

Internationalization of Turkish SMEs: An Empirical Study

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Abstract

More than 99% of enterprises in Turkey are SMEs (Small and Medium-Sized Enterprises). Turkish SMEs try to expand into foreign markets. They want to increase their competitive advantages both in domestic and foreign markets. The purpose of this paper is to determine internationalization process and international processes of Turkish SMEs. The study was conducted on 267 SMEs in Istanbul in Turkey. Frequency distribution analyses and Chi-square analyses were applied to the data. It is found out that Turkish SMEs internationalize gradually as it was explained in Uppsala Theory. Most of them focus on exporting.

Keywords: internationalization, SME, Istanbul, Turkey, uppsala internationalization process, exports, FDI

1. Introduction

Nowadays, more and more Turkish SMEs (Small and Medium-Sized Enterprises) try to expand internationally. They are searching new markets and customers for their survival and growth. They apply different strategies and modes of entry for internationalization. They have substantial power in Turkish economy.

SME definition in Turkey was revised in 2003 to be parallel to the SME definition of European Union. According to definition in Turkey, SME is an enterprise which has between 1 to 249 employees, has annual balance sheet value and receive sales revenues up to 25 million Turkish Lira. 99.9% of enterprises are SMEs in Turkey. There are 3.222.000 SMEs in Turkey and 23.4% of them are in Istanbul (KOSGEB, 2011). Border-crossing business activities is named “globalization” or “internationalization” (Schulz, Borghoff, & Kraus, 2009). According to McDougall and Oviatt (2000) international entrepreneurship is a combination of proactive, risk-seeking and innovative behavior which crosses borders and aims to create value in enterprise. Oviatt and McDougall (2005) defined international entrepreneurship as discovery, enactment, evaluation, and exploitation of across border opportunities to create goods and services of the future. It has become more important in entrepreneurship research (McDougall & Oviatt, 2000; Oviatt & McDougall, 2005; Dana et al., 2008) (Boehe, 2009). There are two complementary approaches to SME internationalization; namely the international entrepreneurship orientation approach (born global) and Uppsala approach (Boehe, 2009). According to Knight and Cavusgil (1996) “born globals” are “...small, technology-oriented companies that operate in international markets from the earliest day of their establishment” (Schulz et al., 2009).

The purpose of this paper is to determine internationalization process and international activities of SMEs in Istanbul in Turkey. It is assumed that most of the Turkish SMEs internationalize gradually based on Uppsala Internationalization Process (UIP) Model. Thus, the paper focuses on UIP.

2. Uppsala Internationalization Process (UIP) Model for SME Internationalization

According to UIP, enterprises can expand gradually. They prefer to enter foreign markets which they have information about by applying low commitment entry mode such as exporting. When they increase their information about foreign markets, they can expand their commitment and the scope of their foreign operations towards foreign direct investment (FDI).

Johanson and Vahlne (1977) tell that according to the process school, enterprises expand into international markets after they develop their domestic market presence (Boehe, 2009). UIP model developed by Johanson and Vahlne in 1977 is the most popular traditional theory for SME internationalization and explains that enterprises internationalize slowly and incrementally due to high uncertainty, lack of knowledge about foreign markets, high risk etc. (Ha, Choi, & Jung, 2008). According to UIP model, entering and expanding in foreign

market is a risky activity. An enterprise needs to acquire information and knowledge about target markets to reduce its risk of failure. Johanson and Vahlne (1977) believe that enterprises can obtain more information about a market when they increase their commitment to that market (Boehe, 2009). Hallen and Wiedersheim-Paul (1979) suggest that UIP model claims that enterprises can face barriers in foreign markets due to 'psychic distance' (differences in language, culture, political system etc.) which prevents or disturbs information flow between the enterprise and the markets. Enterprises choose target markets which are close geographically and familiar (Ha et al., 2008). UIP model is based on enterprise characteristics, management characteristics, and market environment characteristics in different transaction costs which lead an enterprise to internationalize. The external and domestic market factors can stimulate enterprises' internationalization. UIP model shows that enterprise's size, experience, political risk, and regulation may increase international activities (Reddy & Naik, 2011). Wright, Westhead and Ucbasaran (2007) reviewed emerging SME internationalization perspective with regard to seven themes: the timing of internationalization, the intensity and sustainability of internationalization, the mode of internationalization, the influence of the domestic environmental context on internationalization, the leveraging of external resources to internationalize, the unit of analysis, and the effect of internationalization on SME performance. They suggested to apply more balanced policy support towards SME internationalization to consider the diversity of SMEs and entrepreneurs. Reddy and Naik (2011) conducted a study on internationalization strategies of Goan SMEs. They focused on the following determinants of internationalization: international planning experience, enterprise size, R&D intensity, competitive advantage, degree of standardization, demand intensity, economic development, regulation, and political risk. They found out that enterprise-specific resources and host country factors which cause sustainable competitive advantage encourage foreign market involvement.

3. Mode of Internationalization

Enterprises can start their international activities with low commitment by exporting, then increase their commitment and scopes of their operations to licencing, establish joint ventures with foreign companies and achieve foreign direct investment (FDI) with full commitment to foreign markets.

SMEs entry mode is a critical decision for internationalization. Enterprises can deploy entry modes such as exporting, joint ventures, and foreign direct investment. SMEs need to decide location of their production facilities, marketing operations, and ownership types for each of these entry modes (Reddy & Naik, 2011). The entry modes into foreign markets differ on risk degree, resource commitment, managerial degree control, and return potential. Some entry modes involve higher commitment level, transaction cost, and resource acquiring costs (Wright et al., 2007). Holmlund and Kock (1998) believe that the mode of internationalization is a strategic choice which influences its market position, and its ability to access to information and acquire resources (Wright et al., 2007). An incremental perspective suggests that an enterprise has to select low commitment level entry mode such as export in the early stage of business due to the reducing risks caused by lack of information and business practices in a foreign market (Ha et al., 2008). Companies can sell their products or services in several countries to lengthen life cycle of them. Luostarinen and Gabriellson (2004) showed that the time between establishment of an enterprise and its first export is getting shorter (Wright et al., 2007).

SMEs can apply exporting without establishing overseas base or FDI associated with a greenfield site, joint venture, or an acquisition by establishing overseas base. Decision of SMEs to continue to export can be affected by sunk costs which are related to production and distribution networks, costs of getting information about overseas customers, suppliers and regulatory environments (Wright et al., 2007). Westhead et al. (2002) show that the most important entry mode is direct exporting for SMEs. Westhead et al. (2002, 2004) show that small number of SMEs are exporters. These exporter SMEs receive only small proportion of their sales from foreign markets (Wright et al., 2007). Enterprises whose founders have industry knowledge and export experience tend to be exporters (Wright et al., 2007). Internationalization beyond export is new and unknown for many traditional SMEs (Schulz et al., 2009). Westhead et al. (2001) show that enterprises with older founders, more resources, denser information and contact networks and considerable management know-how make more exports (Wright et al., 2007). O'Farrell et al. (1996) add that joint ventures and partnerships are considered rarely as important entry modes for manufacturing and service activities (Wright et al., 2007). Kirby and Keiser (2005) believe that the number of SMEs which make foreign direct investment as an internationalization mode has been increasing (Ha et al., 2008). An enterprise which has location-specific resources can expand internationally by using high resource access modes such as FDI, acquisition and greenfield entry (Wright et al., 2007). Lu and Beamish (2001) add that FDI cause profit decline at the beginning then cause superior performance (Wright et al., 2007). According to European Commission, European SMEs mostly prefer low committed internationalization modes. Only eight percent of European SMEs export (Camison & Villar-Lopez, 2010).

Westhead et al. (2004) show that new manufacturing enterprises prefer exporting and have high internationalization intensities in UK (Wright et al., 2007). Zahra et al. (2000) show that there is a relation between international entry mode and learning in high technology ventures. They found out that acquisitions and other higher control entry modes facilitated greater breadth and technological learning speed than low control entry modes such as exporting and licensing (Wright et al., 2007). Dana and Wright (2004) add that new technology-based enterprises suggest that they can develop networks that increase the probability of selecting a joint venture (Wright et al., 2007). EIM (2005) presents that small number of technology-based SMEs can enter foreign markets through FDI (Wright et al., 2007). Wallau (2006), Kokalj and Wolff (2001) showed that no more than one third of German SMEs are internationally engaged. Less than 20 percent of these SMEs have international experiences gained from FDI or co-operations (Schulz et al., 2009).

4. Knowledge and Prior Experience Related to Foreign Markets

Ownership structure may affect international activities of an enterprise. Enterprises which have foreign share holders can expand into international markets easier. They can expand other foreign markets easier if they have positive experiences in their first foreign market. Entrepreneurs' prior foreign market knowledge and experiences may facilitate and accelerate international expansion of SMEs. Export is the easiest and the least committed mode of international expansion. When SMEs have experiences in foreign markets, they may increase the scope of their international activities. They can give their licences to foreign enterprises, establish joint ventures with other enterprises or achieve foreign direct investment. SMEs may prefer to apply same strategies and provide same products both in domestic and foreign markets not to take risks and decrease their costs. However, adaptation of strategies and products, or applying appropriate strategy and providing appropriate products for each market can increase acceptance, competitive advantages and revenues of SMEs in foreign markets.

Boehe (2009) defines foreign market knowledge as knowledge about foreign market problems and opportunities learned through personal experience in foreign markets. Eriksson, Johanson, Majkgard, and Sharma (1997) believe that lack of knowledge about internationalization, foreign business and organization increases the perceived cost of the internationalization process (Boehe, 2009). Acquiring market knowledge and increasing commitment can explain enterprise growth in foreign markets. According to UIP model, experiential market knowledge is absorbed incrementally so exports grow slowly (Boehe, 2009). Knowledge gathered through business ownership, experience, reputation, access to finance institutions, and social and business networks (Wright et al., 1997; Shane and Khurana, 2003) can leverage to exploit business opportunities in international markets. This knowledge help to identify opportunities to internationalize products and services that are not previously tradable. More knowledgeable enterprises and enterprises which learnt from their successes will increase their commitment to internationalization (Wright et al., 2007). If executives have foreign language skills, they can gather more foreign market knowledge. Therefore, they can have more international entrepreneurship orientation (Bilkey & Tesar, 1977: 94; Reuber & Fischer, 1997: 809) (Boehe, 2009). Carlsson, Nordegren and Sjöholm (2005) reveal the positive impact of international experience is determined by prior experience of an enterprise in regions similar to target markets (Camison & Villar-Lopez, 2010). Enterprises which have little international experience can exaggerate business risks and underestimate returns (Reddy & Naik, 2011).

Luo and Peng (1999) add that international experience of enterprises is associated with how intensely it performs abroad. Cazorla (1997) states that international experience can provide more information to enterprises to get the advantage of all financial opportunities. He adds that international experience can facilitate to find financing to undertake long term investments. Christensen, Da Rocha and Gertner (1987) believe that managerial learning about foreign trade financial environment help enterprises to have knowledge about financial support available for internationalization. Leonidou (1995) states that international experience can eliminate barriers related to payment and settlement mechanisms in international markets. Several researchers (Rawasami & Yang, 1990; Yang, Leone & Alden, 1992; Vahlne & Nordström, 1993; Acena, 1994; Katsiekas & Morgan, 1994, 1997; Campa & Shaver, 2002) believe that experience and knowledge about financial markets and instruments are important to get rid of barriers related to finance, use financial opportunities to expand internationally and survive in foreign countries (Camison & Villar-Lopez, 2010). Johanson and Vahlne (1977) believe that knowledge about foreign markets, cultures of foreign markets, characteristics of foreign market institutions and consumers, or skills to manage the internationalization process can be gathered through international learning (Camison & Villar-Lopez, 2010) Camison and Villar-Lopez (2010) add that enterprises can improve organization of commercial tasks, their distribution networks, brand recognition and reputation when they spend more time in foreign markets.

International work experience can influence international entrepreneurial orientation (Boehe, 2009). According to Kunda and Katz (2003) an entrepreneur plays substantial role during the early stage of export performance of

an enterprise (Wright et al., 2007). Alertness of entrepreneurs to new business opportunities is influenced by their previous experiences (Casson, 1982) which provide a framework for processing information (Schulz et al., 2009). Penrose (1995) defined international experience as foreign work experience and foreign language skills of executives. He considered international experience as a managerial resource that affects international growth of an enterprise (Boehe, 2009). Executives in SMEs may have previous international experience which helps enterprises to internationalize. They can gain these experience as a result of working, living or traveling in different countries, knowledge of foreign languages, making exports to different countries (Langston & Teas, 1976; Wiedersheim-Paul, Olson, & Welch, 1978; Reuber & Fischer, 1997) (Boehe, 2009). Chee, Choi, and Kim (2002) believe that previous business experiences of Korean entrepreneurs affect the amount and period of international business. If entrepreneurs have previous business experience in foreign markets, enterprises can expand in foreign markets easily without spending time to gather experience and knowledge (Ha et al., 2008).

5. Driving Forces

SMEs can be pushed as well as pulled into foreign markets. Activities and resources of larger organizations can affect internationalization of SMEs (Wright et al., 2007). Peng, Lee and Wang (2005) believe that SMEs aiming to develop their competitive advantages try to identify, create, and exploit opportunities in foreign markets by leveraging resources (Ha, Choi, and Jung, 2008). According to some researchers (Schulz, 2007; Schulte, 2002) internationalization process of traditional SMEs is influenced by customers, suppliers, identification of future markets and coincidence (meeting with a foreign businessman, or hiring a new foreign employee with international contacts) (Schulz et al., 2009). Buckley (1990) adds that enterprises continue to expand in the domestic market until expansion costs in the domestic market exceed expansion costs in international markets (Reddy & Naik, 2011). Literature on international theory shows that R&D intensity, demand intensity, economic development, and competition level may affect international development (Reddy & Naik, 2011). Driving forces of entrepreneurs are motivated by access to foreign markets, cost reduction, extension of their knowledge base, and follow the customer pressure (Schulz et al., 2009). Expansion in global logistics and airways network, simplified import procedures and trade practices, e-procurement and e-commerce facilitate instant purchase of products or services (Dasanayaka, 2011). Entrepreneurs who established SMEs need to consider direct and indirect costs, organization, employees of new subsidiaries; breach of trust, supplier and service network, non-transparent cultural and political background for internationalization (Schulz et al., 2009).

6. Barriers

Enterprise size may affect international activities of a company. SMEs may face barriers due to lack of resources, economies of scale, economies of purchasing and economies of distribution against internationalization. Their entrepreneurs may not be aware of that they need to gain new skills, abilities, knowledge for internationalization process. Foreign market expansion reasons of an enterprise are determined as competition, market size, customers, growth, resources, selling products abroad, making FDI, labor cost, raw material costs, semi raw material costs in this study.

SMEs can face barriers while they are exporting such as their manager may not have language or managerial skills, international experience, foreign market knowledge. According to Penrose (1995) enterprise expansion is affected by size and experience of management. He defines entrepreneurial services as new ideas related to products, location, technology, and employees. He adds that lack of entrepreneurship restricts expansion of an enterprise in international markets (Boehe, 2009). Traditional SMEs have disadvantages due to limited resource endowment. They operate with limited capacities in management, employees, and finance. If they succeed in exporting, gain experiences through the coordination of productions chains in different countries, an international learning loop starts to build up necessary know-how and be proactive (Schulz et al., 2009). Dasanayaka (2007) believes that SMEs do not have adequate resources to conduct research and radical innovation. They can not provide resources for improving their technology, productivity, and product quality. As the SMEs grow, competition for skilled labour can push up wage levels (Dasanayaka, 2011). According to Penrose (1995) uncertainty and risk limit international expansion by affecting demand and capital (Boehe, 2009).

Most of SMEs have financial, technological, and human resource constraints for international activities (Reddy & Naik, 2011). The RBV theoretical perspective has been used in internationalization process studies (Brouthers, Brouthers & Werner, 2008; Luo 2004, 2002) which explains differences in the enterprise's performance and international growth in terms of resources and capacities which provide competitive advantages which are transferable to international markets (Camison & Villar-Lopez, 2010). LeGale's et al. (2004) add that resource-based perspective suggests that entry mode depends on the resource access into foreign market.

Enterprises which internationalize may use their resources or try to find new resources. If an enterprise has geographically fungible resources, it can apply low resource access entry modes (Wright et al., 2007). Oviatt and McDougall (2005) believe that managerial resources such as skills and knowledge of executive board members affect SME's export and internationalization (Boehe, 2009). Internationalization process of SMEs is restrained by shortages in long-term financial assets (Bell, 1997; Cazorla 1997; European Commission, 2007) and in intangible assets, such as managerial competences (Manolova et al., 2002; OECD, 2006), attitudes of managers toward internationalization (CEDEFOP, 2002; Karagozolu & Lindell, 1998), human capital (López-Rodríguez, 2006; OECD, 2006; Merino, 1998), innovation and technological capabilities (Dhanaraj & Beamish, 2003), and marketing capabilities (Andersen & Kheam, 1998) (Camison & Villar-Lopez, 2010).

The economic development shows the extent of development in a foreign market which makes the market more or less attractive (Reddy & Naik, 2011). Governments may support large companies for FDI by providing appropriate fiscal policies, bank interest rates, loans, tax benefits and setting up economic zones. However, SMEs need assistance to receive easy and low interest credit, technology up-gradation, make exports, learn about regulations, time bound sanctions (Dasanayaka, 2011). Dasanayaka (2007) claims that SMEs biggest problem arise from working capital inadequacy and disbursement, sanction delays, poor credit management, gaps between sanction of term loan and working capital, high interest rates and collaterals. SMEs can face bureaucracy and high collaterals to receive loans from financial institutions due to high risks. SMEs can have problems such as problems of proprietorship, lack of adequate resources, economies of scale and scope, professionalism in business, financial management experience and financial discipline, distinguishing personal and enterprise expenditures (Dasanayaka, 2011). SMEs can face government regulations abroad different from their own country. Anderson and Gatignon (1986) add that SMEs could control the political risk by choosing low control modes to avoid resource commitment and increase strategic flexibility (Reddy & Naik, 2011).

Globalization expansion cause commodity chains take over business controls of SMEs (Dasanayaka, 2011). Bhavani (2006) adds that internationalization of production, marketing and distribution increased global commodity chains (Dasanayaka, 2011). Domestic market growth and the level of competition there can be important factors which affect the internationalization of enterprises (Reddy & Naik, 2011). Dasanayaka (2011) defined challenges and impact of globalization as follows; rise of multinational companies, changes in sourcing base, consumer profile, and customer preferences; easy procurement, growth of purchasing power, increasing importance of customers, location of manufacturing facilities, challenges of technology, paradigm shift in national priorities. Products of SMEs are priced out by products of large enterprises which are less costly as the result of economies of scales and scopes.

It is focused on demand, competition, distribution, suppliers, financial institutions, society, workforce, technical standards, knowledge gathering, geographical distance, corruption, infrastructure, socio-cultural factors, political factors, economic factors and legal factors as barriers of an enterprise in foreign markets in this study. SMEs need to make long term plans for international expansion. They need to conduct SWOT analysis before planning, delegate resources based on their long term plans.

Madsen (1989), and Walters and Sammie (1990) argue that planning is crucial for the survival of small enterprises and growth in the domestic and international markets. Aaby and Slater (1989), Mueller and Naffziger (1999) found out that planning affect internationalization positively. Planning activities of enterprises which are related to their resource capabilities and allocation drive internationalization (Reddy & Naik, 2011).

7. Research Methodology

The purpose of this study is to determine internationalization process and international activities of SMEs in Istanbul in Turkey. This study was conducted on 267 SMEs. The sample was chosen by convenience sampling in Istanbul. The data was compiled by sending the questionnaire via e-mail to top managers of these SMEs which are in both manufacturing and service sectors in Istanbul. There are questions in three sections in the questionnaire. The first section aims to gather data about characteristics of SMEs, the second sections aims to gather data about characteristics of an Entrepreneur and the third section aims to determine data about International Activities of SMEs. Frequency distribution and Chi-Square analyses were conducted on data. It is a descriptive research. Cronbach alpha for foreign market expansion reasons of an enterprise is 0.776 whereas cronbach alpha for barriers of an enterprise in foreign markets is 0.786.

8. Frequency Distribution Analysis

Characteristics of SMEs

Table 1. Average number of employees in a company in the last three years

	n	%
Less than 10	52	19.5
10-49	115	43.1
50-99	50	18.7
100-249	50	18.7
Total	267	100.0

Most of the participant enterprises (62.6%) are small businesses whereas 37.4% of them are medium size businesses in terms of average number of employees in the last three years.

Table 2. Average sales revenues of a company in the last three years

	n	%
Less than 5 million TL	112	42.6
5-24.999 thousand TL	151	57.4
Total	263	100.0

On the other hand, most of the participants (57.4%) earned 5-24.999 thousand TL sales revenues whereas 42.6% of them earned less than 5 million TL in the last three years.

Table 3. Average ratio of sales revenues earned from foreign markets in total sales revenues in the last three years

	n	%
0%	19	7.3
0.1%-4.9%	41	15.7
5%-9.9%	17	6.5
10%-19.9%	41	15.7
20% and more	143	54.8
Total	261	100.0

Most of the participant enterprises (54.8%) received at least 20% of their sales revenues whereas 7.3% of them did not receive any sales revenues from foreign markets in the last three years.

Table 4. Ratio of foreign investment of an enterprise to its current investment

	n	%
0%	168	66.1
0.1%-4.9%	37	14.6
5%-9.9%	16	6.3
10%-19.9%	10	3.9
20% and more	23	9.1
Total	254	100.0

However, most of the participant enterprises (66.1%) do not have any investment whereas 9,1% of them have at least 20% of their investment abroad.

Table 5. The ratio of foreign shareholder in the corporation

	n	%
0%	236	94.0
0.1%-49.9%	8	3.2
50%-50%	3	1.2
More than 50%	4	1.6
Total	251	100.0

Most of the participant enterprises (94.0%) do not have any foreign shareholders. Foreign shareholders have minority shares in 3.2%, 50% shares in 1.2%, and majority shares in 1.6% of participant enterprises.

Table 6. Number of countries in which a company operates

	n	%
1	117	44.8
2	19	7.3
3	21	8.0
4	6	2.3
5 or more	98	37.5
Total	261	100.0

Most of the participant enterprises (55.2%) operate in at least one foreign country. On the other hand, 37.5% of them operate in at least five foreign countries.

Characteristics of an Entrepreneur

Table 7. Age of an entrepreneur

	n	%
Less than 25	2	0.7
25-34	26	9.7
35-44	70	26.2
45-64	148	55.4
65 and more	21	7.9
Total	267	100.0

Most of the entrepreneurs (55.4%) in participant enterprises are between 45-64 years old. 9.7% of them are between 25-34; 26.2% of them are between 35-44 years old.

Table 8. Education of an entrepreneur

	n	%
Primary-Secondary School	21	7.9
High School	61	22.8
Vocational School/Undergraduate	119	44.6
Graduate Degree	66	24.7
Total	267	100.0

Many of the entrepreneurs (44.6%) in participant enterprises have vocational school or undergraduate degrees. On the other hand, 24.7% of entrepreneurs have graduate degrees.

Table 9. Foreign language skills of an entrepreneur

	n	%
Doesn't speak	66	24.8
1 foreign language	130	48.9
2 foreign languages	56	21.1
3 foreign languages	10	3.8
4 or more foreign languages	4	1.5
Total	266	100.0

Most of the entrepreneurs (75.2%) in participant enterprises talk at least one foreign language. However, 24.8% of them do not talk any foreign language.

Table 10. Experience of an entrepreneur before he/she started his/her business

	n	%
No experience	25	9.5
Worked in a family business	84	32.1
Started another business	36	13.7
Worked in another company	94	35.9
Other	23	8.8
Total	262	100.0

Most of the entrepreneurs had prior job experiences (90.5%) but only few of them (13.7%) started another business before their current business.

Table 11. Experience of an entrepreneur in foreign markets before he/she started his/her business

	n	%
No experience	169	64.0
Had experience as a professional manager	51	19.3
Had experience as a partner	14	5.3
Had experience in family business	30	11.4
Total	264	100.0

Most of the entrepreneurs (64.0%) did not have prior experience in foreign markets. Only 11.4% of them had experience in foreign markets in their family businesses.

International Activities of an Enterprise

Table 12. International activities of an enterprise

	n	%
None	19	7.3
Export	235	89.7
Licensing	3	1.1
FDI	4	1.5
Joint Venture	1	0.4
Total	262	100.0

Most of the participant enterprises (89.7%) focus on exporting whereas only 1.5% did FDI as a committed investment.

Table 13. International strategy of an enterprise

	n	%
None	19	7.3
Apply domestic market strategies in a foreign market	102	38.9
Differentiate their domestic market strategies in a foreign market	106	40.5
Apply new strategies in a foreign market	35	13.3
Total	262	100.0

Many of the participant enterprises (40.5%) differentiate their domestic market strategies in a foreign market. Only 13.3% of them apply new strategies in foreign markets.

Table 14. Planning period of an enterprise of international activities

	n	%
None	32	12.2
Yearly	107	40.8
2-3 years	71	27.1
4-5 years	21	8.0
More than 5 years	31	11.8
Total	262	100.0

Most of the participant enterprises (53.0%) can not make long term plans for their international activities. On the other hand, 11.8% of enterprises make plans for more than 5 years for their international activities.

Table 15. Strategic approach of an enterprise in internationalization

	n	%
None	34	12.9
Entering foreign countries gradually	170	64.4
Entering more than one country at the same time	60	22.8
Total	264	100.0

Most of the participant enterprises (64.4%) enter foreign countries gradually like it was explained in traditional internationalization theories. However, 22.8% of them enter more than one country at the same time.

Table 16. Person/people who determine international activity of an enterprise

	n	%
Entrepreneur	113	43.3
Entrepreneur and professional managers	126	48.3
Professional managers	18	6.9
Other	4	1.5
Total	261	100.0

Entrepreneurs and professional managers determine international activity together in 48.3% of participant enterprises. On the other hand, entrepreneurs determine international activity by themselves in 43.3% of them.

Foreign Market Expansion Reasons of an Enterprise

Table 17. Competition as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	34	14.0
Disagree	51	21.1
Undecided	27	11.2
Agree	102	42.1
Strongly Agree	28	11.6
Total	242	100.0

Most of the participant enterprises (53.7%) agree or strongly agree that competition is a reason for foreign market expansion. However, 35.1% of them disagree or strongly disagree that competition is a reason for foreign market expansion.

Table 18. Market size as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	9	3.7
Disagree	7	2.9
Undecided	9	3.7
Agree	129	52.9
Strongly Agree	90	36.9
Total	244	100.0

Most of the participant enterprises (89.8%) agree or strongly agree that market size is a reason for foreign market expansion. On the other hand, only 6.6% of them disagree or strongly disagree that market size is a reason for foreign market expansion.

Table 19. Customers as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	15	6.1
Disagree	25	10.2
Undecided	28	11.5
Agree	126	51.6
Strongly Agree	50	20.5
Total	244	100.0

Most of the participant enterprises (72.1%) agree or strongly agree that customers are reasons for foreign market expansion. However, 16.3% of them disagree or strongly disagree that customers are reasons for foreign market expansion.

Table 20. Growth as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	8	3.3
Disagree	19	7.8
Undecided	21	8.6
Agree	131	53.7
Strongly Agree	65	26.6
Total	244	100.0

Most of the participant enterprises (80.3%) agree or strongly agree that growth is a reason for foreign market expansion. Only 11.1% of them disagree or strongly disagree that growth is a reason for foreign market expansion.

Table 21. Resources as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	12	4.9
Disagree	19	7.7
Undecided	17	6.9
Agree	119	48.2
Strongly Agree	80	32.4
Total	247	100.0

Most of the participant enterprises (80.6%) agree or strongly agree that resources are reasons for foreign market expansion. Only 12.6% of them disagree or strongly disagree that resources are reasons for foreign market expansion.

Table 22. Selling products abroad as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	6	2.4
Disagree	17	6.9
Undecided	8	3.3
Agree	113	46.1
Strongly Agree	101	41.2
Total	245	100.0

Most of the participant enterprises (87.3%) agree or strongly agree that selling products abroad is a reason for foreign market expansion. Only 9.3% of them disagree or strongly disagree that selling products abroad is a reason for foreign market expansion.

Table 23. Making FDI as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	36	15.3
Disagree	72	30.6
Undecided	55	23.4
Agree	57	24.3
Strongly Agree	15	6.4
Total	235	100.0

Many of the participant enterprises (45.9%) disagree or strongly disagree that making FDI is a reason for foreign market expansion. Only 30.7% agree or strongly agree that it is a reason for foreign market expansion.

Table 24. Labor costs as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	47	19.7
Disagree	85	35.7
Undecided	48	20.2
Agree	42	17.6
Strongly Agree	16	6.7
Total	238	100.0

Most of the participant enterprises (55.4%) disagree or strongly disagree that labor costs are reasons for foreign market expansion. Only 24.3% agree or strongly agree that labor costs are reasons for foreign market expansion.

Table 25. Raw material costs as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	42	17.8
Disagree	79	33.5
Undecided	46	19.5
Agree	49	20.8
Strongly Agree	20	8.5
Total	236	100.0

Most of the participant enterprises (51.3%) disagree or strongly disagree that raw material costs are reasons for foreign market expansion. On the other hand, 29.3% of them agree or strongly agree that raw material costs are reasons for foreign market expansion.

Table 26. Semi raw material costs as a foreign market expansion reason of an enterprise

	n	%
Strongly Disagree	43	18.4
Disagree	83	35.5
Undecided	41	17.5
Agree	51	21.8
Strongly Agree	16	6.8
Total	234	100.0

Most of the participant enterprises (53.9 %) disagree or strongly disagree that semi raw material costs are reasons for foreign market expansion. Only 28.6% of them agree or strongly agree that semi raw material costs are reasons for foreign market expansion.

Barriers of an Enterprise in Foreign Markets

Table 27. Demand as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	31	13.3
Disagree	66	28.3
Undecided	25	10.7
Agree	86	36.9
Strongly Agree	25	10.7
Total	233	100.0

Many of the participant enterprises (47.6%) agree or strongly agree that demand is a barrier of an enterprise in foreign markets. However, 41.6% of them disagree or strongly disagree that demand is a barrier of an enterprise in foreign markets.

Table 28. Competition as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	12	5.0
Disagree	18	7.5
Undecided	16	6.6
Agree	130	53.9
Strongly Agree	65	27.0
Total	241	100.0

Most of the participant enterprises (80.9%) agree or strongly agree that competition is a barrier of an enterprise in foreign markets. Only, 12.5% of them disagree or strongly disagree that competition is a barrier of an enterprise in foreign markets.

Table 29. Distribution as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	14	6.0
Disagree	79	33.8
Undecided	38	16.2
Agree	84	35.9
Strongly Agree	19	8.1
Total	234	100.0

Many of the participant enterprises (44.0%) agree or strongly agree that distribution is a barrier of an enterprise in foreign markets. On the other hand, 39.8% of them are disagree or strongly disagree that distribution is a barrier of an enterprise in foreign markets.

Table 30. Suppliers as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	23	9.9
Disagree	52	22.3
Undecided	60	25.8
Agree	80	34.3
Strongly Agree	18	7.7
Total	233	100.0

Many of the participant enterprises (42.0%) agree or strongly agree that suppliers are barriers of an enterprise in foreign markets. However, 32.2% of them disagree or strongly disagree that suppliers are barriers of an enterprise in foreign markets.

Table 31. Financial institutions as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	27	11.6
Disagree	73	31.5
Undecided	58	25.0
Agree	56	24.1
Strongly Agree	18	7.8
Total	232	100.0

Many of the participant enterprises (43.1%) disagree or strongly disagree that financial institutions are barriers of an enterprise in foreign markets. On the other hand, 31.9% of them agree or strongly agree that financial institutions are barriers of an enterprise in foreign markets.

Table 32. Society as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	23	9.9
Disagree	62	26.6
Undecided	57	24.5
Agree	71	30.5
Strongly Agree	20	8.6
Total	233	100.0

Many of the participant enterprises (39.1%) agree or strongly agree that society is a barrier of an enterprise in foreign markets. However, 36.5% of them disagree or strongly disagree that society is a barrier of an enterprise in foreign markets.

Table 33. Workforce as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	23	9.9
Disagree	76	32.8
Undecided	45	19.4
Agree	70	30.2
Strongly Agree	18	7.8
Total	232	100.0

Many of the participant enterprises (42.7%) disagree or strongly disagree that workforce is a barrier of an enterprise in foreign markets. On the other hand, 38% of them agree or strongly agree that workforce is a barrier of an enterprise in foreign markets.

Table 34. Technical standards as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	26	11.3
Disagree	51	22.1
Undecided	35	15.2
Agree	81	35.1
Strongly Agree	38	16.5
Total	231	100.0

Most of the participant enterprises (51.6%) agree or strongly agree that technical standards are barriers of an enterprise in foreign markets. However, 33.4% of them disagree or strongly disagree that technical standards are barriers of an enterprise in foreign markets.

Table 35. Knowledge gathering as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	17	7.3
Disagree	62	26.6
Undecided	44	18.9
Agree	77	33.0
Strongly Agree	33	14.2
Total	233	100.0

Many of the participant enterprises (47.2%) agree or strongly agree that knowledge gathering is a barrier of an enterprise in foreign markets. On the other hand, 33.9% of them disagree or strongly disagree that knowledge gathering is a barrier of an enterprise in foreign markets.

Table 36. Geographical distance as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	26	11.1
Disagree	72	30.6
Undecided	29	12.3
Agree	79	33.6
Strongly Agree	29	12.3
Total	235	100.0

Many of the participant enterprises (45.9%) agree or strongly agree that geographical distance is a barrier of an enterprise in foreign markets. However, 41.7% of them disagree or strongly disagree that geographical distance is a barrier of an enterprise in foreign markets.

Table 37. Corruption as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	33	14.4
Disagree	89	38.9
Undecided	46	20.1
Agree	44	19.2
Strongly Agree	17	7.4
Total	229	100.0

Most of the participant enterprises (53.3%) disagree or strongly disagree that corruption is a barrier of an enterprise in foreign markets. On the other hand, 26.6% of them agree or strongly agree that corruption is a barrier of an enterprise in foreign markets.

Table 38. Infrastructure as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	28	12.0
Disagree	81	34.6
Undecided	46	19.7
Agree	59	25.2
Strongly Agree	20	8.5
Total	234	100.0

Many of the participant enterprises (46.6%) disagree or strongly disagree that infrastructure is a barrier of an enterprise in foreign markets. However, 33.7% of them agree or strongly agree that infrastructure is a barrier of an enterprise in foreign markets.

Table 39. Socio-cultural factors as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	20	8.7
Disagree	60	26.0
Undecided	50	21.6
Agree	83	35.9
Strongly Agree	18	7.8
Total	231	100.0

Most of the participant enterprises (43.7%) agree or strongly agree that socio-cultural factors are barriers of an enterprise in foreign markets. On the other hand, 34.7% of them disagree or strongly disagree that socio-cultural factors are barriers of an enterprise in foreign markets.

Table 40. Political factors as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	16	6.9
Disagree	53	22.8
Undecided	52	22.4
Agree	82	35.3
Strongly Agree	29	12.5
Total	232	100.0

Most of the participant enterprises (47.8%) agree or strongly agree that political factors are barriers of an enterprise in foreign markets. However, 29.7% of them disagree or strongly disagree that political factors are barriers of an enterprise in foreign markets.

Table 41. Economic factors as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	15	6.4
Disagree	43	18.5
Undecided	31	13.3
Agree	116	49.8
Strongly Agree	28	12.0
Total	233	100.0

Most of the participant enterprises (61.8%) agree or strongly agree that economic factors are barriers of an enterprise in foreign markets. On the other hand, 24.9% of them disagree or strongly disagree that economic factors are barriers of an enterprise in foreign markets.

Table 42. Legal factors as a barrier of an enterprise in foreign markets

	n	%
Strongly Disagree	16	6.9
Disagree	46	19.8
Undecided	41	17.7
Agree	94	40.5
Strongly Agree	35	15.1
Total	232	100.0

Most of the participant enterprises (55.6%) agree or strongly agree that legal factors are barriers of an enterprise in foreign markets. However, 26.7% of them disagree or strongly disagree that legal factors are barriers of an enterprise in foreign markets.

8.1 Frequency Distribution Analyses Results

Most of the SMEs in this research in Turkey are small enterprises in terms of average number of employees whereas they can receive higher sales revenues than small enterprises. Most of the participant enterprises receive at least 20% of their sales revenues from abroad. They do not have foreign direct investments abroad. They do not have foreign investors either. They operate in at least one foreign country. As it is observed, Turkish SMEs try to internationalize but they do not have comprehensive and long term approach. They do not initiate foreign partnerships. On the other hand, most of the entrepreneurs are between 45-64 years old. They have at least vocational school education. They speak at least one foreign language and had prior job experience. They did not have prior foreign market experience. Although entrepreneurs of these SMEs are educated and speak foreign languages, they do not have foreign market experience to accelerate and facilitate internationalization of their companies.

Most of the participant enterprises focus on exporting as an international activity. They enter foreign countries gradually and differentiate their domestic market strategies in a foreign market. They do not make long term planning. They have entrepreneurs and professional managers who determine international activities together. They agree or strongly agree that increasing market size, selling products abroad, gathering resources and growing are the most important reasons respectively for foreign market expansion. However, decreasing labor costs, decreasing semi raw materials and raw materials, and making FDI are the least important reasons respectively for foreign market expansion. They agree or strongly agree that competition, economic factors, legal factors, and technical standards are the most important barriers of enterprises in foreign markets respectively. However, corruption, infrastructure, financial institutions, and workforce are the least important barriers of enterprises in foreign markets respectively. As it is observed, Turkish SMEs can not expand the scope of internationalization beyond exporting. They still follow the path of UIP. Entrepreneurs of these SMEs determine international activities with their professional managers. They internationalize to expand their markets and sales,

growing and gathering resources.

As a summary, most of the Turkish SMEs operate abroad and receive some sales revenues from there but they focus on exporting instead of FDI. They do not have foreign investors. They enter foreign markets gradually. They can differentiate their domestic market strategies in a foreign market. They do not do long term planning. It is assumed that most of them do not have unique long term strategies for foreign markets. They are not born global companies.

9. Chi-Square Analyses

Table 43. Chi-square analyses

Hypotheses	S.D	X ²	P	T.D.	Results
H0: There is no association between average number of employees in a company in the last three years and strategic approach of an enterprise in internationalization H1: There is an association between average number of employees in a company in the last three years and strategic approach of an enterprise in internationalization	2	6.666	0.036	5.991	H0 hypothesis is rejected at 5% significance level
H0: There is no association between average sales revenues of a company in the last three years and planning period of an enterprise of international activities H1: There is an association between average sales revenues of a company in the last three years and planning period of an enterprise of international activities	4	13.165	0.010	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between average sales revenues of a company in the last three years and strategic approach of an enterprise in internationalization H1: There is an association between average sales revenues of a company in the last three years and strategic approach of an enterprise in internationalization	2	8.129	0.017	5.991	H0 hypothesis is rejected at 5% significance level
H0: There is no association between ratio of foreign investment of an enterprise to its current investment and strategic approach of an enterprise in internationalization H1: There is an association between ratio of foreign investment of an enterprise to its current investment and strategic approach of an enterprise in internationalization	4	11.211	0.024	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between ratio of foreign investment of an enterprise to its current investment and making FDI as a foreign market expansion reason of an enterprise H1: There is an association between ratio of foreign investment of an enterprise to its current investment and making FDI as a foreign market expansion reason of an enterprise	4	16.745	0.002	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between ratio of foreign investment of an enterprise to its current investment and financial institutions as a barrier of an enterprise in foreign markets H1: There is an association between ratio of foreign investment of an enterprise to its current investment and financial institutions as a barrier of an enterprise in foreign markets	4	14.296	0.006	9.488	H0 hypothesis is rejected at 5% significance level

H0: There is no association between ratio of foreign investment of an enterprise to its current investment and workforce as a barrier of an enterprise in foreign markets H1: There is an association between ratio of foreign investment of an enterprise to its current investment and workforce as a barrier of an enterprise in foreign markets	4	10.722	0.030	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between number of countries in which a company operates and international strategy of an enterprise H1: There is an association between number of countries in which a company operates and international strategy of an enterprise	6	19.695	0.003	12.592	H0 hypothesis is rejected at 5% significance level
H0: There is no association between number of countries in which a company operates and planning period of an enterprise of international activities H1: There is an association between number of countries in which a company operates and planning period of an enterprise of international activities	8	21.336	0.006	15.507	H0 hypothesis is rejected at 5% significance level
H0: There is no association between number of countries in which a company operates and strategic approach of an enterprise in internationalization H1: There is an association between number of countries in which a company operates and strategic approach of an enterprise in internationalization	4	15.789	0.003	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between number of countries in which a company operates and making FDI as a foreign market expansion reason of an enterprise H1: There is an association between number of countries in which a company operates and making FDI as a foreign market expansion reason of an enterprise	4	9.900	0.042	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between number of countries in which a company operates and financial institutions as a barrier of an enterprise in foreign markets H1: There is an association between number of countries in which a company operates and financial institutions as a barrier of an enterprise in foreign markets	4	9.903	0.042	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between number of countries in which a company operates and geographical distance as a barrier of an enterprise in foreign markets H1: There is an association between number of countries in which a company operates and geographical distance as a barrier of an enterprise in foreign markets	4	9.815	0.044	9.488	H0 hypothesis is rejected at 5% significance level
H0: There is no association between education of an entrepreneur and technical standards as a barrier of an enterprise in foreign markets H1: There is an association between education of an entrepreneur and technical standards as a barrier of an enterprise in foreign markets	6	13.447	0.036	12.592	H0 hypothesis is rejected at 5% significance level
H0: There is no association between education of an entrepreneur and geographical distance as a barrier of an enterprise in foreign markets H1: There is an association between education of an entrepreneur and geographical distance as a barrier of an enterprise in foreign markets	6	13.431	0.037	12.592	H0 hypothesis is rejected at 5% significance level

H0: There is no association between experience of an entrepreneur in foreign markets before he/she started his/her business and workforce as a barrier of an enterprise in foreign markets	6	17.200	0.009	12.592	H0 hypothesis is rejected at 5% significance level
H1: There is an association between experience of an entrepreneur in foreign markets before he/she started his/her business and workforce as a barrier of an enterprise in foreign markets					
H0: There is no association between experience of an entrepreneur in foreign markets before he/she started his/her business and geographical distance as a barrier of an enterprise in foreign markets	6	13.468	0.036	12.592	H0 hypothesis is rejected at 5% significance level
H1: There is an association between experience of an entrepreneur in foreign markets before he/she started his/her business and geographical distance as a barrier of an enterprise in foreign markets					

9.1 Chi-Square Analyses Results

Answer choices were combined for the following questions to conduct Chi-Square analysis:

Q1. Less than 10 and 10-49 were combined as the first choice whereas 50-99 and 100-249 were combined as the second choice to classify small and medium size enterprises.

Q3. 0% remained the first choice, 0.1%-4.9% and 5%-9.9% were combined as the second choice, 10%-19.9% and 20% and more were combined as the third choice.

Q4. 0% remained the first choice, 0.1%-4.9% and 5%-9.9% were combined as the second choice, 10%-19.9% and 20% and more were combined as the third choice.

Q6. 1 remained the first choice, 2, 3, 4 were combined as the second choice, 5 or more became the third choice.

Q9. Doesn't speak remained the first choice, 1 foreign language remained the second choice; 2 foreign languages, 3 foreign languages, 4 or more foreign languages were combined as third choice.

Q17-Q42. Strongly Disagree and Disagree were combined as the first choice, Undecided became the second choice, Agree and Strongly Agree were combined as the third choice.

Average number of employees in a company in the last three years affect strategic approach of an enterprise in internationalization. Average sales revenues of a company in the last three years affect planning period of an enterprise of international activities. It also affects strategic approach of an enterprise in internationalization. Ratio of foreign investment of an enterprise to its current investment affect strategic approach of an enterprise in internationalization and making FDI as a foreign market expansion reason of an enterprise. It also affects financial institutions and workforce as barriers of an enterprise in foreign markets. Number of countries in which a company operates affects international strategy of an enterprise, planning period of an enterprise of international activities, strategic approach of an enterprise in internationalization, and making FDI as a foreign market expansion reason of an enterprise. It also affects financial institutions and geographical distance as barriers of an enterprise in foreign markets.

Education of an entrepreneur affects technical standards and geographical distance as barriers of an enterprise in foreign markets. Experience of an entrepreneur in foreign markets before he/she started his/her business affect workforce and geographical distance as barriers of an enterprise in foreign markets.

As a summary, the size of an enterprise affects planning period of an enterprise of international activities and strategic approach of an enterprise in internationalization. Ratio of foreign investment of an enterprise to its current investment affect strategic approach and internationalization mode of an enterprise. It also affects financial institutions and workforce as barriers in foreign markets. Number of countries in which a company operates affects international strategy, planning period, strategic approach and internationalization mode of an enterprise. It also makes contribution to an enterprise by decreasing barriers namely financial institutions and geographical distance to enter into foreign markets. Education of an entrepreneur make contributions to an enterprise by decreasing barriers namely technical standards and geographical distance to enter into foreign

markets. Prior experience of an entrepreneur in foreign markets makes contributions to an enterprise by decreasing barriers namely workforce and geographical distance to enter into foreign markets.

10. Conclusion

It is found out that Turkish SMEs internationalize gradually as it was explained in Uppsala Theory. They are not taking the advantage of information technologies to internationalize as soon as they are established. They focus on exporting and achieve to receive at least 20% of their revenues from exports. Entrepreneurs of these SMEs are middle age, have high education, can speak at least one foreign language, had prior job experience but did not have prior foreign market experience. They determine international activities with their managers. Entrepreneurs of Turkish SMEs do not have enough prior foreign market experience which may accelerate internationalization of SMEs. They are not focusing to find foreign partners or increasing the scope of their foreign operations towards FDI. Although, they have operations in at least one foreign country they are settling down with exports. Increasing their market and selling products abroad are important for Turkish SMEs. However, decreasing their labor, semi raw material and raw material costs are not important for them. It is assumed that most of them manufacture their products in Turkey and export them abroad. They don't make FDI in developing countries for decreasing their production costs. On the other hand, most of them hesitate to enter foreign markets due to competition, economic factors, legal factors and technical standards. They do not hesitate due to corruption, infrastructure or financial institutions. It is assumed that they export their products mostly to developed countries due to these barriers. Turkish SMEs need to modernize their internationalization approaches. They need to expand the scope of their operations in foreign markets. They need to focus on FDI in other countries. Entrepreneurs need to have more foreign experiences and consider to have foreign partners to accelerate internationalization process of their SMEs. They prefer exporting to developed countries but they need to consider to make FDI in developing countries as well. They need to get the advantage of information technologies to develop networks and internationalize as soon as they are established to increase their competitive advantages.

The findings of this research are assumed to be used in further studies in this field. However, this research is limited in Istanbul. The data was compiled by convenience sampling. The scope of the study can be expanded to gather data from more companies in Istanbul. Questions can be directed to companies which are in specific sectors. Data can be gathered from companies in different cities in Turkey.

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