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Internationalization, Market Forces and Domestic Sectoral Institutionalization

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Abstract

Purpose – The paper investigates the influence of micro environmental international entrepreneurship and the macro-environmental market forces on domestic institutionalization of the industrial sector. In doing so, the paper examines the moderating effect of the degree of internationalization on the relationship between domestic market forces and domestic sectoral institutionalization.

Design/methodology/approach – Based on the creation of the item pools ‘domestic sectoral institutionalization, ‘market forces’ and ‘degree of internationalization’ derived from previous research and an applied Delphi technique and a representative sample of 149 exporters in Turkey, a survey using a web-based questionnaire was conducted. All scales were designed and a number of hypotheses were validated. Results were analyzed by the principle components of factor analysis (PCA), confirmatory factor analysis and moderated hierarchical regression.

Findings –The empirical analysis resulted in an interaction effect of two sub-elements of the infrastructure related market forces (organizational structure and machine park) and internationalization. The findings imply that internationalization can make an important contribution to the institutionalization of the domestic industrial sector. Although, some trust related factors, such as confidence and communication, have a significant effect, a moderating effect of the trust related market force construct was not apparent. The paper confirms the findings of previous research on the significant importance of trust for institutionalization.

Research limitations/implications – The sector-based analysis is regarded necessary to compare the effect of internationalization degrees. The large sample size and its apparent representativeness encourage confident generalization of the findings, though it is suggested to differentiate the findings as to cross-cultural implications in specific countries in future studies.

Practical implications – The paper concludes pointing to concrete implicit prerequisites on a successful interplay between macro (governmental and administrative) as well as organisational level to effectively and efficiently construct the domestic economic foundations. Based on a wide ranging interdisciplinary literature review the internal consistency of the concepts of embeddedness, social alliance networks, social capital and identity is regarded to be relevant for both, successful internationalization of SMEs and the institutionalization of the domestic industrial sector.

Originality/value: The study innovatively sheds light on the interrelationship between macro environmental market forces, internationalization of entrepreneurship and domestic institutionalization. In doing so, it relates various disciplines, as national and international entrepreneurial behavior with sociological aspects as institutionalization for the sake of achieving important macro economic objectives, especially for countries in transition. The comprehensive, reliable and valid research methodology can be applied for researching this topic with important economic implications for transitional economies in other research settings.

Keywords: Internationalization, Institutionalization, Market Forces, Turkey, Export, Embeddedness, Social Capital

Paper type: Research paper

Introduction: Preconditions for institutionalization of export development

A comprehensive list of features unique to SMEs is provided by MacGregor (2004) implying newly required competencies, skills and attitudes with regard to internationalization. Features which might be perceived detrimental for internationalization refer, for example, to a strong desire to be independent consequently avoiding business ventures that limit this interdependence, an attitude to withhold information, making decisions intuitively rather than strategically, facing a capital gap, experiencing a lack of competitiveness with larger competitors, having lower control over the external environment compared with large companies or suffering higher failure rates. Specific shortcomings necessitating the acquisition of newly required international management skills refer to the gap between the awareness of entrepreneurs of the challenges triggered by internationalization (Kaufmann in Dana, et al., 2008) and the strategic responses as well as specific transition relevant entrepreneurial behavior (Kaufmann, et al., 1994). Latter refers to aspects pointing especially to newly required ‘synthetic’ behavior in terms of a co-operation between agents of the old and new economic system.

Explaining export behavior, Cavusgil and Nevin (1981) considered the level of commitment as one of the sub-dimensions. In addition, adaptation to the foreign market system and the process of participation complement this behavioral structure (Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977; Cavusgil, 1980; Vrontis 2003; Vrontis et al. 2009). One

of the important elements the exporters should consider as to the participation process refers to acquiring foreign market knowledge. The premise of having achieved a high knowledge level regarding the foreign market implies fewer problems later to be encountered in foreign markets (Katsikeas and Morgan, 1994; Vrontis and Kitchen, 2005). While classifying the theoretical studies that were carried out on internationalization, one of the criteria used by Andersson et al. (2004) is the 'learning process' and, at this point, export knowledge has to come to the fore. The learning process that the export enterprise goes through is a basis for the conceptualization of export behavior. At this point, a reference can be made to the concept of 'experimental market knowledge' (Eriksson et al., 1997) experimental market knowledge comprises foreign business knowledge and foreign institutional knowledge. Institutional learning concentrates on institutional frameworks, rules, norms and values. Focusing on the view that the knowledge element is the basis for market mechanism, Potts (2001) noted that this comprised certain rules and, in case these rules constitute measurable behavior, institutionalization can be achieved. Emphasizing the importance of institutionalization of export development, Reid (1981) demonstrated that structural conditions do exist under which export expansion institutionalizes.

Foreign market information or learning has a moderating effect on internationalization and performance relationship (Hsu and Pereira, 2006). This learning process and information can convert or support domestic market institutionalization. Beyond the existence of an interactive relationship between institutionalization and market forces, internationalization is also perceived to have an indirect or moderating effect in this process. As FDI has an effect on product market competition (Markusen and Venables, 1999), it can be hypothesized that a high degree of internationalization can support domestic market institutionalization.

While the dyadic links between domestic market forces, internationalization and domestic market institutionalization have been studied before, correlating the three constructs and investigating the moderating relationship of internationalization is an innovative approach. Using a sparsely used data on the emerging market of Turkey, the article contributes to the literature by taking so far disparate research streams from institutional development, internationalization and institutionalization and combining them to produce an interdisciplinary model showing the moderating effect of internationalization on the relationship between market forces and market institutionalization in an idiosyncratic transitional setting.

This paper is designed in three sections; the first section organizes the theoretical perspectives of environmental influences, internationalization and embeddedness, institutionalization concepts and their relationships; the second section portrays the conducted study in order to achieve the research aim by a moderated hierarchical regression analysis; in the last section the findings are discussed and managerial implications provided.

Literature Review

Environmental Influences

An institutional perspective refers to conformity with predominant norms, traditions, and social influences in their internal and external environments (Oliver, 1997: 700). In this context among those aforementioned structural conditions, the environment is one of the important criteria as environmental factors have an effect on internationalization systems of enterprises (Chetty and Campbell-Hunt, 2003). Specifically, the economic and political

environment among the institutional factors in local markets, are regarded as being effective as infrastructural elements (Jansson, 2005). It becomes apparent that the institutional organization of the market can be seen as an important mechanism; this mechanism, which is mainly concerned with the process of purchasers and sellers coming together, influentially affects the performance of the market (Plott, 1982). In this context, the internationalization process cannot be considered independent from the respective industry type (Brouthers and Nakos, 2004). One of the main findings from the study of Lau (2003) is that the internationalization process must be differentiated by old and newer industries. The level of development of the economy is related with the attributes of the market at hand. Obviously, higher developed markets can be assumed to be more institutionalized affecting export development and the learning process.

Due to institutional norms having a strong effect on the market entrance modes of the companies (Davis, et al., 2000), an international company needs to act within the social and cultural context as well and has to be well prepared to compete successfully (Melin, 1992). When developing their market positions, the organizations both, adopt the values, norms, concepts, system models and cognitive processes from the broader social context and are simultaneously evaluated according to these (Esser, 1996). Conclusively, it can be stated that, referring to the 'external driver' perception the enterprises within the respective industrial structure are required to adapt to the given institutional structures. A concise summary as to the submission to these external forces is provided by Pansiri (2005). Principal elements of institutionalization refer to habits, rules and their evolution, and common elements are interaction of agents, common conceptions and routines, shared expectations, self-reinforcing and reinforcing their own moral legitimization (Hodgson, 1998). Thus, the institutional framework is principally concerned with the quality of relations of the organizations and/or the adaptation to the institutional environment (Dacin, 1997).

Relating to institutionalization, Hodgson (1988: 174) defined the market in terms of "a set of social institutions in which a large number of commodity exchanges of a specific type regularly take place, and to some extent are facilitated by those institutions". North (1991) stressed that institutions imply formal and/or informal limitations and that institutionalization actually is caused by market transformation. Foreign markets, on which the export enterprises carry out their business activities, are also regarded as an institution and have sub-attributes. Rosenbaum (2000) considers market characteristics to be voluntariness, specificity, regularity and typification, and competition. Regarding an institutional structure to be important for the market, Loasby (2000) holds that economic transformation means both, evolution of institutional limitations within itself and the evolution of institutions.

In recent years, the phenomenon of globalization entailed blessings and curses when transforming global markets (Gold, 2003). This transformation gave birth to a new characteristics in terms of partnerships of strategic alliance network partners co-operating in the pursuit of mutually beneficial strategically significant corporate objectives (Elmuti and Kathawala, 2001; Gold, 2003).

In addition to the notion of adaptation of enterprises to foreign markets, their embeddedness in the market necessitates suitable firm arrangements to be effective. The character of embeddedness that is related to the institutionalized character in a foreign market can be measured by the degree of internationalization (DOI). The extent of the internationalization of an export enterprise is an indication of the level of embeddedness of that enterprise in the foreign market. Reflecting on the central importance of relationships which might help to

overcome certain detrimental features, partnerships (Elmuti and Kathawala, 2001; Li and Qian, 2007), networks (Van Laere and Heene, 2003) and strategic alliances, an implicit prerequisite for embeddedness (Gilsing and Lemmens, 2005; Van Laere and Heene, 2003), are regarded as a key supportive strategic mechanism for SMEs to facilitate market entry (Lee, et al., 2000), learning (Clarke, et al., 2006) and getting access to newly required competences (Pansiri, 2005), resources (Van Laere and Heene, 2003), and achieve higher levels of competitiveness (Elmuti and Kathawala, 2001; Van Laere and Heene, 2003). In this respect, the environmental challenges might be regarded as the triggering or causal effect for successful internationalization behavior.

Summarizing, the degree of internationalization (DOI) is important in this sense as well as the rate and degree of geographical market expansion (Zahra, et al. 2000). At this point, the question of whether export companies should be classified in a rational and technical system or in a socially constructed system (Astley and Van de Ven, 1983) seems to be a valid one. The latter view is supported by the relationship density as an important aspect of interaction between companies and their environments (Baum and Oliver 1992). Moreover, normative and cognitive aspects have strong effects on organizational changes (D'Aunno, 2000) as well as behavioral elements when taking relationship competences into account (Pansiri, 2005).

Although, based on an increased governmental support, Turkey has started to increase its export numbers in the recent years it can be argued that the degree of internationalization of export companies need to start improving even more. In doing so, entrepreneurs and managers could model their organizations according to other successful companies (Galaskiewicz and Wasserman, 1989), and national companies who are just forming their structures could construct themselves by learning from successful export companies. Especially, as far as the effects of reforms and transformations on the companies are concerned (Holm, 1995), the transformation of export companies in turn are going to contribute to both, the transformation of the foreign market and the construction of the national market.

Based on this paragraph which provided a general introduction to the main concepts, hypothesis 1 was created.

H1: Domestic market forces (particularly trust and organization) will have a positive and direct impact on the degree of domestic market institutionalization.

Export Embeddedness

The multi dimensional construct of internationalization consists of mode & market, time, performans and product (Ruzzier et al., 2007). As mentioned before, it was supposed that the degree of internationalization symbolizes the embeddedness level of the exporting enterprise. In this context, the degree of internationalization is a positive indicator of export embeddedness. The embeddedness concept reflects the relationship of the companies with some form of network and connections that have an effect on economic results and outputs of these companies (Gilsing and Lemmens, 2005; Van Laere and Heene, 2003). Especially, reciprocal interrelationships and ties are important for a high level of embeddedness (Dacin et al., 1999).

Several actors being embedded in the same local environment are the basis for the genesis of proximity, affinity and development of trustful relations which may significantly contribute to

the success of the interactive learning process (Clarke, et al., 2006). In this context, Strategic Alliance networks are regarded as integral components contributing to both, internationalization and institutionalization. Although mainstream literature provides a variety of definitions of strategic alliances (Elmuti and Kathawala, 2001; Todeva and Knoke, 2001; Gilsing and Lemmens, 2005; Pansiri, 2005) and networks (Van Laere and Heene, 2003; MacGregor, 2004) “consensus on what strategic alliances are and what forms they take is far from being achievable” (Pansiri, 2005: 1098). This paper uses strategic alliances and formal networks synonymously adopting the definition provided by Axelsson quoting Van de Ven and Ferry (1980 quoted in Hall, 1977: 242): Besides addressing more loosely connected, more open or wider networks as well as connected exchange relationships the authors refer to networks as “the total pattern of relationships within a group of organizations which act to attain a common goal”. The authors relate this definition to organization networks, Joint Ventures and Strategic Alliances. Stressing the formal character of the arrangement, this view is supported by Sharp et al. (2004: 55) holding that “Strategic Alliances are network arrangements but not all networks are Strategic Alliances. In the same vein, Todeva and Knoke (2001) refer to an Organisational Field Network as consisting of “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services and products (DiMaggio and Powell, 1983: 148). At any time, a particular organizational field may contain numerous alliance networks that compete against rival alliances and traditional single firms”.

Specifically relating to the learning process and the resource based view in terms of getting access to information, new competencies or goodwill as a corporate citizen, the concept of social capital (Koka and Prescott, 2000; Gilsing and Lemmens, 2005; Clarke, et al., 2006; Kaufmann, 2008) derived from a Strategic Alliance Network and embeddedness is regarded as being very relevant for facilitating both, internationalization and institutionalization.

Furthermore, an internal consistency seems to be existent between the concepts of embeddedness, social capital and identity in terms of the crucial contribution of relationships. Thematic concerns of human relations reflected in the quality of instrumental or expressive behavior (DeVos and Romanucci Ros, 1975) constitute the identity of a country. According to Kaufmann (2008) who investigated the role of identity for entrepreneurial development in transition situations, identity is the precondition to bridge the often existing entrepreneurial gap between acquisition and application of new system behavior so that entrepreneurs are enabled to successfully exert their disequilibrium role (Boyett, 1997; Malach-Pines et al. 2005; Berglund and Johansson, 2007).

Embeddedness refers to the fact that economic behaviour is affected by the industry constituents' dyadic social relations and the structure of the overall network of social relations (Kaufmann and Durst, 2008; Van Laere and Heene, 2003; Gilsing and Lemmens, 2005). One of the local embeddedness indicators is the rate of economic activity, i.e. output, sales or employment (Leeuwen and Nijkamp, 2006). Therefore, the intensity of export-based activities can be regarded as a basic driver for export firms. Local embeddedness is fundamental for internationalization of the firms as, for example, the rule or governance of local and regional institutions or national, regional and local knowledge networks and systems of innovation become crucial for developing any process of internationalization (Pilotti, Antonio and Orsi, 2007). The evolutionary embeddedness concept covers technological and organizational innovation, knowledge, power, networks and cumulative change and adaptation elements (Hayter, 2004). Although not uniform, in measuring the internationalization degree, there are

three main scales in the literature: transnationality index (TNI) developed by UNCTAD, transnationality spread index (TSi) suggested by Ietto and Gillies (2007) and the Degree of Internationalization Scale (DOI) of Sullivan (1994). According to the latter, most widespread scale, five ratios are analyzed for measuring internationalization degree: foreign sales to total sales (FSTS), foreign assets to total assets (FATA), overseas subsidiaries to total subsidiaries (OSTS), top managers' international experience to years of work experience (TMIE) and psychic dispersion of international operations (PDIO). In addition to these, De Clercq et al. (2005) added the FETE (Foreign Employees as Percentage of Total Employees) variable to these items. Again, the rate of foreign activities of the companies and their adaptation to international capital markets (Hassel et al., 2003) are analyzed. DOI, in conclusion, indicates to what extent the enterprise is embedded in the foreign market, and to what extent it is institutionalized. In this sense, DOI together with the market forces (although indirectly) in domestic markets is hypothesized to have an influence on the institutionalization of the sector.

Domestic Institutionalization

DiMaggio and Powell (1983) who analyzed institutionalization as a mechanism, focused on two main factors: imitative or mimetic and normative transmission. Later, Zucker (1987) dwelt upon regulative, normative and cultural-cognitive and coercive elements explaining the existence of coercive elements in terms of legitimacy. The indications of regulative elements are reflected in rules, laws and sanctions; the indications of normative ones are expressed as certification and accreditation; finally, the indications of cultural-cognitive ones are expressed as common beliefs and shared logics of action (Scott, 2001).

Ménard (1995) denoted institutionalization as structuralization of the environment and elaboration on common knowledge, set of rules and how to co-ordinate the institutional facts. While analyzing competitiveness and co-operation in the sector and applying game theory, Oughton and Whittam (1997) noted that co-operation emerged as a result of both, rational profit maximization and institutional and cultural environment. Furthermore, the authors stressed that the institutional framework the firm is applying relates to the level of co-operation probability, economic performance and efficiency.

Defining institutionalization against the background of the collective action idea, Iyer (1997) found that common elements are inherent in structuralized action and interaction models. In the same vein, sub-elements of institutionalization definitions refer to shared rules (Barley and Tolbert, 1997), which are taken for granted by Meyer et al. (1987). Metcalfe (2001) considered interactions of institutions as rules within the framework of special models, socially approved belief standards, and emphasized that these rules referred to a true knowledge concept. The reason for this orientation is the fact that institutionalization is not a distinctive process (Scott, 1987). Trade association, a formal network of regional enterprises, might be provided as an example for creating an institutionalization process based on a sharing attitude of enterprises in the sector.

Trade associations are considered, on the basis of structuralized models of actions and interactions, as a common conceptualization towards institutionalization. Trade associations or institutions that denote togetherness are parts of a collective system in the framework of stabilization (Meyer and Rowan, 1977), and are impressive factors as a motive element in internationalization of enterprises (Fletcher, 2001) improving the image of the industry and its members (Oliver, 1990). Reciprocal confidence is the gripping result of the relation between togetherness and institutionalization. The shared values and beliefs, formal and informal rules

being the essence of institutionalization are concerned with the confidence that the firms express.

Adler (2001) studied the structure of confidence in the knowledge economy and inferred that confidence was synonymous with competitiveness in the market. If it is assumed that companies need competitive pressures to change and that resource dependency theory implies differences of companies caused by these pressures (Sherer and Lee, 2002), it can be concluded that export companies arrange themselves and form Strategic Alliance networks depending on the competitive pressures in foreign markets. The relationship between the competitive actions of the industrial companies and their global strategy is meaningful (Birkinshaw et al., 1995) and this relation will be projected onto the domestic market. These pressures can be differentiated as invisible pressures which are at the heart of the company structures and visible pressures that exist in resource dependency theory (Oliver, 1991).

Furthermore, confidence is regarded to be necessary for the firms to learn something from each other and for exchanging information. When modeling organizational confidence, Mayer et al. (1995) considered benevolence, ability and integrity as perceived reliability factors. While analyzing the relation between inter-institutional learning and market institutions, Andersen (1999) pointed to relationship assets and standards as mediating institutions facilitating the flow of information between the firms. At this point confidence is assessed within the scope of relationship assets. From this angle, the fact that enterprises trust each other in institutional markets is a situation to be analyzed. It was concluded that trust and/or confidence is an inherent, but invisible, market force factor which might significantly influence both, internationalization and domestic sectoral institutionalization leading to the 2nd hypothesis of this research.

H2: Internationalization has a moderating (interaction) effect on the relationship between the domestic market forces and domestic market sectoral institutionalization.

Methodology

The major research objective of this study is to investigate the moderating effect of internationalization degree on the relationship between market forces and institutionalization.

Pre-study

The research was designed in two main stages. At the first stage as a pre-study, an items pool was created to determine institutionalization and market forces dimensions derived from literature and conducting interviews with managers and academicians to inform the research phase of this study. Totally, 25 items were generated and then, these 25 items were evaluated by the Delphi method with 10 experts to clarify market forces and institutionalization items. At the end of this process, seven items were accepted as institutionalization items and the other items (18 items) were evaluated as market forces. At the second stage, quantitative research was conducted based on random sampling and analysed by the principal components of factor analysis (PCA), confirmatory factor analysis and moderated regression analysis. This process constitutes the main part of the research. The process of the second stage is described in detail below.

Sampling and Data Collecting

The sampling frame comprises companies that are listed and have an e-mail address registered in the Exporter Association in Turkey. In this light, one thousand e-mail addresses collected belong to SME managers. An e-mail requesting for participation in the survey was sent to all these export companies' managers. A web-based questionnaire was preferred to collecting data. Respondents were given one month to complete the survey. This study employs 149 full data samples, with the appropriate size to estimate parameters (response rate is 14.9%). It is generally accepted that the minimum sample size to ensure appropriate use of maximum likelihood estimation is 100 to 150 (Gervini and Gasser, 2005).

Scales

In the first part of the questionnaire, demographic information about the participants (size and sector) was provided. The second part is about structures included in the model. All measures for these constructs used in this study were derived from existing scales and the pre-study. All constructs used a 5-point Likert-type scale, with anchors of strongly disagree (1) and strongly agree (5).

- Domestic Sectoral Institutionalization (DSI) Scale

The dependent variable of the research, the sectoral institutionalization construct, consisted of 7 items. These items were 'existence of sectoral associations', 'number of sectoral laws', 'institutional structure of the competitiveness in the sector', 'co-operation of firms in the sector', 'existence of effective rules in the sector', 'legal rights of the firms in the sector' and 'efficiency of buyer-seller interaction'.

- Internationalization Degree Scale. The Degree of internationalization (DOI) as one of the independent variables was measured by three items: FSTS and FATA variables in the DO_{INT} scale developed by Sullivan (1994) and FETE variables in Transnationalization Index developed by Letto-Gillies (1998). The Internationalization degree would have a value between 0.0 (no international participation) and 5.0 (complete international participation) (Sullivan, 1994).

- Market Forces Scale

Market forces items were taken from the pre-study. But, an exploratory factor analysis was conducted to identify the main groups of the market forces. The principal components of factor analysis (PCA), orthogonal, were employed to reduce 18 items to a more focused set of dimensions and identify possible independent variables. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.86, which suggests that the data were suitable for factor analysis. Initially, using a scree plot test to determine the factor number, four factors were identified and, therefore, extracted accounting for 59.98 % of the variance with varimax rotation. Rotated factor loadings were examined assuming different numbers of factors for extraction. One item was omitted from the analysis as it had .50 or higher on two or more factors and two factors have been excluded as they did not have not 5 or more strongly correlated items. This procedure is suggested for exploratory factor analysis and to overcome potential crossloading problems (Costello et al., 2005: 4-5). As a result, two main factors have been maintained in the exploratory factor analysis. Table. I summarizes the results of the exploratory factor analysis. Common method bias was examined using Harman's one factor test and was not found to be an issue in this study. Two factor dimensions held this condition. The explained variance of these two factors are roughly equal (respectively .201 and .200).

Take in Table I

Factor 1, 'Trust', provides five items (General trust to sector, capital structure in the sector, production systems in the sector, reciprocal confidence in sectoral firms, communication system in the sector). Factor 2, 'Organisation', provides five items (organization structure of sector, infrastructure for training of human resources, machine park in the sector, concentration of supplies, and number of employees in the sector). The last factor solution explained a total of 40.1% variance. The factor loading of all items in the factors are depicted in appendix 1. Consequently, the market forces scale has two main factors and 10 items in total.

Results

Descriptive Characteristics

The speed of internationalization of the enterprises is one of the important issues of export behaviors. Internationalization speed is the year difference between first establishment date of the enterprise and the year when export began (Reuber and Fischer, 1997). Experience denotes the amount of years in which export is carried out. When the businesses that participated in the study were analyzed in terms of internationalization speed, it was found that they began exporting with an average of 6.67 years, and when they were analyzed in terms of experience, it was found that they were engaged in export for 9.29 years. Similarly, the internationalization degree of the enterprises that participated in the study was assessed to be 0.37 (1.85 when converted to Likert scale). 55% of the enterprises that took part in the study engaged in the textile sector; 21% in the food sector; 11% in the capital goods producing sector and 13% in the automotive sector. 19% of the enterprises that participated in the study were micro level enterprises, 33% were small-sized enterprises and 48% were middle-sized enterprises. According to the studies of Moen and Servais (2002) the enterprises are classified as old, young and new. When considered in terms of distribution of establishment dates, the enterprises that took part in the study were classified in three groups being old (1952-1979), young (1980-1999) and new (2000-2005). So, 16% of them are assessed to be old, 57.33% to be young and 26.67% to be a new group of enterprises.

Measurement Model

We conducted confirmatory factor analysis for convergent validity. All constructs (Internationalization degree, market forces with two parcels and institutionalization) were considered together as a single Confirmatory factor analysis (CFA). Our measurement model suggested a good fit to data $\chi^2/df= 2.80$, $p < 0.01$, Comparative-of-Fit Index (CFI)= .89, Goodness-of-Fit Index= .90, root mean square error of approximation= .055. Discriminant validity was also examined referring to Fornell and Larcker (1981) with all construct pairs passing this test. In assessing reliability we examined coefficient alpha (Cronbach Alpha). Coefficient alpha ranged from .72 to .84. On the basis of our reliability, convergent, and discriminant validity tests, we concluded that our measurement model satisfied all of the requirements. Our measurement model can be seen in Figure I.

Take in Figure I

Hypotheses Testing

Moderating effect

Table II shows the intercorrelations among the study's variables. There was no evidence of multicollinearity among the independent variables according to intercorrelations and variance

inflation factor that did not exceed 5.0 (in this study VIF was found at 3 and 4 level for each construct). Consequently, moderated regression analysis was used to test the hypotheses (Cohen and Cohen, 1983).

Take in Table II

The moderator hypotheses were tested by examining the significance of the interaction terms and the F-tests associated with the changes in the multiple squared correlation coefficients of the equations in the second step. A two moderated regression model for market forces dimensions had been designed. Whereas the first model provides the trust dimension, the second model refers to the infrastructure dimension (organization).

As a first step, the main effects of the predictor variables (internationalization degree, and sub-dimension of the trust dimension) and in a second step the multiplicative terms were entered. Results of the analysis revealed that all sub-dimensions of the trust market force have a bigger effect on sectoral institutionalization than internationalization degree had at p 0.05 level (Table II). Consequently, the H1 hypothesis was supported. The interaction effect of sub-dimensions of the trust variable and the internationalization degree was not accepted for all. H2 was rejected as to the trust-based analysis.

Take in Table III

Next, the main effects predictor variables (internationalization degree, and sub-dimension of the organization dimensions) were entered. In the second step the multiplicative terms were entered.

Take in Table IV

Results of the analysis revealed that four- sub-dimensions of the organization related market force have a bigger effect on sectoral institutionalization than internationalization degree had at p 0.05 (Table IV). H1 hypothesis was supported. The interaction effect of internationalization degree and the sub-dimensions of organization was only accepted for organizational structure (b= .337) and machine park (b=.370). Consequently, the interaction effect has caused an increase of R², consequently, H2 hypothesis was accepted only in the light of these two dimensions.

Discussion and Conclusion

The purpose of the study was to investigate the moderating effect of internationalization on the relationship between market forces and institutionalization. The study was conducted on 149 Turkish exporters. The literature review resulted in two hypotheses. As expected, market forces - trust and organization - have a significant statistical effect on sectoral institutionalization. Internationalization only affects institutionalization when interaction effects were taken into account.

We found a direct relationship between trust within the domestic industrial sector, on the one hand, and organization of the domestic industrial sector, on the other, and domestic market institutionalization. Said more simply, when firms trust each other and have confidence in each other, the institutionalization of the domestic sector is more effective. The industry's

internationalization is quickening the pace and adaptation of institutionalization of the domestic industrial sector.

When interaction effects were analyzed, it was only found that interaction of internationalization with the organizational element had a significant effect on domestic institutionalization in terms of two sub-dimensions of organization (organizational structure and Machine Park).

Trust within the domestic industrial sector as an important factor of market forces has a main effect on domestic sectoral institutionalization. Confidence and communication dimensions have maintained their significant effect when all variables were entered into model. This reflects that communication, confidence and trustful relationships as a whole are main triggering variables to institutionalization but no interaction effect was found between internationalization degree and these variables.

In terms of the importance of trust this study confirms previous research findings (Elmuti and Kathawala, 2001; Todeva and Knoke, 2001; Van Laere and Heene, 2003; Pansiri, 2005; Li and Qian, 2007; Sharp et al., 2004; Gilsing and Lemmens, 2005).

The organizational or infrastructural factor as a second dimension of market forces, however, has some effects for the main and interaction framework. The degree of internationalization has an interaction effect on the two sub-dimensions of market forces, organization and Machine Park, and institutionalization. All of these results mean that internationalization experiences of exporters are vital for the transformation of the organizational structure and the Machine Park of the domestic industrial sector. But, internationalization degree makes the machine park effect negative ($b = -.850$) as an interaction effect. This negative effect (reducing the machine park size) means that internationalization increases the productivity of the machine power in the sector. The learning process created by internationalization degree causes a higher level of efficiency of the Machine Park and manufacturing. If organization and Machine Park as market forces can be designed well and handled with internationalization experiences, domestic institutionalization level is achieving a high level. Capital intensive industries in well organized, trustful environments can succeed and benefit from internationalization.

There are possible implications from the obtained results for the Turkish export companies and the local sector construction process. First of all, in order for the knowledge factor, which the export companies acquire in foreign markets, to transfer to the local market, the companies need to develop an infrastructure for the local market and start an effective organization. Keogh and D'archy (1999) while examining market efficiency have mentioned that a property market has three levels: organization of the market, construction of the market and creation of a constructional environment. Therefore, the effectiveness of the organization within the sector or market will be a priority for developing competitiveness.

As to the required building of infrastructure in the local market, however, some barriers erected by local companies might be anticipated, a topic, suggested for further research.

Export companies with high regional networking will grow and internationalize faster (Keeble et. al., 1998). Hence, infrastructure, especially the organization dimension, will increase the effects of exporting companies on non exporting companies in the domestic sector. This could be perceived to be at the detriment of local companies which might obstruct the development of the sector implying relational risks such as opportunistic behavior (Elmuti and Kathawala, 2001). This might also effect the attitudes and actions of other companies towards exporting. The dual role of networking or strategic alliance networks, horizontal or vertical, embeddedness and the implicitly accruing social capital for both, internationalization

and constructing the domestic market becomes apparent. Sharp et al. (2004) and Herbohn and Harrison (2004) suggest that an over-emphasis on formal contracts, rigidity or even hostile acquisitions should be avoided as this is regarded to be counterproductive to the spirit of the network which should be based on a voluntary exchange of information, learning efficiency and common problem solution in the first place.

Hodgson (2004) has mentioned that institutions are durable systems of established and embedded social rules that structure social interactions and has emphasized that constructional changes and constraints can change thoughts and behavior habits and can limit actions. The information transferred to the domestic market with the help of exportation will create a limiting structure in the domestic sector. The basic outcome of this study may be helpful here: The foundational constructions in Turkey exhibit a character that is dependent on the experiences, job culture, infrastructure and communication system and the strength of the machine system. Therefore, on the one side, it needs to construct organization and the production framework as the machine park. Again, on the one hand, there has to be information creation by internationalization and, on the other, an organization has to be provided which makes the knowledge flow. This is in line with Richter (2001) emphasizing that social action is the common basis of the new economic sociology and new foundational economy. Social action is all about the companies and institutions making their interconnections between them. Conclusively, exporting might be regarded as making an important contribution to a new economic sociology and foundational economy in the domestic country of the exporter. This confirms the wealth creating role of private enterprise as discussed, for example, by Gold (2003).

The degree of internationalization is described on the basis of business culture, product strategy, know-how system, business relations and price strategy, the experiences of the export personnel, export administration experience of the company making export business in foreign countries as far as adaptation to foreign markets are concerned. The stronger this system is, the stronger will be its effects on other companies in Turkey.

However, the important point here is that the experiences of the export companies should have a certain level to be effective in knowledge transfer. New export companies are not expected to have a strong effect on local sector construction. When the structure of an export company in foreign markets is explained in means of company-environment relations, it should adapt to its environment (selection) and protect its independence against other companies (Aldrich and Pfeffer, 1976). This will enable it to stay strong in the market as they are able to develop a stable, relevant and comprehensive knowledge base. Therefore, experienced exporters will have a stronger affect on the domestic market. For the new companies it is important to rapidly adapt to the foreign markets rapidly by uniting with the trust and organisation powers in the sector and to transfer knowledge to Turkey. Promising in this respect is the finding of MacGregor (2004) and Li and Qian (2007) stressing that younger SMEs are more inclined to engage in networks than older SMEs. Specific training programmes on international entrepreneurship are suggested to support the companies' development in this respect.

The increase in foreign knowledge by increased levels of social capital and capital flow achieved by higher levels of exports have contributed to the structuring of the sectors. This, in turn, has considerable implications on administrative terms. First, an active communication network must be created within the sector to synchronize government regulations on export development and export experience. This is confirmed by Yamada (in Gingrich, 2003)

pointing to the significant role of communication to create and preserve interorganisational networks. Secondly, for a formal institutionalization in the sector, companies intensively involved in export activities in foreign countries and, at the same time, doing business within the country should be assessed. This is supported by Williamson (2000) stating that new institutional economics consists of four levels:

1. Embeddedness (informal rules and norms)
2. Formal rules
3. Governance and
4. Resource allocations.

In addition, the relation between informal and formal institutions (Zenger et al., 2001) shouldn't be ignored. This information finally paves the way for certain constitutional and unconstitutional regulations, rules and promotions in order to raise the level of trust in Turkey. The companies willing to export to Turkey should get involved in the created communication network and organization and increase their effectiveness. Also, the fact that the market mechanism is embedded proves that the sector has reached co-ordination (Jönmark and Garbacke, 2004: 86).

Summarizing, the paper provides new detailed insight into the required preconditions for and the effects of a successful interplay between macro economic and entrepreneurial strategies with particular relevance for economies in transition. From a variety, so far fragmented sources it provides a coherent body of literature underpinning this endeavor.

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Table. I

The Final Exploratory Factor Analysis Solution for market forces

<i>Construct</i>	<i>Factor Loading</i>
<i>Trust</i> ($\alpha = .81$, <i>Exp. Var</i> = .201)	
General trust to sector	.67
Reciprocal confidence in sectoral firms	.79
Capital structure in the sector	.53
Production systems in the sector	.64
Communication system in the sector	.58
<i>Organization</i> ($\alpha = .72$, <i>Exp. Var</i> = .200)	
Organization structure of sector	.61
Training of human resources	.61
Concentration of supplies	.70
Machine park in the sector	.75
Number of employees in the sector	.72

Table II. Intercorrelations of Constructs

		1	2	3	4
Trust	1	1			
Organization	2	0.58*	1		
Internationalization Degree	3	-0.03	-0.06	1	
Institutionalization	4	0.20*	0.22*	0.05	1
Mean		3.81	3.84	2.11**	3.63
AVE		.75	.70	.70	.72
* $p < 0.05$; ** =It was converted to 5.0 scale					

Table III. Moderated Regression Results

Variables	Model 1	Model 2
	b	b
Main Effects		
Internationalization[Int]	-.007	.204
Trust[Trt]	.226*	.239*
Reciprocal Confidence[Con]	.146*	.238*
Capital [Capt]	.143*	.020
Production Systems[Pro]	.165*	.191
Communication[Com]	.361*	.463*
Interaction effects		
Int x Trt		-.050
Int x Con		-.200
Int x Cap		.376
Int x Pro		-.106
Int x Com		-.275
<i>R</i> ²	.629	.634
<i>F-Model</i>	40.220	22.498
ΔR^2		.005
* <i>p</i> < .05		
Dependent Variable: Institutionalization; Independent Variables: Internationalization and Trust		

Table IV. Moderated Regression Results

Variables	Model 1	Model 2
	b	b
Main Effects		
Internationalization [Int]	.055	.609*
Organization Structure[OrgSt]	.399*	.230*
Human Resource Power[Hrp]	.322*	.421
Supplies[Sup]	.055	.094
Machine Park[Macp]	.136*	.370*
Employeers[Emp]	.148*	.025
Interaction Effects		
Int x Org		.337*
Int x Hrp		-.241
Int x Sup		-.148
Int x Macp		-.850*
Int x Emp		.289
<i>R</i> ²	.59	.63
<i>F-Model</i>	34.13	21.30
ΔR^2		.04
* <i>p</i> < .05		
Dependent Variable: Institutionalization; Independent Variables: Internationalization and Organization		

Figure I. Moderating effect of Internationalization Degree

