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Ethnic networks in the internationalization of Turkish food producers

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Abstract: The Uppsala Internationalization Process Model falls short in its ability to explain how emerging market firms internationalize. In this respect, the model needs to be enhanced through theoretical and empirical contributions. In this study, we aimed to increase the relationality of the model by employing the ethnic networks approach. As a case study for emerging market companies, we focused on the internationalization processes of Turkish food companies, which have been relatively little studied until now. Based on data from qualitative interviews, we found that ethnic networks in Germany play an important role in the initial stages of export activities, in location selection, in gaining market information, and in reaching the mainstream retailers and consumers for Turkish food companies. Adopting the ethnic networks approach enables us to see the roles of previously ignored relationships. Our findings show that, in future research, the role of ethnic networks should not be overlooked in the process of applying the Uppsala Internationalization Process Model on emerging market firms.

Keywords: Ethnic Networks, Migration, Internationalization, Globalization, Germany, Turkey

1 Introduction

Researchers have developed and used various internationalization theories and models to explain the internationalization process of companies. The Uppsala Internationalization Model (UIP Model) is one of those incremental

approaches used to explain the internationalization process of companies and was developed by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). In this approach, the conventional path taken by companies has been described. According to these insights, firms engage in export to foreign markets at the initial stage of their internationalization process and thereafter establish sales agents in those markets. In the last stage, companies may decide to set up their own production facilities in foreign markets. Firms go through the different stages of internationalization, based on their experience and (market) knowledge that increase as part of this process.

Glückler (2006) critically presented the major shortcomings of conventional internationalization models, including the UIP model. Due to its atomistic nature, the UIP model does not account for extra-firm specific conditions such as social networks and personal relationships. Whereas, especially in the 1990s, “the importance of organization as a cognitive, cultural, social and political (and spatial) framework for doing business has increasingly come to be realized. Indeed, nowadays, organization is often equated with ‘culture’, envisaged as a set of conventions” (Dicken & Thrift, 1992: 283). This movement subsequently led to a broader discussion and conceptualization of the socio-organization of firms and production, and an increased interest in network approaches (Yeung & Peck, 2003: 18). Furthermore, building relations with other firms and extra-firm actors may reduce the cost of transaction, provide new knowledge and competencies, serve as a bridge to third actors, and so forth (Glückler, 2006; Dicken, 2015). Therefore, there is a need to add relationality to the atomistic structure of the UIP model by approaching it from a relational perspective (Bathelt & Glückler, 2003; Yeung, 2005). The need to consider social relations was also recognized by Johanson and Vahlne, the founders of the UIP Model. In a revision they removed the model constraints and keep the model dynamic. While they integrated the role of networks into the model (Johanson & Vahlne, 1990, 2003, 2009), the process of further development of the model cannot yet be considered complete because the introduction of networks as a factor does not yet lead to a comprehensive relational perspective. Thus, this article is intended to contribute to this discussion.

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For a long time, research on the internationalization of companies by economists and economic geographers focused primarily on the expansion strategies of Western companies and their governance of global value chains. Companies from other countries were mainly reduced to their supply function for lead firms in the Global North (Henn, 2011). The UIP model also ignores companies from emerging markets and focuses solely on the internationalization processes of firms from developed economies. However, since the early 2000s, more and more studies have also looked at the expansion of companies from the Global South – especially when it involves acquisitions in the Global North (e.g., Karreman et al., 2017; Franz et al., 2018). In the debates on investments from emerging markets in the Global North, the UIP model was also applied and further developed by including emerging market firms (e.g., Oliveira et al., 2018; Popli & Figueira de Lemos, 2018; Wu & Vahlne, 2020; Igwe et al., 2022). However, there are still theoretical and empirical limitations to the UIP model. First, although the network approach is included in the UIP model, recent studies focusing on the internationalization processes of emerging market firms do not take ethnic networks into account. However, ethnic networks play a significant role in the international activities of companies. They can impact the location selection process (e.g., Yeung, 1997; Karreman, et al. 2017), the acquisition of market knowledge (e.g., Lin et al., 2018), and the strengthening of embeddedness (e.g., Müller & Franz, 2019; Völlers et al., 2021). Second, there is still a need to shed light on the internationalization processes of companies from emerging market countries and to develop a generalization of the extended model on the emerging market firms (Wu & Vahlne, 2020). Existing literature has so far neglected the food sector and has focused only on companies from the so-called BRIC countries (Brazil, Russia, India, and China) as these countries seem to be of particular interest due to their economic importance. Therefore, in this study, we aim to: 1) strengthen the Uppsala Model's relationality and contribute to its development, by adopting an ethnic networks approach., 2) make an empirical contribution to the applicability of the UIP model on the emerging market firms.

Turkish companies in the food sector in Germany are used as a case study in the following. For the purposes of the study, Turkish companies are an appropriate example because they are emerging country firms whose internationalization process has received relatively little prior research even though Turkish companies have increased their internationalization activities since the 1990s (Yavan, 2012; Franz & Müller, 2019). The food sector was chosen because it was one of the first sectors in which

investments from Turkey took place in Germany and is still one of the most important sectors for FDI from Turkey in Germany. The fact that investments were made in the food sector particularly early has to do with the demand from Turkish guest workers who came to Germany after 1961. Due to its long history and established connections, Germany provides an ideal case study for investigating the roles that ethnic networks played in the course of Turkish food companies' internationalization. In this framework, the research question of this study is: What is the role of ethnic networks in the internationalization process of Turkish companies towards Germany?

In the following section, the theoretical framework of this research will be discussed. Next, the methodology section describes the method and data sources that we used for this research. The methodology section is followed by the presentation of the state of the literature on the internationalization process of Turkish companies. Thereafter, we analyze our case study before, finally, drawing conclusions.

2 The development of the network perspective in the UIP model

Johanson and Vahlne (1990) changed their viewpoint on the company when they began to perceive it as a component of a network and saw that the exchange should be considered to be more important (Vahlne, 2020). Accordingly, they revisited and improved the UIP model after noting the importance of the network view in explaining firm internationalization processes. Internationalization has come to be considered as “strengthening the network position of the focal company” because of the growing awareness of the network's crucial role for the focal company (Vahlne, 2020: 243). Applying the distinction between operational and dynamic capabilities developed by Teece et al. (1997), they in fact adopted an evolutionary approach, changing their focus from internationalization processes to firm evolution. The model's founders argue that the revised model could more effectively explain how emerging market firms internationalize. In this context, it has been emphasized that emerging market firms usually develop new capabilities through internationalization processes rather than exploiting their existing ones (Wu & Vahlne, 2020). However, in the process of becoming international, emerging market firms could face the liability of outsidership as well as additional risks and costs (Wu & Vahlne, 2020).

To understand the internationalization processes of emerging market firms, the model has been further

developed and its scope has been expanded, especially since the 2010s (e. g., Popli & Figueira-de-Lemos, 2018; Oliveira et al., 2018; Wu & Vahlne, 2020). Popli and Figueira-de-Lemos (2018) focused on the merger and acquisition operations of emerging market firms and proposed that the risk management postulated in the UIP model may also be relevant in the risk management of these companies throughout the internationalization process. Oliveira et al. (2018) looked at six empirical studies that applied the UIP model to emerging market firms and discovered that one study supported the UIP model's components, one study did not, and four studies only partially supported the model. Finally, Wu & Vahlne (2020) applied the UIP model to the internationalization process of a Chinese electrical appliance company. They sought to expand the model's existing explanatory power by using the distinction between operational and dynamic capabilities. The application of the UIP model to other emerging market firms is still needed (Wu & Vahlne, 2020). Moreover, none of the above-mentioned empirical studies have taken the roles of ethnic networks into account.

2.1 Integrating ethnic networks into the UIP model

The international business literature began to attach more importance to the role of networks in firm internationalization following the model's initial presentation (e. g., Johanson & Mattsson, 1986; Sharma & Johanson, 1987; Johanson & Vahlne, 1990). Nevertheless, the inter-firm relationships and business networks that the international business literature emphasized did not address external social interactions. Ethnic networks – which refers to “bonds existing amongst individuals and communities of similar ancestry (...)” (Hayer & Ibeh, 2006: 509) – can also be regarded as one of these external social interactions.

With the increasing interest in the role of networks in the field of firm internationalization, studies from both international business (e. g., Hayer & Ibeh, 2006; Jean et al., 2011; Seifriz et al., 2014; Prashantham et al., 2015) and economic geography (e. g., Yeung, 1997; Saxenian, 2006; Henn, 2012; Lin et al., 2018; Schäfer and Henn, 2018; Müller & Franz, 2019; Völlers et al., 2021) have revealed the importance of ethnic networks from different perspectives. Focusing on FDIs from Hong Kong transnational companies, Yeung (1997) argues that the Chinese business and social network system (Guanxi) plays a vital role in the location selection process at the country level. On the other hand, Lin et al. (2018) find that Guanxi plays a much more important role in acquiring knowledge in the case of

Chinese firms in Germany. The role of ethnic networks in knowledge acquisition has also been shown in the transnational entrepreneurship literature. Transnational entrepreneurs, referred to as self-employed diaspora migrants (Henn & Bathelt, 2017), have an important role in providing global information flow across wide geographical distances (e. g., Saxenian, 2006; Henn, 2012). Conversely, when focusing on the overseas activities of United Kingdom-based Indian companies, Hayer and Ibeh (2006) demonstrate that ethnic networks play a greater role especially during the initial stages of the internationalization process. They argue that as the experience and market knowledge of companies increase, the importance of ethnic networks decreases. Furthermore, Jean et al. (2011) state that companies may still need to develop networks other than ethnic networks to connect with suppliers, customers, competitors, and for the regulatory framework to be successful in the post-entry period. Using the case study of Tel Aviv IT entrepreneurial ecosystem in Israel, Schäfer and Henn (2018) focused on migrant and transnational connections in the evolution of entrepreneurial ecosystems and illustrated that ethnic networks play critical role in the internationalization process of start-ups. Müller and Franz (2019) and Völlers et al. (2021) have shown the importance of ethnic networks between Germany and Turkey for German companies and their investments in Turkey. Employees with a Turkish migration background use ethnic networks to strengthen their embeddedness in the Turkish market and, at the same time, to strengthen communications in the home market. Müller and Franz (2019) refer to the cultural influences from two countries that influence the respective individuals due to their migration history as dual embeddedness. Even though many studies have dealt with ethnic networks in corporate internationalization, they refer to different theoretical frameworks, ignoring the UIP model.

Studies that attempt to improve the explanatory power and scope of the UIP model on the internationalization process of emerging market firms do not take ethnic networks into consideration, despite the undeniable role of ethnic networks in firm internationalization. However, ethnic networks and relations are a factor that should not be neglected in the internationalization process of emerging market firms, since they are considered as a means of removing informal trade barriers through fostering trust (Epstein & Gang, 2004). Wu and Vahlne (2020) fell short in doing so when explaining the internationalization process of the Chinese company Gree as an emerging market firm. Focusing on the key role of individuals for companies, Wu and Vahlne (2020) attached great importance to the roles of company managers in processes such as develop-

ing dynamic capabilities, overcoming foreignness, overcoming lack of experience, and obtaining new ideas but ignored the role of ethnic networks.

2.2 Ethnic networks in the internationalization processes of Turkish firms

In recent years, some researchers have focused on the roles of ethnic networks in the internationalization process of Turkish firms. Concentrating on learning through networks, Erdil (2012), shows that building networks with competitors or consumers is a common tendency among Turkish firms in the German market. However, there is little research on how ethnic networks affect the overseas activities of Turkish firms (Ayden et al., 2018; Uner et al., 2020). In this context, Uner et al. (2020) found that Turkish residents in Europe, the Middle East, and Central Asia play a significant role at each stage of the internationalization process of Turkish hospitals. For example, according to Uner et al. (2020), the Turkish diaspora abroad acts like a lightning rod for Turkish hospitals in their overseas activities. Ayden et al. (2018) also revealed the importance of ethnic networks for a Turkish company's internationalization process in their case study, a furniture producer and retailer company, *Boydak Furniture*. According to this case study, *Boydak Furniture*, in its operations in Europe, mainly addresses a population with a Turkish migration background in Germany, Austria, Switzerland, and the Netherlands. Similarly, Erdilek (2008), Yavan (2012), and Ayden et al. (2018) indicate that cultural closeness is an important indicator for Turkish companies in their overseas activities. According to these studies, a similar cultural background between Turkey and Turkic republics in Central Asia (e. g. Kazakhstan and Uzbekistan) is a pull factor for Turkish firms. In this context, the role of ethnic networks in the internationalization processes of Turkish companies, which the existing literature has left incomplete, needs to be more comprehensively revealed. We will contribute to closing this gap with the case study of Turkish food companies in Germany presented in section 4.

3 Method

In this study, a qualitative research approach was adopted to reveal the factors affecting the internationalization process of Turkish companies towards Germany. To do so 22 in-depth interviews were conducted with owners

or managers of five food-producing companies and one exporter company that originated in Turkey, three Turkish wholesalers and distributors, eight grocery retailers and one greengrocer located in Germany, one international food-producing company, and two experts. The five Turkish food companies that focused on the research were small-scale and had no industrialized production in the first years of their establishment. In the last quarter of the 20th century, they have become large companies engaged in professional production, are engaged in intensive international activities, and export to more than 25 countries, especially in Europe. During the company interviews, questions were asked about the company and internationalization history and the factors that influenced the various dynamics. The experts were asked about general historical and current developments in the relevant contexts. The results from the interviews were compared and supplemented with existing reports and academic articles written in Turkish, English, and German.

The *Mavi Rehber* (2020) Database¹, individual referrals, and search engines were used to identify food companies that are relevant to the aims of this study. The criteria for selecting the five food companies that are the focus of the following analysis were, in addition to their industry affiliation, the existence of production facilities or sales offices in Germany and their willingness to participate in the study. The wholesalers, distributors, and retailers who were interviewed were randomly chosen from the sources stated above. Finally, the interviewed experts were selected according to their areas of expertise through personal recommendations.

The interview partners were asked about the role of the existing Turkish community in Germany in the different stages of their companies' international expansion towards Germany. Furthermore, two experts as non-firm actors were interviewed to enable a more comprehensive assessment: The first one is a migration expert who was interviewed about the entrepreneurial activities of Turkish people with migration background in Germany. The second is an ethnic market expert who was interviewed concerning the development of ethnic retailing in Germany.

Although the initial plan was to conduct all interviews face-to-face, due to the COVID-19 pandemic, telephone calls and video conferencing apps were used instead. The only exceptions were six interviews with grocery retailers and one interview with a food company that could be conducted face-to-face. The interview duration ranged from

¹ *Mavi Rehber* is a directory providing both social and economic information that serves as a link between Turkish enterprises in Germany, where 5013 companies from 163 sectors are registered.

approximately 25 minutes to 120 minutes. The interviews were conducted in Turkish. For this article, quotes were translated into English. All digitally recorded interviews were transcribed and then codified anonymously. The interviews were evaluated within the framework of a qualitative content analysis (c.f. Mayring 2004). The official websites of the companies, reports published by institutions, and previous research were also used as supportive resources.

4 The case study of Turkish food companies in Germany

The Labor Agreement signed in 1961 between Germany and Turkey was a milestone for the growth of the Turkish population in Germany. The first generation of Turkish people came to Germany based on this agreement to work at factories as so-called *Gastarbeiter* (guest workers). Both the German Government and first-generation Turkish workers thought the workers were going to stay in Germany temporarily. Although the German Government made attempts to change its immigration policy, about 599.000 Turkish people migrated to Germany by 1973 (Sahin, 2012). Moreover, many Turkish migrants stayed permanently, brought their families to Germany, or started families there. The Turkish population in Germany reached its height in 1998 at 2,1 million (Sen et al., 2007). Then, with the change of the citizenship law in 2000, the official Turkish population in Germany started to decrease. Although, with the granting of German citizenship to Turkish children born after 2000, it has become difficult to determine the exact number of the population with Turkish background in Germany (Sen et al., 2007), as of 2016, it is estimated that there are about 2,8 million people with Turkish migration background in Germany (Tezcan, 2019).

Due to the rather high proportion of people with a Turkish migration background in Germany, there is a huge economic potential in the corresponding ethnic market. In this context, it is predicted that the yearly household income of the whole Turkish population in Germany is about 17,3 billion euros (Sen et al., 2007). Moreover, according to a study commissioned by the Federal Ministry for Economic Affairs and Energy of Germany in 2016, there are about 89.000 Turkish entrepreneurs in Germany (Topcu, 2021).

These figures show the potential that Germany holds for Turkish companies – as well as for ethnic networks. Since millions of people with a Turkish migration background have been living in Germany for decades, Turkish

companies, especially in the food industry, have an interest in the German-Turkish ethnic market. Furthermore, with an increasing number of Turkish entrepreneurs in the service sector, business relations began to develop between Turkish food companies from Turkey and Turkish wholesalers, restaurants, grocery stores, etc. in Germany. These actors and the growing Turkish population in Germany play considerable roles as ethnic networks for Turkish food companies in their internationalization process. These roles played by ethnic networks will be evaluated in this section based on empirical data in the context of our case study.

4.1 Ethnic networks as intermediaries of irregular export

In the first years of immigration, a vast majority of Turks worked as laborers in factories and the mining industry. Thus, there were only a small number of Turkish entrepreneurs during the 1960s. At the same time, certain rudimentary and cultural needs of the first-generation Turkish residents increased towards the 1970s. Thereby, some Turkish entrepreneurs started to sell basic food products on a mobile basis in front of places where many Turks worked and lived in the 1970s. In this regard, a migration expert mentioned the first entrepreneurship activities of Turks in an interview:

“Of course, the population [of Turks in Germany] began to increase towards the end of the 1960s. The needs have reached a level that presents economic value. I can say that this happened approximately at the beginning of the 1970s. The entrepreneurs emerged who brought automobiles and started to sell rice, eggplant, bulgur, etc. which they had brought from Turkey themselves and are difficult to find in Germany, in the trunk of their cars” (interview with migration expert).

With a similar emphasis on how first-generation Turkish entrepreneurs conducted business in Germany another expert added:

“At first, they were bringing [food products] to meet their own needs. [...] After that, you know, once there were accommodations for the workers, they started to sell those food products in front of these accommodations in their tiny cars” (interview with ethnic market expert).

These initial entrepreneurship attempts of Turks in Germany were the first significant connection for several Turkish food companies with ethnic markets in Germany. For these companies, these activities are the initial stage of their internationalization process (c.f. Johanson and

Vahlne 1977). To understand the emergence of this first stage of internationalization, it is important to consider the roles of Turks in Germany in export activities during the early years of immigration, as Bardakçı (2004) did. In this way, Turkish residents in Germany could be viewed as unofficial exporters of those companies. Moreover, most Turkish food companies were not professionally structured in those years. An interviewed company manager described their production capabilities during the 1980s while emphasizing the role of Turkish residents in Germany taking their first steps in the German internationalization process as follows:

“Our production was not industrialized at that time. It was a workshop-style production. [...] It could be said that our first exports started with the workers from Karaman [a Turkish province] who lived in Europe taking 500 kg., 1 tonne, etc. bulgur with them on their way back to Europe in their own vehicles” (interview with a manager of a food producing company, 1).

Finally, it should be noted that these exporting activities were irregular and unorganized exactly as defined by Johanson and Vahlne (1977) in the first stage of the internationalization process in the UIP model.

4.2 Turkish wholesalers and grocery retailers as a gate

During the 1980s and 1990s, the Turkish food industry started to grow in Germany. According to an interview with a migration expert, most of the industry’s major players had their roots in the 1990s. However, there are also some large-scale producers, wholesalers, or importers whose roots date back to the 1980s such as Marmara GmbH (1980 – Düsseldorf) and Suntat (1986 – Mannheim), and some even date back to the 1960s such as Egetürk (1966 – Cologne). While some large-scale importers and wholesalers started importing and storing products from Turkey, other importers and wholesalers distributed the products directly to Turkish grocery stores. Furthermore, some of these companies were making subcontract agreements with lower-scale regional Turkish wholesalers to distribute the products to the Turkish grocery stores in their own region. These distribution structures are still used today. In some cases, importers and wholesalers even own the grocery stores. The multiple roles of companies (such as importer, wholesaler, and store operator) established by people with Turkish migration background in Germany made it easier for some Turkish food companies to progress through the stages of internationalization (c.f. Johanson and Vahlne 1977) to expand their business into Germany

and other parts of the European market. For instance, Turkish food companies establish contacts with the mainstream chains in order to “show up on the shelf”, which, in turn, allows them to reach broader consumer groups with the help of Turkish wholesalers. Furthermore, there are two main reasons mainstream chains include Turkish products in their product range. Firstly, with the structural changes in the German retail market, interest in gluten-free, lactose-free, organic, and ethnic products began to rise (USDA, 2019). Secondly, German chains realized that they have neglected the ethnic market so far (Ehrkamp, 2005). In this context, Turkish products as the ethnic products with the biggest ethnic target group started to attract the attention of mainstream German chains. As mentioned earlier, Turkish wholesalers in Germany play a role in helping mainstream German chains to access Turkish products.

“We were already trying to meet with German supermarkets. We were sending our offers via email. Then, one of our distributors had contact with Lidl. [...] They wanted an offer for another product from our distributor, three years ago. When I heard that, I told our distributor that he should talk about us. [...] Actually, we are already writing to them but they don’t give us feedback. Our distributor sent our offer to them. [...] Afterwards, we started to talk with them. [...] We run our operations via our distributors” (interview with a manager of a food producing company, 2).

However, regionally dispersed network systems may also present challenges for Turkish food companies who seek a place on the shelves of mainstream chains because not all regional distributors and wholesalers are professional or have sufficient capabilities. In some cases, they do not even want to distribute the products to mainstream chains because they think it is not a profitable business option. A company manager complained about this problem in an interview.

“We learned that we can’t keep it that way with our distributors. [...] They can’t even speak German. And there are also different problems. Secondly, you must agree with all of your distributors to make it work” (interview with a manager of a food producing company, 4).

In addition, the strategy of being on German market shelves through Turkish distributors creates another disadvantage for some companies. According to a company manager, through Turkish distributors, they can only be found on the shelves of German markets’ “world section”, not among well-known German brands.

“There are seeds next to tomato paste or almonds next to pickles when your products are sold alongside other goods from around the world. [...] They (*Turkish wholesalers/distributors*) think that they should occupy the whole globe section shelf since there are

too many items in the Turkish wholesalers here generally. [...] Our goal was to be in the main stock (*of German retailers*). We concentrated on positioning our items alongside Seeberger² or dried fruits” (interview with a manager of a food producing company, 6).

Finally, companies like grocery stores, including Turkish grocery stores in Germany, serve as one of the main gates for Turkish food companies to reach people with other origins and cultural backgrounds. Since, apart from people with a Turkish migration background, people from Middle Eastern and Balkan countries as well as from Germany are the largest clients of the Turkish grocery shops Turkish food companies gained from offering their products via these grocery stores.

4.3 Turkish wholesalers and grocery retailers as sources of market information

Building relationships with Turkish wholesalers in Germany provides Turkish food companies with important market information. The changing consumer trends observed by Turkish grocers in Germany are, thus, transferred to Turkish food companies through these wholesalers. In other words, Turkish wholesalers act as intermediaries in this bottom-up information process.

“There are those who have been our distributors in Germany for more than 20 to 25 years. They have helped us understand the market in part. Additionally, we meet with the owners and staff of numerous stores while we are there. We collect information from all of them” (interview with a manager of a food producing company, 6).

Undoubtedly, this kind of information process can survive thanks to the trust relationship between the actors as emphasized by Johanson and Vahlne (2009) in their revisiting work of the UIP model. According to them, “Trust can also substitute for knowledge, for instance when a firm lacks the necessary market knowledge and so lets a trusted middleman run its foreign business” (Johanson & Vahlne 2009: 1417). This trust is partly based on the dual embeddedness (due to their own migration background) of people working for the Turkish wholesalers (c.f. Müller & Franz, 2019).

The information gathered from Turkish retailers about the market generally covers consumer preferences and trends in these preferences. However, Turkish grocery retailers and wholesalers in Germany are insufficient to

serve as Turkish food enterprises’ sole source of market information. In light of this, Turkish food companies collaborate with professional consulting services.

“We work with consulting firms. Our marketing department is in charge of handling this. And, particularly in the non-ethnic category, we are attempting to collaborate with consulting firms more” (interview with a manager of a food producing company, 6).

4.4 Ethnic networks in the location selection processes

The location selection is crucial at the investment stage, which is the final stage of the internationalization process. Successful site selection requires extensive knowledge of the target market and its requirements and regulations, as well as knowledge and experience in processing this knowledge. This knowledge is part of the prerequisites that Johanson and Vahlne (2009) see for the final stage of internationalization, which therefore actually requires extensive experience and is the final stage for this very reason. Establishing a production facility in Germany is not a common tendency among the producers who originated in Turkey. The low value of the products, difficulties in sustainability, high rents, and high labor costs are the main reasons behind a disinclination towards the establishment of a production facility. For example, although some companies intended to establish a facility, they often gave it up after feasibility studies or even at an early thought stage. One of the company managers interviewed shared their experience about “[...] labor cost, renting warehouses, etc. We did a feasibility study but that would exceed our budget and capabilities” (interview with a manager of a food producing company, 3). However, Turkish food companies that do not have a facility in Europe end up facing several important problems with customs such as long waiting and checking processes, the risk of rejection of products at the customs, and export quotas. Several companies that originated in Turkey, therefore, established production facilities in those European countries where the labor and real estate costs and raw material prices are relatively low or where the country-specific advantages are relatively high, such as Romania, to circumvent those problems (Anil et al., 2014; Yilmaz et al., 2020). However, despite the high labor costs and real estate prices, one of the Turkish food companies interviewed prefers to establish a facility in Germany. A manager from that company explained the main motivations behind their decision in this regard as follows:

² A German food company specialized in nuts, dried fruits and coffee.

“There are nearly 550 million people living in Europe and most of them live in France, Holland, Germany, etc. It was beneficial to prefer these kinds of central places. This is also where the ethnic group mostly lives. There are 3 million Turks living here in Germany. It’s also easy to find a manager to manage the facility. It could be difficult to do that in Romania” (interview with a manager of a food producing company, 4).

As mentioned by the interviewed manager, ethnic networks can play a role in location decisions when establishing a facility step. Undoubtedly there are several reasons, such as the kind of product and regulatory frameworks, that affect the location decisions of Turkish food companies but it is beyond the scope of this article to discuss these reasons in detail.

Finally, Turkish food enterprises have the advantage of accessing the human resources resulting from the significant Turkish population in Germany by choosing Germany as their location. Ethnic networks are important, as a firm manager previously stated, particularly when employing senior company executives and even when establishing subsidiaries in Germany. The head of a Turkish food company’s German subsidiary underlines the importance of ethnic networks in the formation of that subsidiary.

“I met the owners of this company through the mediation of a relative. They (*owners of the company*) were seeking someone they could trust. They (*relatives*) recommended me. We talked on the phone and over the internet. (...) I am of Kurdish origin. So are the bosses. Their relatives were my friends here. There was a connection there. (...) I founded the company (*the subsidiary in Germany*) on their behalf. They trusted me and sent thousands of euros to my account without seeing me” (interview with a manager of a food producing company, 5).

Such relationships of trust, based on ethnic relations, help to facilitate investment decisions and to progress more quickly through the stages of internationalization.

5 Conclusion

To analyze the internationalization process of emerging market firms, various researchers have used the UIP model. However, these studies show that these processes of emerging market firms cannot be explained by the original version of the model. As Oliveira et al. (2018) has demonstrated, some researchers have attempted to test various aspects of the model on emerging market firms, and others have attempted to use the UIP lens to explain risk management behaviors of firms in their internationalization processes (e.g., Popli & Figueira-de-Lemos, 2018) and processes of building dynamic and operational

capabilities (e.g., Wu & Vahlne, 2020). In parallel to the above-mentioned studies, our findings show that the original version of the UIP model is insufficient to explain the internationalization process of Turkish food companies.

Although Turkish firms followed the incremental internationalization process suggested by the original model, some dimensions do not fit the model’s other assumptions. Turks’ irregular and unstructured exporting activities in Germany were crucial, particularly in the early stages of the internationalization process. Furthermore, we have shown that ethnic networks, which are a factor that is not included in the model, can be crucial for emerging market firms in selecting new markets and overcoming liability of foreignness after market entry. Ethnic networks aid Turkish firms in getting market information and trends, as well as in dealing with bureaucratic issues. The use of ethnic relations enables companies to move more quickly through the stages of the internationalization process and to use market knowledge that, without ethnic relations, they would have had to acquire in a longer process. In line with what Wu and Vahlne (2020) have shown, we have found that individuals and key people are crucial in the internationalization process of emerging market firms. Representatives of Turkish food companies in Germany gain information and impressions about the market by visiting Turkish grocery retailers and establishing personal connections with these retailer employees. In this context, the role of ethnic networks and the capabilities of individuals comes to the fore.

To increase the relational perspective in the UIP model, a network approach has already been integrated into the model. Building on this, we have combined this with the ethnic network approach, which has not been discussed in the UIP literature before. We have shown that the roles of ethnic networks are crucial in explaining the internationalization process of Turkish firms as emerging market firms. By using the ethnic networks approach, the model’s relationality has been enhanced, allowing us to recognize the functions of previously neglected relationships. Finally, we have achieved our second goal by providing empirical evidence for the internationalization process of Turkish firms, which have been relatively understudied.

Finally, since this study reveals the impact of ethnic networks on the internationalization process of firms by focusing on examples from Turkey, there are some limitations regarding the scope of the study. First, we limited the scope of this study to the food industry. Thus, future research can focus on the role of the ethnic networks in overseas activities by including and comparing them with other sectors. Second, in this study, we focus only on the

ethnic networks constituted by Turkish consumers, intermediaries, and grocery stores in Germany. Therefore, future research can include other countries to reveal possible spatial differences in the role of ethnic networks for firm internationalization.

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