competences. Therefore, it is likely to state that Turkey does not possess a prosperous environment for the inception and development of BGFs and SMEs at the same time. Therefore, literature on BGFs in Turkey and research are too narrow. Within this study, it is aimed to give particular explanations on why the BGF concept is unfamiliar to Turkey and shortcomings related to it.

However, profound initiatives could be taken to foster SMEs and encourage the development of BGFs at the same time. First of all, since the internationalization of an enterprise has become easier with technological developments, the challenges associated with instant globalization and SME improvement remain as inadequate financial sources, difficult access to contemporary technological developments, lack of global managerial paradigms, low efficiency and resource utilization in

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<sup>12</sup> [www.oecd.org](http://www.oecd.org) \_ Small and Medium Sized Enterprises: Local Strength & Global Research.

production processes and legal obstacles. Therefore, it is imperative to tackle these hurdles to foster SME breakthrough, coupling with BGF development. Besides, small businesses shall update and enhance managerial potentials and point of view regarding to global affairs. State authorities must take initiatives to improve the conditions for small enterprise development with easy access to low cost financial sources, also with providing the necessary legal framework to make new establishments for entrepreneurs and give priority to SMEs as much as possible. Furthermore, government support and subsidies to facilitate small business growth shall be available sweepingly to instigate clusters and small enterprise networks to search for cooperation in the field of technology, knowledge and market development. Grouping small enterprises in and pooling their sources to share experiences, know-how and technological advancements would accommodate businesses to become flexible, innovative and attain potential of efficiency enhancement. When these items are implemented in a well designed sequence, small firm development would be improved and the emergence of BGFs in a country could be facilitated. Turkey, despite the importance of SMEs in the development of an economy, is short of fortifying small business advancement and thereby BGFs too. Yet, if the suggestions stated in study are taken into consideration carefully, the Republic of Turkey could benefit from small business and BGF development in the real sense.

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