T.C.
UNIVERSITY OF YALOVA
INSTITUTE OF SOCIAL SCIENCES

EVOLUTION OF STRATEGIC DIRECTIONS OF BUSINESS GROUPS: EVIDENCE FROM TURKEY

M. Sc. THESIS

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Department: Management

Program: Management

Thesis Advisor: Assoc. Prof. Mustafa KURT

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☐ Repetition	☐ Repetition	☐ Repetition

DECLARATION

I hereby declare that this Master's Thesis is the product of my own independent work. All content and ideas drawn directly or indirectly from external sources are indicated as such. The thesis has not been used in the same or in similar version to achieve an academic grading and has not been published elsewhere.

SALİH FARUK CIBIZ

25/05/2015

TABLE OF CONTENTS

ABBREVIATIONS v
LIST OF FIGURES vi
LIST OF TABLES vii

1 INTRODUCTION 1
1.1 Background studies 1
1.2 The Purpose of the Study 2
1.3 Originality/Value 2
1.4 Research Questions 2

2 LITERATURE REVIEW 4
2.1 Business Groups 4
2.2 Business Groups around the World 12
2.3 Business Groups in Turkey 32
2.4 Strategic Redirections 41

3 THE METHODOLOGY OF THE STUDY 46
3.1 Research Objectives 46
3.3 Subject of the Research 48
3.4 Data Collecting Procedure 48
3.5 Methods Used for Data Analysis 49

4 RESULTS 50
4.1 Preliminary Statistical Analysis 50
4.2 Statistical Analysis 57

5 DISCUSSION 62
5.1 Research Findings 62
5.2 Main Findings 64
5.3 Limitations of the study 65

6 CONCLUSION 67
6.1 Future Research 69
6.2 The recommendations for multiple business groups 69

BIBLIOGRAPHY 70
APPENDIX 1 86
APPENDIX 2 888
CURRICULUM VITAE 89

ABBREVIATIONS

UN:	United Nations
NACE:	Nomenclature generale des Activites economiques dans les Communautes europeennes

LIST OF FIGURES

Figure 2.1: The Organization of the Typical Chinese Business Group………………… 23

LIST OF TABLES

Table 2.1:	Early Examples of Business Groups in the World……………………..….	13
Table 2.2:	Business Groups Affiliation around the World………………………...….	17
Table 2.3:	Names of Business Groups in Different Countries…………….………..	18
Table 2.4:	Sales of the 10 Largest Business Groups in Selected Countries in 1995.....	27
Table 2.5:	Summary of Resources Important for Literature Review Dealing with Business Groups in General……………………………………..…...…	28
Table 2.6:	Foundation Eras of the Largest Turkish Business Groups, 1923 – 1949….	35
Table 2.7:	Foundation Eras of the Largest Turkish Business Groups, 1950 – 1979….	36
Table 2.8:	Foundation Eras of the Largest Turkish Business Groups, 1980 – 1999….	37
Table 2.9:	Summary of Literature Dealing with Business Groups in Turkey………...	40
Table 2.10:	A Process Model of Strategic Redirection……………………………...	42
Table 4.1:	The General Data……..……………....……………………………...…...	50
Table 4.2:	The Frequency of the Business Groups by the Periods...……………….…	51
Table 4.3:	The Interest for the First Entered Sectors of the Business Groups by the Years…………………………………………………………………	52
Table 4.4:	The Frequencies of First Entered Sectors of the Business Groups…….….	54
Table 4.5:	The Number of the Companies within the Business Group and Its Frequency…………………………………………………...….…….	55
Table 4.6:	The Number of the Number of Business Groups that are Still Active in First Entered Sector…………………………………………...……...	55
Table 4.7:	The Frequency of Age of Business Groups………………………………	56
Table 4.8:	The Results of One-Way ANOVA - The Difference Between and Within the Period of Business Groups' Establishment and the Number of Entered Sectors...………………………………………………………...	57
Table 4.9:	Multiple Comparisons………………………..…………………..........	69
Table 4.10:	The Results of One-Way ANOVA - The Difference Between and Within the Period of Business Groups' Establishment and the Size Of Multiple Business Groups …...……………………………………………...……	59
Table 4.11:	Multiple Comparisons……………………...…………………………..	59

Table 4.12: The Results of One-Way ANOVA - The Difference Between and Within the Period of Business Groups' Establishment and the Year of First Change into Some Other Sector………………………………………...……..... 60
Table 4.13: Multiple Comparisons……………………….....…………………………... 61

Yalova Üniversitesi Sosyal Bilimler Enstitüsü Yüksek Lisans Tez Özeti

Tez adı: İşletme Gruplarının Stratejik Yönelimlerinin Evrimleri: Türkiye Örneği	
Tez Yazarı: Salih Faruk CIBIZ	**Tez Danışmanı:** Doç. Dr. Mustafa KURT
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Bölümü: İşletme	**Çalışmanın Alanı:** İşletme

Stratejik yönelim, literatürde stratejik redirection olarak var olan stratejik yeniden yönelme konusu literatürde karanlık kalan Türkiye için göz ardı edilmiş konulardan biridir. Bu çalışmanın amacı Türkiye'de işletme gruplarının stratejik yönelim evrimlerini çeşitli dönemler itibariyle (1950 öncesi dönem, 1950-1979, 1980-1999 ve 2000 sonrası) tanımlamakdır. Çalışmamıza Türkiye'de ki farklı sektörlerde faaliyet gösteren 102 işletme grubu dahil edilmiştir. İşletme grupları 1950 ve öncesi dönem, 1950-1979 dönemi, 1980-1999 dönemi ve 2000 sonrası dönem olmak üzere 4 döneme göre incelenmektedir.

Stratejik yönelimlerin dönemler itibariyle nasıl bir görünüm arz ettiğini ve tüm süreç boyunca işletme gruplarının stratejik yeniden yönelimlerinin benzeşip benzeşmediğini belirlemek adına işletme gruplarının yeni sektör girişlerine bakılmış, ayrıca işletme gruplarının kuruluş tarihleri, ilk sektörleri gibi kontrol değişkenleri bakımından farklılaşıp farklılaşmadıkları incelenmiştir. İşletme gruplarının web siteleri üzerinden yapılan ve NACE sistemine dayalı yapılan kodlamalar neticesinde analize hazır hale getirilen veriler varyans analizi (ANOVA) kullanılarak yorumlanmıştır.

Anahtar Kelimeler: İşletme Grupları, Yönelim, Türkiye, Gelişim, NACE Kod

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The aim of this study is to define and present the evolution of strategic directions of business groups in Turkey in different periods (before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after). Our study included in 102 business groups that are active in various sectors in Turkey. The business groups were analyzed according to the period that is divided in four time periods, first considered period is before 1950, the second is between 1950 and 1979, the third is between 1980 and 1999, and the last period is considered from 2000 and after.

The all process of entrance into the new sectors of each business group was analyzed in order to determine whether there were similarities between business groups or not, and starting from the periods of strategic direction how they were presented. Also, it was analyzed whether there was difference or not when it comes to control variables such as date of establishment of business groups, first sectors of entrance. The analyses of variance (ANOVA) were used in order to analyze the date taken from the webpages and coded by the NACE codes.

Keywords: Business Groups, Redirection, Turkey, Evolution, NACE Code

1 INTRODUCTION

1.1 Background studies

The emergence and evolution of business groups, which is popular topic in last decades, in Turkey has been studied by many authors in the literature. For example Karaevli (2008), Ozkara, Kurt, Karayormuk (2008), Özcan and Turunç (2011), Karayormuk (2010), Karademir (2004), Dirlik (2014), Şahin (2007), Karademir and Danışman (2007) and Colpan and Jones (2015) are focused on this topic in Turkey context. Some of the studies focused on characteristics of business groups (Özkara, Kurt, and Karayormuk-2008), some of them on analyzing single group (Colpan and Jones-2015; Dyer and Nobeoka-2000), some of them focused on business groups in emerging markets (Yaprak, Karademir, and Osborn-2007; Yaprak and Karademir-2010; Karademir and Danısman-2007), some of them focused on the differences between business groups established in past and present periods (Erçek and Günçavdı-2015), and some of them on diversification of business groups (Gökşen and Üsdiken - 2001; Kock and Guillén - 2001; Karaevli - 2008). The prior study was conducted by Karaevli (2008) talks about the evolution of the Turkish business groups' diversification strategies within the theoretical framework. Based on the main findings of the research Turkish business groups have started to implement ''multi-focus'' diversifications strategies in the global economy integration process and maintain this strategy along the decades. In addition, the research took the preliminary steps toward developing theory on the refocusing of business groups (Karaevli, 2008). Another study that deals with relationship between business groups and media has been conducted by Karademir and Danışman (2007). According to paper, this link is very significant due to fact that as a result of business groups' growth, media more and more becomes part of those groups' ownership which significantly influence the governance of these institutions (Karademir and Danışman, 2007).

The evolution of diversification strategies in business groups when it comes to case of Turkey, was done by Karaevli (2008) and many other authors such as Gökşen and Üsdiken (2001) and Kock and Guillén (2001). Colpan and Jones (2015) focused on business groups in micro level by analysing and writing about one of those groups in more detail. More accurately said, these authors focused on Koç Group from an evolutionary perspective, and conducted very decent analysis of origins and development of mentioned group which is definitely one the largest in Turkey nowadays. These are just few aspects of business groups' development in Turkey in focus of researchers whose purpose was to provide basic insights about researchers dealing with this type of studies in Turkey. In the coming paragraphs of this work, all the literature will be analyzed in details.

1.2 The Purpose of the Study

The main purpose of the study is to define and present the evolution of strategic directions of business groups in Turkey in different periods; before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after. At the same time, various control variables (age, first entered sector, etc.) will be examined in terms of the business group that changed the strategic direction.

1.3 Originality/Value

Although there has been much interest on business groups' literature, there is only few studies focusing on Turkey context. Besides, evolution of strategic direction of Turkish business groups over the time has been neglected. Hence, this study aims to contribute global business groups' literature by examining strategic redirection of Turkish business groups over the time.

1.4 Research Questions

The purpose of the study to define and present the evolution of strategic directions of business groups in Turkey in different periods; before 1950, 1950 – 1979, 1980 –

1999 and 2000 and after. Based on the purpose, research questions of the study could be state as following:

1. Is there a similarity or difference between strategic redirection of business groups over the time?
2. What is the outlook of the emergence of business groups by the periods (before 1950, between 1950 and 1979, between 1980 and 1999, and period between 2000 and after)?
3. Is there significant difference in terms of the relations between the period of business groups' establishment and the number of entered sectors or not?
4. Is there significant difference in terms of the relations between the period of business groups' establishment and the size/differentiation of business groups or not?

The main concepts of this thesis are: business groups and strategic direction.

*Business groups: S*tands for the highest level of organization and the largest grouping of employees across which you may report. Another name for this kind of organization setting is setup business group.

Strategic Direction: main focus of the production and services.

2 LITERATURE REVIEW

This part of the thesis includes the literature review on the business groups in general; business groups around the world as well as in Turkey and it include the periods that were considered for the purpose of this research. In the last period, increased attention was devoted to the research on business groups in the literature, both globally and locally. Nowadays there are many articles focused on the Japan and Asian four greatest that became very big after II World War and took global role, those are: Hong Kong, Singapore, South Korea and Taiwan. This fact once again brings on agenda of research the demand for articles with focus on business groups of various countries around the globe. According to Cetenak (2012) even though business groups are extremely important for country and world economies, they are not subject of research frequent enough as they should be. Consequently, there is a big demand for such discussions in the literature.

2.1 Business Groups

There is not any consensus on definition of business groups in the literature (Cuervo, 2006). In his research, Coase (1937) was questioning the reason why company exists and in 1994 Granovetter published a paper where he placed the answer for Coase's question where he said that company actually exist because of the opportunity for formation of business groups. If we look at some definitions of business groups in the literature, we may see many different aspects of business groups. For example, Yiu, Bruton and Lu (2005) defined business group as ‘’a collection of legally independent firms that are bound by economic (such as ownership, financial, and commercial) and social (such as family, kinship, and friendship) ties’’. Leff (1978) defines business groups as group of companies that do business on different markets under financial control or under the control of joint management of business groups. In his definition, Granovetter (1994) claims that ‘’conceptually, business groups can be considered as organizational forms that lie between markets and hierarchies. In another paper, the author named Maman (2002) defined the business group as an independent federation from each other. He gave the general definition as: ‘’business group is an organizational form that came together unofficially and officially and is legally independent organizations.

Cetenak (2012) claims that the definition of business groups in economic theory is very different from the one in sociology field. It has been recognized in different disciplines that different reasons were mentioned for creating a business group. According to the economic theory, business groups are created for the reason to come over the gaps that appear in market mechanism.

In the literature it is also noted that the business groups’ specific form that is taken in each country is not depending only on economic condition of the country but also it depends on the political and legal situation of that country (Chang, 2000; Özcan and Turunç, 2011; Karaevli, 2008). Morch and Yeaung (2003) stated that business groups that are under family control are the dominant organizational form in many economies. Family group business has the pioneer role in developing and developed countries. In the world, well known business group examples are *Keiretsu* in Japan, *qiyejituan*in in China, *business houses* in India, *grupos economicos* in Latin American countries, *grupos* in Spain, *chaebol* in South Korea, *guanxiqiye* in Taiwan, and *family holdings* in Turkey (Granovetter, 1994).

There is an argument in literature regarding advantage of forming business groups instead of having a company. Caves and Uekusa (1976) and many other authors in years after came out with empirical studies about the business groups’ beneficial effects on economic development that has remained mixed via their effects on the member firm performance. It has been recognized that positive effects for performance of firms that are member has been created thanks to business groups. We can face this example in Chang and Choi’s (1988) study which talks about great performance that was a result of a business group that had multidivisional structure which provided economies of scale and scope and was the one that reduced costs of transaction. Similarly, the author Guillen (2000) clams in his article claims that firms and entrepreneurs can accumulate a unique capability to combine foreign and domestic resources, in order to enter the industries more quickly. Besides, internal resource pools are created by the business groups where they continue to develop capabilities through participation in business networks, as Granovetter (1995) said 'a view in line with the network view of the firm'. Some other papers talk about advantages of business groups. For instance, Ghemawat and Khanna (1998) emphasized the benefits to group membership. Those benefits include access to entrepreneurial talent, capital and the political bureaucratic apparatus.

Characteristics of Business Group

After giving some definitions about business groups above, we can conclude some characteristics of business groups based on the literature. The important characteristic of business groups among many is that in certain amount of movement of the enterprises, companies that are members of business groups are moving in harmony with each other. It does not mean that they use same methods for doing business from the center of a business group, it means they do business by coordinating with each other (Cetenak, 2012).

Tarun Khanna and Yishay Yafeh (2005) examined the hypothesis that business groups facilitate mutual insurance among affiliated firms and find substantial evidence of risk sharing by Japanese, Korean, and Thai groups but little evidence of it elsewhere. They also found no correlation between measures of capital market development and the nature of the legal system, on the one hand, and the extent of risk sharing provided by business groups, on the other. The popular view that risk sharing in business groups is important is not validated by their analysis; other reasons are more likely to explain the ubiquity of business groups around the world (Khanna and Yafeh, 2005).

According to Khanna and Yafeh (2005), one function often attributed to business groups is that they enable member firms to share risks by smoothing income flows and reallocating money from one affiliate to another.

Yiu and et.al. (2007) claim that the creation of basis of a framework for business groups is hampered for two reasons: one of reasons is that the business groups are named differently in different countries and are organized in a different way. Second reason is that in business group studies different scientific perspectives and different forms taken for researching the questions exist.

From aspect of resource flexibility and its strategic impact on business groups, Cestone and Fumagalli (2005) showed that in business groups with efficient internal capital markets, resources may be channelled to either more- or less-profitable units. Depending on the amount of internal resources, a group may exit a market in response to increased competition, or channel funds to the subsidiary operating in that market. This results in important implications for the strategic impact of group membership. Affiliation to a monopolistic subsidiary can make a cash-rich (poor) firm more (less) vulnerable to entry deterrence. Also, resource flexibility within a group makes subsidiaries' reaction functions flatter, thus discouraging rivals' strategic commitments when entry is accommodated. In the end, authors emphasized resource flexibility as strategic factor that may have significant implications for business groups (Cestone and Fumagalli, 2005).

Thanks to Cestone and Fugamalli (2005), it is easy to differentiate between business group and multidivisional companies. In fact, in the very beginning of their study, authors emphasized that business groups are a widespread organizational form in many countries. Groups often adopt a pyramidal structure, whereby individual subsidiaries are separate legal entities with limited liability and autonomous access to external capital markets. This marks a clear difference between business groups and multidivisional organizations. Authors concluded that in order to make predictions on when business groups arise as an optimal organization structure, one should consider the strategic impact of resource flexibility but also take into account the potentially larger costs of finance that group subsidiaries may face. Their model could be extended in this direction by assuming that subsidiaries run projects of variable, rather than fixed, size (Cestone and Fumagalli, 2005).

When we look at the characteristics of business groups, ownership structure is one of the outstanding character of this organizational form. Ownership structure of the business group can be explained through models: Family business groups, state owned business group and open to public business groups (Turker, 2011). Besides those previously mentioned, Kıyılar and Belen (2007) is also listing the following ownership structures: dispersed capital ownership, institutional investment ownership, closed to public ownership, managerial ownership, block ownership, foreign investment ownership, and worker's ownership. Firstly, the family business groups are owned, controlled and managed by the members of the family. The business is run by professionals and family members but all activities that are done within the business group are controlled by family members (Morck and Yeung, 2003). Secondly, State owned business groups are managed by the politicians to whom the country citizens gave authority (Turker, 2011). This type of business groups is popular in Italy and Spain. State owned business groups plays Very important role in late developing countries (Cuervo, 2006). Finally, open to public business groups are the one that never have a majority shareholder. This kind of business groups has structure that professionals that are running the work have limited control (Cuervo, 2006).

In order to explain the ownership structure of groups, the literature frequently relies on a set of arguments that are different from ours. As discussed previously, the traditional argument for pyramids is that they arise to separate cash flow from voting rights. However, the question still remains as to why a pyramid is the best mechanism to achieve this separation. Exactly the same observation can be made regarding the models in Gomes (2000), who shows that separation of cash flow and voting rights might have reputation benefits, and Bebchuk (1999), who argues that an initial owner might want to separate cash flow from voting rights to prevent potential raiders from seizing valuable control. Regulatory or tax considerations might also help explain the creation of pyramids. Good example might be work of Morck and Yeaung (2003) who provides evidence that taxes on intercompany dividends reduce the incidence of pyramidal structures.

When speaking about establishment, it is interesting to mention pyramidal ownership as interesting case in family business groups since it is closely related to the establishment itself. In such an organizations, it is interesting that even the cases in which pyramids do seem to separate cash flow from voting rights are not fully explained by the traditional view. Almedia and Wolfenzon (2006) provided a new rationale for pyramidal ownership in family business groups. According to them, pyramid allows a family to access all retained earnings of a firm it already controls to set up a new firm, and to share the new firm's nondiverted payoff with shareholders of the original firm. Their model is consistent with recent evidence of a small separation between ownership and control in some pyramids, and can differentiate between pyramids and dual-class shares, even when either method can achieve the same deviation from one share-one vote. Other predictions of the model are consistent with both systematic and anecdotal evidence (Almedia and Wolfenzon, 2006). For example, absent regulatory restrictions on the use of dual-class shares, the family can achieve any desired degree of separation by directly owning the firm and selling shares with inferior or no voting rights. In such a case, author asks why would a family choose to control a firm through a pyramid rather than through direct ownership with dual-class shares? Still, author concludes that the empirical evidence indicates, however, that pyramids are much more common throughout the world than are dual-class shares (La Porta et al., 1999).

The Theoretical Approaches that Explains Business Group

There are some theoretical approaches in the literature that explain how business groups emerge. The first one is ‘’institutional approach’’. The institutional approach is the theoretical approach where the companies beside job interaction have also social interaction. It stands for examining how business groups with similar organizational features emerge in countries that are not similar, with a particular focus on institutional context. The economic system and regulations are not the same in two countries. For this reason, the development level should be measured in accordance to what extends economy help buyers and sellers in a particular country. We should underline the socio-cultural and cultural factors that are present within the emerging economies. Here, we can observe the characteristics in institutional context where companies, buyers and sellers come together. Institutional mechanism acts according to the market and does its best to fulfill all requirements. Besides companies are observed and treated as diverged. In that case, time and effort is used to fulfilling the institutional voids. It is well-known that business groups gain more profit rather than unaffiliated companies. Beside this, the companies that are a member of a business group, when it comes to making decision, instead rationality they will apply applications similar to each other (DiMaggio and Powell, 1983).

The second one, ‘’resource based approach’’ that can create the value of intrinsic properties of the company strategy and can create competitive advantage, ensure an important contribution when it comes to explanation of company behavior in developing countries. Resource based approach contents the reason why generally companies are different, how they gained the competitive advantage and how they sustained that competitive advantage (Hoskisson and other authors, 2000).

“Transaction Cost theory’’ includes the academic discussion of Coase (1937) and Williamson (1975) who discussed issues of searching and information costs, bargaining and decision costs, policing and enforcement costs. This theory says that the main problem for managers is to find organizational form that offer**s** the lowest transaction cost. When speaking of this theory, it is important to mention that basically all costs are considered, and the theory in fact reflects make rather than buy decision (Teece, 1986).

Granovetter (1994) ‘’Sociology approach’’ define as natural process resulting from social tradition and social norms. The author included in his literature the influence of political, social and traditional structure on business group structure. This sociology theory was an interesting research topic to the authors such as Chung (2000) and Keister (1998).When taking into account society as extremely important aspect of every organization as a part of its environment in which there are certain interactions, and when considering size of business groups and their potential for high social influence, it is not surprising that so many authors decided to research about business groups from this aspect.

Another approach that is trying to describe the group cases, is ‘’Political economy approach’’. This approach has focus on the relationship between government and industrial development. According to this approach political and economic factors are shaping the strategies that business groups are following and business group itself (Nolan, 2001). In fact, influence is always double way traffic. Even though politics and economics influence business groups, there are definitely ways for opposite influencing direction which means that business groups are influencing the politics and economy as well. This is opening door for analyzing many different relationships in micro and macro level when it comes to business groups on one side and politics and economy on the other side. Finally, ‘’Agency theory’’ is focused on the relationship between the partners that control business groups and minority stock holders (Dharwadkar et.al, 2000). Considering control as one of the essential managerial activities that have direct influence on the organization, agency theory definitely deserves a lot of attention by researchers as an extremely significant aspect of business groups.

The establishment process differs from country to country on different ways depending on the formation of the group or success of socio economic environment. On the process during the establishment of the business groups there is the influence of behavior of the entrepreneurs that want to gain economic power, organizations or society. It is impossible to define and know exactly when, where and under which conditions will business group appear. Which form it will gain, it is hard to know. Therefore, we will have a look to some examples that will show us how some business groups were established in some countries.

In China the business groups are very important in terms of economic development. Therefore, they are supported and encouraged by Chinese government. At the same time it is protection from foreign competitors (Khanna and Yafeh, 2007).

The process of grouping in India started in 1960 and 1970. Until 20th century many business groups were established (Khanna and Yafeh, 2007).

The establishment of business groups in Israel happened after the independent day of that country. At the beginning the government supported just some specific business groups, but after in 1990s situation started to change and some public assets were given to some families (Khanna and Yafeh, 2007).

It is interesting that existing literature treats the creation of business groups and the determinants of their ownership structures separately. With respect to business groups, Leff (1978) and more recently Khanna and Palepu (1999) argue that they arise to substitute for missing markets.

2.2 Business Groups around the World

In the following paragraphs, business groups in different countries will be briefly presented as explained by various researchers. Accordingly, paragraphs ahead will explain business groups of Korea, Japan, China, Brazil, India, Latin America, Taiwan and United States of America.

The first business groups or at least their predecessors (roots) in the world were established in by end of 19th century with the beginning of 20th century. The evidence for this is in work of many authors who were writing about history of business groups in different parts of the world. Very significant studies in this regard were completed by Morck et. al., (2007), Goetzmann & Köll (2007), Murphy (2007), Fohlin (2007), Khanna & Palepu (2007), Wolfenzon (2007), Morck & Nakamura (2007), Franks, Mayer, & Rossi (2007) and Becht & DeLong (2007).

Table 2.1: Early Examples of Business Groups in the World

Country	Name of Business Group	Year of establishment	Reference
Canada	Cox	1899	(Morck, Percy, Tian, & Yeung , 2007)
China	Dasheng	1905	(Goetzmann & Köll, 2007)
France	L'Oréal	1909	(Murphy , 2007)
Germany	Four "AG Companies" - form if limited-liability share company	1880	(Fohlin , 2007)
India	Tata Group	1868	(Khanna & Palepu , 2007)
Italy	Pesenti Group	1865	(Wolfenzon , 2007)
Japan	Mitsubishi	1870	(Morck & Nakamura , 2007)
United Kingdom	Keen family (Patent Nut and Bolt Company)	1856	(Franks, Mayer, & Rossi , 2007)
United States	Standard Oil Co. Inc.	1870	(Becht & DeLong , 2007)

Source: Prepared for this study

Starting with the fact that diversified business groups dominate the organizational landscape of many emerging and transition economies, Ghatak Maitreesh and Raja Kali (2000) addressed the following questions: Are these diversified groups good or bad for these economies? How can we explain their emergence and persistence? Why are they so visible and dominant in developing countries but not in developed ones? How should regulatory authorities view them? In this paper we review recent theoretical and empirical research on this subject to throw some light on these questions (Ghatak and Kali, 2000).

According to Ghemawat and Khanna (1998), diversified business groups are most common forming emerging markets. They play several important roles, and just to name few of them with examples, the one could mention the role in the economies of Chile and Mexico, India and Pakistan, Indonesia and Thailand, South Korea and pre-World War II Japan (Ghemawat and Khanna, 1998). Business groups are a very popular form of business, particularly, in the late-developing countries. The government used business groups as a tool to provide technological development in the late developed economies. The business groups have very important role in the transferring foreign technology and increase of technology, therefore the business groups in order to bring the new technologies became the partners with the business groups from developed countries (Kock and Guillen, 2001).

In the late-developed countries, the state owned business groups also have an important role. The foreign investment in infrastructure was necessary for the hardest raw material of all country because the late developing countries are depended on foreign aid (Turker, 2011). Kock and Guillén (2001) concluded that in the late developing countries systematically is changed the selection environment. Therefore, experience was more gained by companies in the country, and development of infrastructure of the country is slower that from the business community the demand for such services (Kurt and Dinc, 2013).

When it comes to the profile of late-developed countries Cheng et. al. (2012) claims that in the late-developed countries the productivity level is very low, therefore, if they want to survive they must rely on natural resources. In order to rely on natural resource they need to analyses effect of how government policies in economic development process and the change in socio-economic structure affects business groups, Ozkara, Kurt and Karayormuk, (2008) provided some significant arguments in favor of effect of economic crises on business groups. Chang (2000) said that uncertain future is what business groups from East Asian faced. From 1980s, economies of East Asian countries find as important the investors and creditors coming from other outside countries. In 1997, in this region business groups were affected by the Asian Crisis (Asian Crisis stands for outflow of capital coming from outside out of the region). In the sector of finance, Chang (2000) recognized a lot of weaknesses of the structure. There were regulation and supervision of bank that were ineffective. Transparency was diminished by poor accounting and disclosure.

The development acceleration mostly time was adopted by late developed countries to come over the problems coming from environment. Premising factor for those countries to come over the problems coming from environment was rapid economic growth. They believed that could provide the needed material and technical basis. The process of industrialization of late developed countries was shortened to achieve rapid growth. This shortened process of industrialization is named compressed industrialization. Onis and Senses (2007) in their research discuss about world market and claim that none of the late industrialized countries especially the one that has a critical period of development cannot fit themselves under the rules of world market and free trade. The fact that countries where the business groups were founded are late developed countries shows us clearly the market with legal problems and the quality of financial organizations in such markets is very low (Carney, 2008). In the beginning of industrialization process, if we consider the low development of capital market and financial institutions, the government is the one who appears as the most proper candidate for providing financial resources and sharing the entrepreneurial risk (Bugra, 1997).

Quite fresh and very significant research conducted in the global scale, the one that, when writing about business groups one has to mention is a study prepared by Masulis, Pham and Zein. Using a dataset of 28,635 firms in 45 countries the authors investigated the motivations for family-controlled business groups. They provide new evidence consistent with the argument that particular group structures emerge not only to perpetuate control, but also to alleviate financing constraints at the country and firm levels. The conclusions are as follows: the country level, family groups, especially those structured as pyramids, are more prevalent in markets with limited availability of capital. At the firm level, investment intensity is greater for firms held in pyramidal rather than in horizontal structures, reflecting the financing advantages of the former. Within a pyramid, internal equity funding, investment intensity, and firm value all increase down the ownership chain. However, group firm performance declines when dual-class shares and cross shareholdings are employed as additional control-enhancing mechanisms (Masulis, Pham and Zein (2011).

Driven by the corporate control explanation for family groups highlights the potential risk of investing in their member firm raises a question unanswered with the proper solution by the literature in the global scale. The question is why do minority shareholders continue to co-invest alongside controlling families. One possible explanation is that unaffiliated investors rationally anticipate the costs associated with the divergence of cash flow and control rights, and discount the prices of group firm securities accordingly. However, if such private benefits of control are priced, what then are a family' incentives to create or to maintain these business groups? To address such a questions, some recent studies have started exploring whether certain group structures also exist for other reasons, specifically, because they create significant financing advantages by leveraging a group's internal capital market (Almeida and Wolfenzon 2006) and reputation (Gomes 2000; Khanna and Palepu 2000). These studies argue that in the presence of moral hazard risks, such advantages help improve access to and lower the cost of raising equity capital, especially in less-developed capital markets.

Table 2.2: Business Groups Affiliation around the World

Group Affiliation around the World								
Countries	Years of data	No. Of Firms	No. Of Group Affiliated Firms	(Median Size of Group-Affiliated Firms)/(Median Size of Unaffiliated Firms)	Median ROA of Group-Affiliated Firms (%)	Median ROA of Unaffiliated Firms (%)	Median Standard Deviation of ROA, Group-Affiliated Firms (%)	Median Standard Deviation of ROA, Unaffiliated Firms (%)
Argentina	90-97	25	11	5.5	3.9	7.8	3.7	4.9
Brazil	90-97	108	51	2.5	3.3	1.8	4.1	5.1
Chile	89-96	225	50	18.7	5.9	2.2	4.4	4.1
India	90-97	5446	1821	4.4	11.7	9.6	4.6	4.4
Indonesia	93-95	236	153	2.8	7.3	7.8	1.9	2.5
Israel	93-95	183	43	5.0	6.3	3.9	2.1	2.6
Korea	91-95	427	218	3.9	4.8	5.1	1.9	2.6
Mexico	88-97	55	19	2.3	8.2	6.1	3.1	2.6
Philippines	92-97	148	37	3.4	7.3	4.0	2.5	2.9
Taiwan	90-97	178	79	2.0	5.1	6.2	1.7	2.3
Thailand	92-97	415	258	2.3	2.9	4.4	4.3	4.9
Turkey	88-97	40	21	1.0	24.6	26.3	6.2	9.1
Prewar Japan	32-43	58	17	6.8	5.5	6.4	4.4	7.1
Postwar Japan	77-92	1002	94	8.5	3.4	3.6	2.2	2.3

Source: Khanna and Yafeh (2005)

It is important to note that the table presented above shows summary statistics on group risk and operating performance for 12 emerging markets as well as for prewar and postwar Japan. All firm numbers, as well as statistics on firm size (total assets) and median return on assets (ROA) are based on the year for which we have maximal coverage for the country in question. In prewar Japan, group affiliation refers to affiliation in the largest three zaibatsu only. In postwar Japan, group members are defined as members of Presidents' Clubs only. Significance levels for the comparisons of medians are based on Wilcoxon signed-rank tests. Firms with profit rates above or below 100% are excluded from the analysis by authors (Khanna and Yafeh, 2005).

Table is important for this study to provide insights into different business groups affiliations all over the world at these specific periods of time in different countries. According to Ghatak and Kali (2000), recent research on business groups by economists has focused a lot on the role of financial inter-linkages within business groups in alleviating various problems of imperfect information, transaction costs and missing markets. These take the form of equity interlocks as well as mutual debt guarantees. Various explanations of these inter-linkages have focused on the role played by cross-shareholding in either providing risk sharing (Ghatak and Kali, 2000).

Before going to discussion of business groups individually per countries one by one, there are few general information important to be aware of and they will be explained in the following paragraphs.

Table 2.3: Names of Business Groups in Different Countries

Country	Name of business group
Japan	Keiretsu
China	qiye jituan
India	Business houses
Latin America	Grupos economicos
Spain	Grupos

South Korea	Chaebol
Taiwan	Guanxi qiye
Turkey	Family Holdings
USA	Conglomerate
Country	Name of business group
Japan	Keiretsu
China	qiye jituan
India	Business houses
Latin America	Grupos economicos
Spain	Grupos
South Korea	Chaebol
Taiwan	Guanxi qiye
Turkey	Family Holdings
USA	Conglomerate

Source: prepared for this study

McDermott (2002) argues that membership in recently formed Eastern European groups (which are not included in our sample) is also based on historical factors. He claims that there is absolutely no evidence on firm selection into groups according to their profit volatility or attitudes towards risk, furthermore, groups appear to be extremely stable; exit and entry of firms seem to be rare events.

Ghatak and Kali (2000) state that business groups feature prominently in the industrial organization of many countries and that they are of particular importance in developing countries. In countries such as Mexico, Chile, Brazil, Malaysia and India, large diversified conglomerates dominate economic activity. In Mexico for example, just ten largest groups account for 54 per cent of total sales expenditure and 48 per cent of formal employment. In addition, authors emphasized that business groups have assumed a prominent role in the economic organization of emerging economies that are in the process of making a transition from state-controlled economic activity to a greater reliance on markets. This has stimulated a lot of research interest in the industrial organization of economic development in general and in business groups in particular. This paper is exactly motivated by mentioned facts (Ghatak and Kali, 2000).

As stated earlier, business groups are common form in developing countries. Especially far-eastern countries are main base for this organization form. Korea (South) is the one of the countries this form intensively exist. The evolution of business groups in Korea was analyzed throughout many studies. In a study conducted by Chang & Choi (1988) reported that thirty largest business groups of **Korea** accounted for 40.70% of the total value of shipments in the manufacturing sector as of 1982 which means that they have considerable market power in individual markets and their ownership is concentrated in the hands of a small number of individuals. Additionally, Korean business groups have both the aspects of vertical integration and conglomerates, which can be shown in the relational structure of the business group. It is important to say that this structure enables the business group to overcome market imperfections commonly found in developing countries (Chang & Choi, 1988). Sakong and Jones (1980) reported that the Economic Development Plan pursued by the Korean government in the 1960s gave preferential treatment to larger firms in specific sectors in such ways as channeling foreign and domestic loans with lower interest rates, amidst high inflation. A typical example was the support for export industries and heavy and chemical industries. The economic plan and the accompanying inducements made diversification even more attractive to firms (Sakong and Jones, 1980). The business groups in Korea were questioned after the crisis in 1997. The government of Korea organized many corporate reform programs for the transformation to be facilitated. After the crisis big changes were recognized in business groups in Korea.

Kim & Nofsinger (2005) stated that **Japan** has an organizational form known as ***keiretsu*** which implies that business groups of diverse firms have close relationships bounded through cross-shareholding with one another. In addition, the authors stated that financial institutions belonging to these groups are not only large stockholders of member firms but also important creditors to member firms. Such close long-term relationships allow for these institutions to have better private information about the firm than „external" investors (Kim and Nofsinger, 2005). The Japanese prewar groups were formed following a large-scale privatization in the 1880s. According to Hoshi (1994) and Yafeh (1995), the best predictors of membership in postwar Japanese corporate groups are prewar ties. In the 1980s Japanese gained capital cost advantages stemmed mainly from high levels of liquidity in Japanese firms which resulted in investments abroad and development of many horizontal and vertical business groups. While horizontal business groups of Japan are mainly large bank-centered diversified groups of basically independent firms, vertical business groups in Japan are groups of subcontractors, satellite firms and trading firms around major large-scale assembly-type manufacturers such as Toyota and Hitachi (Belderbos & Sleuwaegen, 1996).

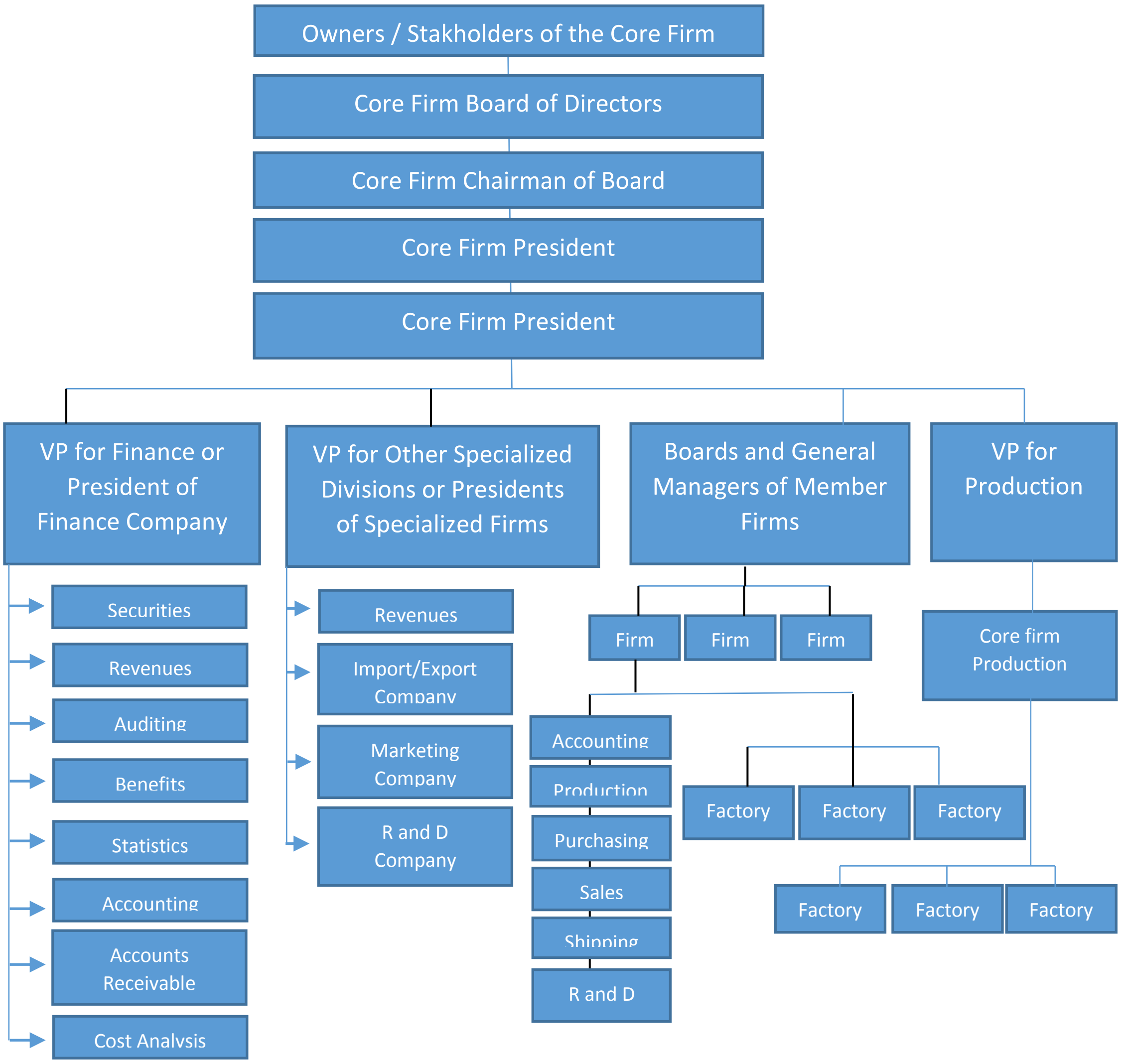
When it comes to Japan, Khanna and Yafeh (2005) mentioned several works done by significant authors in business groups' literature of Japan. Accordingly, Nakatani (1984) shows that the variance of operating profitability (and growth rates) is lower for group affiliated companies than unaffiliated firms. It has also been shown that the level of operating profitability among group firms is lower. One common interpretation of these findings is that they reflect risk sharing within the Japanese corporate groups, serving the interests of employees whose firm-specific human capital cannot be easily diversified. Of all the economic roles that have been attributed to Japan's corporate groups, Yafeh's (2003) survey suggests that risk sharing may be the most empirically substantiated one. A form of risk sharing within the keiretsu, which has been particularly well documented, is intervention by the group's main bank to assist distressed member firms (Khanna and Yafeh, 2005).

Another country, China, represent different story regarding emergence of business groups. According to Keister (1998), the **Chinese** government began in the mid-1980s to encourage firms to form business groups with structural characteristics that promised to enhance financial performance and productivity. Keister (1998) reported that according to the Reform (1993) by the early 1990s, there were more than 7,000 known business groups in China. Also, Keister (1998) quoted from Li (1995) and PRC (1980) who stated that Chinese officials argued that when it comes to development of Japan and South Korea, business groups with specific structural traits protected firms from competition, created economies of scale, and enhanced firm performance. In the 1980s, the board of directors of a Chinese firm was composed of three elements: representatives of the firm’s owners, including other firms, the business group, and the state. Once a company entered a business group, partial ownership was transferred to the group’s core firm, whose board of directors oversees the activities of member firms (Li, 1995). Findings of research conducted on China's 40 largest business groups and their 535 member firms indicated that presence and predominance of interlocking directorates and finance companies in business groups improved the financial performance and productivity of the groups' member firms (Keister, 1998).

It is interesting to present typical organizational chart of business group in China and gain insights into this aspect of Chinese business groups as well. This typical organizational chart has been presented by Keister (1998) and in this study it is located in the Figure 2.1.

Very popular type of business groups in **Brazil** is family owned business group. Idiosyncrasies is presented in the structure and strategies of their business groups (Aldrighi and Postali, 2010). Xavier, Bandeira-de-Mello & Marcon (2014) combined institutional theory and political economy approaches to test hypotheses about how transitions in environments affect the performance of Business Groups. Their sample was comprised of 317 business groups operating in **Brazil** between 2001 and 2009. This analysis of private Brazilian Business Groups confirmed that the institutional environment has a significant effect and that the institutional theory explains these changes. In conclusion, Business Groups in Brazil seem to be able to develop internal markets to bypass inefficiencies in the labor market, the capital market and in the legal and regulatory framework (Xavier et al., 2014).

Figure 2.1: The Organization of the Typical Chinese Business Group



Source: Keister (1998, pp. 409)

In order to comprehend wider geographical region, it would be better to give a brief discussion about business groups' issues in **Latin America** as a significant part of Americas. In most period of development of business groups of Latin America, according to Schneider (2008), most business groups seem to have enormous power. Still, major policies affecting business groups, especially market reforms, changed dramatically in ways that hurt many preexisting groups, sometimes mortally, without much evidence that business groups had a direct hand in designing these reforms. In most countries, governments implemented many policies of market reform without taking much input from so called grupos. Grupos refer to business groups in Latin

America. When it comes to most significant three features of grupos' structure, they are as follows: concentrated block-holding, family control, and multisectoral diversification (Schneider, 2008; Robles, Wiese, & Torres-Baumgarten, 2015).

In another region, Indian business groups emerged when wealthy families acquired assets previously held by the British (Piramal 1996). On the other hand, Korean groups emerged in a similar way after the end of the Japanese colonial rule (Nam 2000). According to Khanna & Palepu (2000), **Indian** business groups are collections of publicly traded firms in a wide variety of industries, with a significant amount of common ownership and control, usually by a family. The authors found it important to mention that Indian business groups have features of both conglomerates and Leveraged Buyout associations. Even though groups themselves are often highly diversified, individual firms in each group are typically focused. Due to the fact that Indian business groups are collections of public companies, a group's ability to use "internal capital markets" to fund the ongoing activities of one Group Company from the cash flows of the other affiliates is limited. Therefore, the most important role of the group's internal capital market is to launch new ventures, in which both the family and the other group affiliates might acquire ownership stakes (Khanna & Palepu, 2000).

Business groups are **Taiwan's** important business power that have created huge amount of Gross Domestic Product and have become the pivotal driving force for Taiwan’s economy development (Hung, He, Lu, & Cheng, 2013). Authors reported that according to the Taiwan top 100 business groups’ survey conducted by the China Credit Information Service, Ltd. in 2008, the global combined assets for Taiwan’s top 100 business groups reached a total of NTD 41 trillion and 760.3 billion dollars in 2007 with revenues of NTD17 trillion and 682 billion dollars and after-tax profits of NTD1 trillion and 262.1 billion dollars (Hung, He, Lu, & Cheng, 2013). Results of this study conducted by Hung, He, Lu, & Cheng (2013) found that companies within a business group are more efficient on average than ones under a non-business group.

When it comes to **United States of America (USA)** business groups discussed in context of impact over the country. The starting question of their study was „Who really rules?“. According to Gilens and Page (2014), the advantage of business-oriented groups in shaping policy outcomes reflects their numerical advantage within the interest-group universe in Washington, and also the infrequency with which business groups are found simultaneously on both sides of a proposed policy change. Both these factors (numerical dominance and relative cohesion) play a part in the much stronger correlation of the overall interest-group alignment index with business groups than with mass-oriented groups. One of the conclusions was that business groups (business-oriented groups) are very influential, they are far more numerous and active, they spend much more money and they tend to get their way (Gilens and Page, 2014).

In western industrialized economies such as the United States, conglomerates are generally considered inefficient organizational structures. This view is reflected in the ìconglomerate discountî that stock markets impose on them, implying that the value of the constituent parts is greater than the whole, often forcing firms to break themselves up (Denis, Sarin and Denis, 1997).

After going through all mentioned countries and describing their business groups' characteristics, it might be interesting to focus on differences and significance of organizational structures among different business groups. According to literature, researchers have speculated that business groups with certain structural characteristics may aid firms in overcoming the challenges that accompany development, such as those that faced firms in China in the 1980s (Hamilton 1991; Leff 1978, 1979).

Speaking of groups that perform banking functions may substitute for more well-developed financial markets and allow firms to obtain otherwise scarce financing. These groups may act as a vehicle for mobilizing capital beyond the single family or small group, enlarge the pool from which human resources can be recruited, and allow firms to hire labor where labor markets do not function effectively (Lamoreaux 1986; Leff 1978).

In addition to work on organizational structure of business groups, the elaborate interfirm relations engendered by the groups may improve the flow of communication among firms, reducing the cost of gathering information and facilitating the diffusion of technological and managerial expertise (Leff 1978, 1979).

It is not surprising that organizational structure of business groups varies widely among contexts due to different environmental factors. As previously mentioned, Japan's keiretsu are organized either vertically or horizontally and develop across industries. The keiretsu generally includes a bank, a holding or trading company, and a diverse group of manufacturing firms (Gerlach 1992; Lincoln et al. 1992).

In contrast, Korea's business groups are typically controlled by a single family or a small number of families and are uniformly vertically organized (Kim 1991). Business groups in Taiwan (guanxi qiye) tend to be small, loosely integrated entities characterized by a didactic managerial style as opposed to the authoritarian style common in Korean and Japanese groups (Fields 1995; Hamilton and Kao 1990).

It is not surprising that Chinese business groups have developed their own unique structures. Their characteristics are as follows: the groups are large, multi-industry entities with strong ties to the state but not to particular families. Structural variation among the groups has decreased in recent years, in part as a result of the state's efforts to influence group structure. In the late 1980s, however, there was a sufficient variation among the Chinese groups in the presence and predominance of interlocking directorates and finance companies, as well as in management structure, to examine their effects on firm outcomes (Keister, 1998).

In the end of this section which has described business groups in different countries, the comparative analysis of sales of ten largest business groups in selected countries in 1995 provided by Guillen (2001:72) will be presented in table below.

Table 2.4: Sales of the 10 Largest Business Groups in Selected Countries in 1995

Sales (% of GDP)		Sales (% of GDP)	
Argentina	11	India	6
Brazil	8	Indonesia	25
Colombia	28	South Korea	49
Mexico	10	Taiwan	19
Average for Latin America	14	Average for Asia	25
Average for larger countries	12	Average for smaller countries	27

Sources: Guillen (2001: 72)

Larger countries include Brazil, Mexico, India, and Indonesia; smaller countries include Argentina, Colombia, Korea, and Taiwan.

Table 2.5: Summary of Resources Important for Literature Review Dealing with Business Groups in General

	Name of authors	Year	Aim of study	Results
1	Ronald Coase	1937	Answer why and under what conditions should we expect firms to emerge?	Article offered an economic explanation of why individuals choose to form partnerships, companies and other business entities rather than trading bilaterally through contracts on a market.
2	Nathaniel H. Leff	1976	What is the role of Group Principle in case of Capital Markets in the Less Developed Countries?	Emphasized importance of group principle in a case of capital markets in less developed countries.
3	Nathaniel H. Leff	1978	Conceptualize business groups in more general analytical terns!	The paper analyzed neglected feature of industrial organization, the group. Author concludes that due to groups, the modern sector in many less developed countries is far less "fragmented".
4	Sakong and Jones	1980	Aims to research support by government in the rapid economic development of Korea from 1961 to 1979.	Results in important conclusions regarding the role of government in forming business groups in Korea.
5	Oliver E. Williamson	1981	Transaction cost approach seems to be good way to study economic organization, and this paper aims to discuss and improve important aspects of this approach.	Transaction cost approach is relevant and important for all organizations. Certain methodologies should be more explicit.
6	Di Maggio and Powell	1983	Analyze three isomorphic processes - coercive, mimetic and normative. Authors tested impact of resource centralization, dependency, goal ambiguity and technical uncertainty, professionalization and structuration on isomorphic change.	Relationships among variables mentioned in "aims" are presented in the end. Relationships themselves are not important as much as their implications are when it comes to this study. Important implications for companies and society of all tested factors are provided in the end of this article.
8	David J. Teece	1986	This paper attempts to explain why innovating firms often fail to obtain significant economic returns from an innovation, while customers, imitators and other industry participants benefit.	Business strategy - particularly as it relates to the firm's decision to integrate and collaborate - is shown to be an important factor. The paper demonstrates that when imitation is easy, markets don't work well, and the profits from innovation may accrue to the owners of certain complementary assets, rather than to the developers of the intellectual property. Implications for trade and domestic economic policy are explained and this is where this study may be related with our topic.
9	Naomi R. Lamoreaux	1986	Aims to find generalizations from case study of banking inearly nineteenth-century New England.	A potentially serious problem faced by developing countries is the market power exercised by the most established kinship groups-a power that can choke off opportunity, and with it innovation and growth. New England's financial system was shaped by a policy that allowed virtually free entry into banking; as a result, the multiplication of banks counteracted whatever discriminatory lending practices particular institutions may have followed.
10	Sea Jin Chang and Unghwan Choi	1988	Authors aimed to use the transactions cost approach to analyses the diversification strategy and the resulting structure chosen by Korean business groups to overcome market imperfections prevalent in developing countries.	The results show that the business group with strategy and structure that conform to the analysis in section II and III show superior economic performance. But in the case of Korea, even with higher costs of interests for business groups in general, it is worthwhile to note that the group affiliated firms earned higher profits.
11	Gary G. Hamilton and Cheng-shu Kao	1990	The aim of this paper is to explain institutional foundations of Chinese business with special focus on phenomena called "The family firm in Taiwan".	The concept of "guanxi", which refers to interpersonal relationships established on the basis of family relationships, kinship, or friendship, is extremely important in business ownership and management in Taiwan. The paper explained institutional foundations of Chinese business with special focus on phenomena called "The family firm in Taiwan".
12	Gary G. Hamilton	1991	The aim of this book was to provide insights and business networks and economic development in East and Southeast Asia.	The book provided insights and research business networks and economic development in East and Southeast Asia. As a part of this, business groups in mentioned regions of Asia and their significance for Asia have been discussed.
13	Kim E.	1991	This book aims to explain deeply the industrial organization and growth of the Korean chaebol: Integrating development and organizational theories	Through integrating development and organizational theories, this book explained the industrial organization and growth of Korean business groups "chaebol" which was very useful for this study to understand "Chaebol" in Korea.
14	Michael L. Gerlach	1992	This book attempts to explain the remarkable economic success of Japan in the postwar period—a success which is crucial for us to understand in a time marked by controversial trade imbalances and concerns over competitive industrial performance.	Gerlach focuses on what he calls the intercorporate alliance, the innovative and increasingly pervasive practice of bringing together a cluster of affiliated companies that extends across a broad range of markets. The best known of these alliances are the keiretsu, or enterprise groups. Alliance Capitalism raises important questions about the best method of exchange in any economy. It identifies situations where cooperation among companies is an effective way of channeling corporate activities in a world marked by complexity and rapid change, and considers in detail alternatives to hostile

				takeovers and other characteristic features of American capitalism.
15	James R. Lincoln, Michael L. Gerlach and Peggy Takahashi	1992	Article analyzes the organization of keiretsu networks in the Japanese economy using data on the top 50 financial firms and 200 industrial corporation	Keiretsu networks have two sides. (1) horizontal relationships of mutual support and defense among large, established firms as indicated by reciprocity of control and exchange, homophily among "big-six" affiliates, and symmetry in the effects of purchase supply transactions on control; (2) vertical structures of asymmetric exchange and control between financial firms and industrial firms, large firms and small firms, and "big-six" firms versus independent companies.
16	Reform	1993	This paper is actually a yearbook of China's economic system reform. Accordingly, it attempts to report activities regarding China's economic system reform at that time.	While reporting activities regarding China's economic system reform at that time (until 1993), the reader may learn about business groups in China in mentioned time period.
17	Sachs, J. and Warner, A.	1995	The paper aims to explain the process of global integration and economic reform. It focuses on period from 1970 to 1995.	The paper explains the process of global integration and economic reform. It focuses on period from 1970 to 1995. Business Groups are mentioned as important part of this process.
18	Karl J. Fields	1995	As chaebol dominated Korean business, interlocking family-based firms, have proved equally formidable in Taiwan. In South Korea and Taiwan, public policy and private enterprise have collaborated to create post-war miracles of economic development.	Fields rejects both cultural-reductionist and rational choice explanations for differences between the two countries. He offers instead an innovative institutional approach that focuses on the complex linkages between social networks and political power. Drawing on extensive empirical research, Fields offers a new explanation for the similarities and differences in the organization of big business in Korea and Taiwan.
19	Gita Piramal	1996	Author aims to explain in his book the eight business maharajas profiled here among Asia's most powerful industrial tycoons.	The book give answers to questions such **as**: How did these men build their enormous empires? What are their management secrets? How did they thrive and prosper even as others failed? What is their vision for the future? The reader may learn significant role of business groups in stories from this book.
20	Rene Belderbos and Leo Sleuwaegen	1996	Authors aimed to determine the decisions by Japanese firms to set up manufacturing plants in Southeast Asia, Europe and North America.	The empirical results suggested that membership of horizontal *keiretsu* relaxes liquidity constraints while the manufacturing networks of horizontal and vertical *keiretsu* in South east Asia facilitate the establishment of manufacturing plants by member firms.
21	Atulya Sarin, David J. Denis and Diane K. Denis	1997	The aim of authors was to provide evidence on the agency cost explanation for corporate diversification.	Authors provide evidence on the agency cost explanation for corporate diversification. They find that the level of diversification is negatively related to managerial equity ownership and to the equity ownership of outside blockholders. In addition, authors report that decreases in diversification are associated with external corporate control threats, financial distress, and management turnover.
22	Pankaj Ghemawat and Tarun Khanna	1998	The aim is to demonstrate how the changes in corporate scope that accompany "competitive shocks" can be used to weigh the importance of different explanations for the existence of diversified business groups.	Authors illustrate their reasoning by studying the restructuring of two of India's largest business groups following a comprehensive post-1991 package of policy reforms. The case studies also elucidate aspects of the restructuring process that should inform larger-sample empirical analyses.
23	Lisa A. Keister	1998	The study aims to find that the presence and predominance of interlocking directorates and finance companies in business groups improved the financial performance and productivity of the groups' member firms.	Using 1988–90 panel data on China's 40 largest business groups and their 535 member firms, the study finds that the presence and predominance of interlocking directorates and finance companies in business groups improved the financial performance and productivity of the groups' member firms.
24	Tarun Khanna & Krishna Palepu	1999	Authors use field-collected data to study the evolution of eighteen large and diversified business groups in Chile (1987-1997) and India (1990-1997). The chosen periods correspond to significant deregulation in the primary markets in both countries.	Even though conventional wisdom suggests that the intermediation roles played by business groups ought to decrease during these periods. However, we find an increase in group scope, an increase in the strength of the social and economic ties that bind together group firms, an increase in self-reported intermediation attempts by the groups, and some evidence that these actions are associated with improvements in accounting and stock-market performance of the group affiliates.
25	Lucian AryeBebchuk	1999	The paper analyzes the decision of a company's initial owner whether to maintain a lock on control when the company goes public with aim to develop a rent-protection theory of corporate ownership structure.	This decision is shown to be very much influenced by the size that private benefits of control are expected to have. Results suggest that, in countries in which private benefits of control are large, publicly traded companies will tend to have a controlling shareholder. It is also shown that separation of cash flow rights and voting rights will tend to be used in conjunction with a controlling shareholder structure but not with a dispersed ownership structure.
26	Tarun Khanna & Krishna Palepu	2000	The paper aims to analyze how Business groups in emerging economies result when entrepreneurs and firms accumulate the capability for repeated industry entry.	Cross-sectional and longitudinal data on a variety of emerging economies were used to test this hypothesis and three other competing explanations. The importance of business groups grew with foreign trade and investment asymmetries.
27	Sea Jin Chang and Jaebum Hong	2000	This study examined the economic performance of the firms associated with Korean business groups by explicitly addressing group wide resource sharing	The results show that group-affiliated firms benefit from group membership through sharing intangible and financial resources with other member firms. Further, this study shows that various forms of internal business

			and internal business transactions.	transactions, such as debt guarantee, equity investment, and internal trade, are extensively used for the purpose of cross-subsidization.
28	Armando Gomes	2000	This paper addresses the agency problem between controlling shareholders and minority shareholders. This problem is common among public firms in many countries where the legal system does not effectively protect minority shareholders against oppression by controlling shareholders.	Results show that even without any explicit corporate governance mechanisms protecting minority shareholders, controlling shareholders can implicitly commit not to expropriate them. Stock prices of such companies are significantly higher and firms are more likely go public because of this reputation effect.
29	MaitreeshGhatak and Raja Kali	2000	The article aims to answer following questions: Are these diversified groups good or bad for these economies? How can we explain their emergence and persistence? Why are they so visible and dominant in developing countries but not in developed ones? How should regulatory authorities view them?	In this paper, authors review recent theoretical and empirical research on this subject to answer these questions. One among important conclusions is that breaking up business groups may leave many countries without organizations able to provide the infrastructure that western economies take for granted. Until this soft infrastructure develops, there may be sound economic reasons to allow diversified business groups to flourish.
30	Tarun Khanna & Krishna Palepu	2000	Business groups in markets such as India have the potential both to offer benefits to member firms, and to destroy value. Authors analyze the performance of affiliates of diversified Indian business groups relative to unaffiliated firms.	Results indicated that accounting and stock market measures of firm performance initially decline with group diversification and subsequently increase once group diversification exceeds a certain level.
31	Karl J. Kock and Mauro F. Guillen	2001	The aim of this article is to provide certain suggestions in terms of building business groups.	Authors suggest that entrepreneurs in late development build a business group by engaging in a distinct type of innovation. Secondly, they suggest that the selection of the environment in late-industrializing countries changes systematically over time, altering the reasons underlying the continued existence and creation of business groups. In addition, authors formulate several testable propositions on the evolution of business groups predicting patterns of diversification and organizational structure over time.
32	Mauro F. Guillen	2001	Author looks first at the changing structure of large business groups — chaebols in South Korea, grupos in Argentina, and large cooperatives in Spain. Then he looks at how small and medium enterprises responded to the changing state policies associated with globalization.	Author determined, for example, that some small and medium businesses, family firms, and even worker cooperatives fared unexpectedly well, even in competition with large multinational firms, in a globalizing environment. He also looks at how the attitudes of trade unions and labor movements changed in response to problems and opportunities presented by democratization, privatization, and globalization. Finally, he offers a detailed account of more obvious or conventional industries — automobiles and banking — to assess the direction of change in each country.
33	Gerald Andrew McDermott	2002	Using comparative case analysis of several manufacturing sectors, this book accounts for change and continuity in the formation of new economic governance institutions in the Czech Republic. It analytically links the macro politics of state policy with the micro politics of industrial restructuring.	McDermott argues that restructuring is best advanced through the creation of deliberative or participatory forms of governance that encourages public and private actors to share information and take risks. Further, he contends that institutional and organizational changes are intertwined and that experimental processes are shaped by how governments delegate power to local public and private actors and monitor them.
34	Randall Morck	2003	The paper discusses different arguments for eliminating the double taxation of dividends; this applies only to dividends paid by corporations to individuals.	The double (and multiple) taxation of dividends paid by one firm to another inter corporate dividends - was explicitly included in the 1930s to eliminate pyramidal corporate groups. These structures exist elsewhere, and are associated with corporate governance problems, corporate tax avoidance, and a greater concentration of economic power than is currently possible in the United States.
35	Mark Granovetter	2005	The book deals with different approaches to economic sociology, core economic systems and behavior. Chapter 19. is entitled "Business Groups and Social Organization"	As the book deals with important findings of literature when it comes to focus on international and global concerns, chapters on institutional analysis, the transition from socialist economies, organization and networks, and the economic sociology of the ancient world, important part is dedicated to business groups as well. Mark Granovetter wrote a chapter titled: "Business Groups and Social Organization"
36	Daphne Yiu, Garry D. Bruton and Yuan Lu	2005	This study expands the understanding of business groups by employing the resource-based and institutional theoretical perspectives to examine how groups acquire resources and capabilities to prosper.	The empirical evidence is based on over 224 business groups in the emerging economy context of China and shows that most of the endowed government resources do not help business groups to create a competitive edge. The results provide critical insights on the relationship between the initiation of institutional transformation and the desired outcome to be realized by organizational transformation, thus enriching our understanding of institutions and strategic choices facilitated or constrained by organizational resources in emerging economies.
37	GiacintaCestone and Chiara Fumagalli	2005	The study aims to find out implications of strategic impacts of resource flexibility in Business Groups.	Authors show that in business groups with efficient internal capital markets, resources may be channeled to either more- or less-profitable units. Depending on the amount of internal resources, a group may exit a market in response to increased competition, or channel funds to the subsidiary operating in that market. This has important

				implications for the strategic impact of group membership.
38	Tarun Khanna and YishayYafeh	2005	Authors examine the hypothesis that business groups facilitate mutual insurance among affiliated firms and find substantial evidence of risk sharing by Japanese, Korean, and Thai groups but little evidence of it elsewhere.	Results indicated no correlation between measures of capital market development and the nature of the legal system, on the one hand, and the extent of risk sharing provided by business groups, on the other.
39	Heitor V Almeida and Daniel Wolfenzon	2006	The aim was to provide a new rationale for pyramidal ownership in family business groups.	Authors provide a new rationale for pyramidal ownership in family business groups. A pyramid allows a family to access all retained earnings of a firm it already controls to set up a new firm, and to share the new firm's non diverted payoff with shareholders of the original firm. Their model is consistent with recent evidence of a small separation between ownership and control in some pyramids
40	Ben Ross Schneider	2008	Author aims to explain diversity of family controlled business groups in Latin America. A better way to explain stability is to focus on persistent incentives for and advantages of group governance.	Once formed, groups benefit from preferential access to capital, information, and policy. Complementarities among family control, concentrated ownership, and multi sectoral diversification further bolster business group resilience.
41	Ronald W. Masulis, Peter Kien Pham and Jason Zein	2011	Using a dataset of 28,635 firms in 45 countries, this study investigates the motivations for family-controlled business groups.	Authors provide new evidence consistent with the argument that particular group structures emerge not only to perpetuate control, but also to alleviate financing constraints at the country and firm levels.
42	Shiu-Wan Hung, Dong-Sing He, Wen-Min Lu and Min-Jhih Cheng	2013	This study evaluates dynamic operating performance for Taiwan's semiconductor industry from 2006 to 2009 by using dynamic DEA. The industry' various characteristics are evaluated to determine their relationships to the semiconductor industry's efficiency.	The following empirical results are found: companies within a business group are more efficient on average than ones under a non-business group; while IC design companies are more efficient than others, investment firms in China are more competitive; companies with high level scopes generally operate better than those with low level scopes. The potential applications and strengths of using DEA to assess the semiconductor industry are also highlighted.
43	WlamirGonçalves Xavier, Rodrigo Bandeira-de-Melloa and RosileneMarconc	2014	This article aims to test hypotheses about how transitions in institutional environments affect the performance of Business Groups. Its primary hypothesis is that the different types of political connections established by Business Groups have moderating effects on this relationship.	Findings suggest that the institutional environment significantly affects Business Groups' performance and that this effect is moderated by political connections, when assessed in terms of the local or federal government as a minor shareholder of the Business Group. The moderating effects of political connections assessed through campaign donations were not conclusive.
44	Martin Gilens and Benjamin I. Page	2014	A great deal of empirical research speaks about the policy influence of one or another set of actors, but until recently it has not been possible to test these contrasting theoretical predictions against each other within a single statistical model. This article aims to handle exactly this previously impossible job.	Results indicate that economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence. The results provide substantial support for theories of Economic-Elite Domination and for theories of Biased Pluralism, but not for theories of Majoritarian Electoral Democracy or Majoritarian Pluralism.

Source: Prepared for this study

2.3 Business Groups in Turkey

In the business group literature, many papers focus on the period after the Second World War in Turkey when the private sector started to take a great part in the process of industrialization. In this context, business group as most proper organizational form emerged in Turkey (Ozkara, Kurt and Karayormuk, 2008).

In the literature, there are some papers about business groups in Turkey context. Those paper focus on their establishment and the relationship with the government (Bugra, 1995), the similarities and differences (Goksen and Usdiken, 2001), the level of diversification and its types (Yaprak and at.all, 2007). According to Colpan (2010), clusters that are the operating groups are active by binding to each other legally independent initiative. Furthermore Dirlik's (2014) research focus on economic importance of business groups in Turkey in relation to other business organization forms.

Between 1923 and 1980, when Turkey started implementation of licenses of import and export, lowest input costs, low interest loans, and tax exemptions, many business groups were established in the country. The government financially supported business groups' diversification. In 2001, after the bank crisis some business groups were bought by the government (Khanna and Yafeh, 2007).

The business groups that were established under the name holding were limited when it comes to size in Turkey between 1960s and 1980s (Akguc, 1992), but after 1980s expansion of the business groups was visible (Usdiken, 2008). The lack of capital and organizational structure are some of the main reasons why the structure of holding in Turkey was late (Ozalp, 1990, p. 33).

The ownership structure of Turkish business groups looks like family business groups. In such structure the family foundation prevents the share of management and the group to disperse (Bugra, 1995, Yildirim and Usdiken, 2005).

Karademir (2004) in his study listed four major types of business groups: dominant Turkish family holdings, emergent Turkish family holdings, encouraged business groups and regional networks. The involvement of these business groups was visible in a different set of relationship with different sets of firms and institutions.

According to Sakinc (2008) the recognition of family business group establisher in the new business field and fast decision making process is increasing the chance of success of this type of business group. The biggest factor of business group success is in the fact that the ownership and managing of family business groups is in the hands of one member of the family.

The holding company, the finance company, the subsidiary are the key players of the typical Turkish family business groups (Karademir, 2004).

When we look at the strategies of business groups in Turkey context, most of the business groups tend to have diversification strategy. Karademir (2004) explained that the diversification strategy of Turkish business groups is influenced by their evolution with their institutional, market, and resource-based environments that was implemented at the same time.

In Turkey, diversification for business groups was triggered by the state and its economic role. It was done in two specified ways. The first one was done by the state when they provided preferential credits, tax rebates etc. for the business groups that are in a wide of variety of fields, it was encouraging them to invest into different fields. This approach of state increased the rent seeking activities of the business groups (Bugra, 1994). Unrelated diversification was done by business groups in order to answer to opportunities in the market. The second way, uncertain business environment was created because of the economic decision making’s pragmatic nature. Business groups disseminate the risk that is possible in a business environment where we have high uncertainty, by applying unrelated diversification (Bugra, 1994).

In Turkey there are many diversified business groups that operated a lot of businesses in many sector. Those business groups are relatively large when we compare it to others business groups such as Sabanci holding, Koc holding, Alarko holding, and Zorlu holding that are active in main industrial sectors (Bugra, 1994). Those business groups have more subsidiaries then the other business groups. They have common features; the fact that they are established earlier and aggressive diversification they did. Second, they had and created very good connection with bureaucracy and gain the benefit from it. Finally, they have access to opportunities that are offered in the economy of Turkey, those are privatization projects.

According to Karademir (2000), there are four types of business groups in this country: (1) Holding company business groups refers to small number of highly diversified, family based holding companies which dominate~~s~~ the business scene in Turkey, i.e. Sabanci Holding, Koc Holding, Alarko Holding, and Zorlu Holding (Kock& Guillen, 2001); (2) Emergent business groups are closely diversified businesses in target industries, such as foods and cereals, leather products, automotive products, machinery, tourism, and so on, with networks of subsidiaries composed primarily of small- and medium-sized enterprises (Yaprak et al., 2007); (3) Encouraged networks are groups of local and regional firms producing similar products that are encouraged to cooperate in their international involvement efforts, and as such, they are exempt from antitrust legislation (Karademir, 2000); (4) Regional networks are collaborating enterprises composed of small and medium-sized firms, which are connected loosely through supplier arrangements, co-production, technical tie-ups and the like in industrial districts with a focus on selected industries such as textiles in the Denizli, automotive components in the Kocaeli regions (Dyer & Nobeka, 2000).

Business groups along different periods

In the research the period that was analyzed is divided in four time periods, the first period is 1923 - 1949, the second period is between 1950 and 1979, the third one presents between 1980 and 1999, and the last period is considered from 2000 and after. All periods are discussed in the following part of the thesis.

The period before 1950

Colpan and Jones (2015) used information from Buğra (1994) and provided the following list of largest business groups over the years in Turkey. Accordingly, in 1920s, the following largest business groups were found: Koç, Çukurova, Sőnmez, Ȍzakat, Santral Mensucat. When it comes to 1930s, Sabancı, Sapmaz and Vakko were founded. A little bit later, in 1940s, the following large business groups were founded: Yasar, Ezcacıbaşı, Ercan, Transtűrk (Colpan and Jones, 2015). Business groups founded in this period are listed in the table below.

Table 2.6: Foundation Eras of the Largest Turkish Business Groups, 1923 - 1949

1920s	**1930s**	**1940s**
Koç	Sabancı	Yasar
Çukurova	Sapmaz	Ezcacıbaşı
Sőnmez	Vakko	Ercan
Ȍzakat		Transtűrk
SantralMensucat		

Source: Colpan and Jones (2015)

The period between 1950 and 1979

The second period was very productive regarding the number of largest business groups, and many of them emerged between 1950 and 1979. Accordingly, in 1950s, following largest business groups have been found: Akkők, Kutlutaş, Borusan, Bodur, Tekfen, Enka, E.C.A, Profilo, STFA, Alarko, Akın, Deva, Tamek, Altınyıldız. In 1960s, the following business groups emerged: Anadolu Endűstri, Ö̈zsaruhan, İzdaş. In 1970s, Ekinciler business group has been founded.

Table 2.7: Foundation Eras of the Largest Turkish Business Groups, 1950 - 1979

1950s	1960s	1970s
Akkők	AnadoluEndűstri	Ekinciler
Kutlutaş	Ö̈zsaruhan	
Borusan	İzdaş	
Bodur		
Tekfen		
Enka		
E.C.A		
Profilo		
STFA		
Alarko		
Akın		
Deva		
Tamek		
Altınyıldız		

Source: Colpan and Jones (2015)

From table presented above, authors concluded that almost half of business groups in Turkey emerged in 1950s. Colpan and Jones (2015) also stated that the policy regime of import protection and the obstacles to foreign firms provided the key exogenous context for the emergence and growth of multiple business groups.

In order to understand this fact in terms of context, it is important to mention that from 1957 to 1965, Turkey was faced with rural development project and infrastructural investments, rapid growth of GDP with occasional slowdowns, restricted trade unions and activities (Erçek and Gűnçavdı, 2015).

In addition, period from 1966 – 1989 is characterized by state planned industrialization, with import substitution until 1980 and export orientation after 1980. Another characteristic of this period is controlled international trade flows until 1980 with gradual liberalization, controlled investment flows. Also, not less important to say is that in this period, there was rapid GDP growth except years of upheaval and coup (1978 – 1981). In addition, this is also the time of regulated trade unionism and activist labor (Erçek & Gűnçavdı, 2015).

Yaprak & Karademir (2010) emphasized that initial outward internationalization began in the 1960s and the 1970s when government provided incentives that encouraged Turkish firms' international involvement abroad, and sourcing opportunities in foreign markets. All characteristics of mentioned period definitely had an important effect on development of so many business groups in such a short period of time.

The period between 1980 and 1999

Table 2.8: Foundation Eras of the Largest Turkish Business Groups, 1980 – 1999

1980s	**1990s**
Agaoglu	Abalıoglu
Akkanat	Calık
Ceceli	Dogan
Celebi	Eren
Erdem	Kayı grubu
Gulsan	Kazanci
Inci	Yuksel
Sahinler	
Yıldız	
Umpas	

Source: prepared for this study

Turkey’s rapid transformation into an emerging economy in the 1990s appears to be the result of export-led growth. This implied that Turkish business groups had to evolve through one more phase and be export-led growth based on creating assets, but at the same time pragmatic and stable to support foreign direct investment (Yaprak et al., 2004).

Yaprak et al. (2007) state that Turkey has implemented an open-market economic program since 1983 which was a turning point for the liberalized economy and Turkey started to integrate it into the larger world economic system after this time. Of course, this reduced state’s involvement in the economy. Yaprak et al (2007) stated that from 1980, especially considering mechanisms as the Customs Union Agreement with the European Union in 1996, foreign firms did not invest too much in Turkey due to political and economic environments, crisis, red tape and legal procedures. This provided space for business groups so in this period there was not only increase in significance of role of business groups in Turkish economy but also emerging of new groups which were not of traditional character since they were different in size, scope, technological concentration, management philosophy, strategy, alliance linkages, structure and internationalization patterns. These emerging business groups started playing a significant role~~s~~ not only to attract international businesses to Turkey but also to expand Turkey’s export effort abroad (Yaprak et al., 2007).

According to Erçek & Gűnçavdı (2015), there has been some characteristics in period from 1990 to 2010: liberal market economy with privatizations; minimum barriers for international trade and investment flows; variations in GDP growth; passive trade unions and activities (Erçek & Gűnçavdı, 2015).

Yaprak & Karademir (2010) also state that 1980s is time of IMF-imposed stabilization programs, the maturing of the capital markets, improving regulatory environment, and the time when freer access to the flow of information created a positive institutional and market context for inward internationalization of business groups. Authors also indicates participation in government privatization programs and high-growth promising industries (tourism, retailing, food, high technology, finance) might have delayed business groups' outward internationalization while at the same time it facilitated their inward internationalization during 1980s and 1990s.

1980s became a growth stage for the early-established business groups while being an early stage for the emergent business groups (Karademir & Danışman, 2007). Outward internationalization which came in 1990s and 2000s was mostly a result of the political and economic instability and saturation in the domestic market, increasing labor and other production costs, increasing market opportunities in the rapidly emerging markets such as Russia and former Soviet bloc, Eastern and Western Europe and North Africa (Yaprak & Karademir, 2010).

The period between 2000 and after

Internationalization of business groups appeared to be even higher and more significant after year 2000. In fact, according to study of Turkishtime Magazine from 2007 which has been mentioned by Yaprak & Karademir (2010), Arcelik-Beko, Anadolu-Efes, and Vestel Elektronik grew 62.5 percent, 52.3 percent, and 85.5 percent of their total revenues, respectively, from their international operations in 2005.

Table 2.9: Summary of Literature Dealing with Business Groups in Turkey

#	Name of authors	Year	Aim of study	Results
1.	Belkıs Özkara, Mustafa Kurt, Kemal Karayormuk	2008	The aim of this article is to reveal whether business groups are reproduced in different economic, politic and social contexts. To this end, business groups that have emerged in the pre- and post-1980 liberalization periods are compared with respect to their present-day characteristics.	Authors' findings show that pre-1980 and post-1980 business groups are differentiated in the extent of unrelated diversification and inward-oriented internationalization dimensions.
2.	Nisan Selekler Gökşen and Behlül Üsdiken	2001	This study aims to extend recent theoretical and empirical work that has begun to question the strong homogeneity argument in much of the macro-institutional literature on nationally dominant forms of organizing. More specifically, the paper develops the proposition that intra-national variety is likely to be greater in business strategies and structures than in governance patterns.	Hypotheses concerning diversification and internationalization strategies received only partial, and in the latter case, rather weak support. The findings are indicative, however, of divergence resulting from differences in size and institutional conditions of founding.
3.	Attila Yaprak, Bahattin Karademir, Richard N. Osborn	2007	Business groups have become a significant phenomenon in the evolution and functioning of emerging markets. They also provide important partnership opportunities to foreign firms when they enter these markets.	In this paper, they provide an overview of the theories that explain how business groups function and evolve in emerging markets and generate propositions from that theory. They also present evidence on business group evolution from one emerging market, Turkey.

4.	Asli M. Colpan Geoffrey Jones	2015	This working paper examines the origins and development of the Koç Group, which grew to be the largest business group in Turkey	This paper argues that Koç acted as both a Kirznerian and Schumpeterian entrepreneur to build his business group, both in its formative stages and later in its subsequent growth into a diversified group.
5.	Mehmet Erçek and Öner Günçavdı	2015	In this article, authors narrate a historical case study of a Turkish business group (BG) and engage in a dialogue with the existing theories that explain the transformation of BGs. The study builds on the multi-level theory of imprinting to illustrate how our focal group has been continually stamped by its founder's choices during sensitive times in its developmental trajectory.	By providing comprehensive evidence about the dynamic interplay among various endogenous and exogenous factors, authors illustrate how abstract institutional conditions are reified in, and sometimes opposed by, agential action.
6.	Attila Yaprak and Bahattin Karademir	2010	The purpose of this paper is to review the extant literature on the institutional, market-centered, and the resource-based perspectives on the internationalization of BGs in emerging markets; to suggest that business group affiliation is an important ingredient in the internationalization of emerging market MNCs; and to offer examples of internationalization from one emerging market, Turkey.	The theorizing indicates that an integrated theoretical approach should lead to a better understanding of emerging market business group affiliates' internationalization.
7.	Bahattin Karademir Ali Danısman	2007	Based on the co-evolutionary perspective, the study examines the changing nature of interrelationships of business groups and media in an emerging economy, Turkey, over two institutionally and economically different time periods from 1960 to 2005.	It appears that co-evolutionary dynamics led to substantial changes in patterns of the interrelationships of business groups and media along with the transformation from the planned period to the liberalization period in the Turkish context. For instance, through the changes in institutional and economic contexts, as well as organizational attribute from the planned period to liberalization period, higher level of media ownership by business groups and higher involvement of business groups in governance mechanisms of the media companies unfolded
8.	Carl J. Kock and Mauro F. Guillén	2001	Drawing on Schumpeter, we suggest that entrepreneurs in late development build a business group by engaging in a distinct type of innovation. Instead of creating new products they leverage local and foreign contacts to combine foreign technology and local markets.	First, the main (initial) cause for the creation of business groups can be traced to the selection of the environment at the beginning of economic development in late-industrializing countries, when the ability to use contacts outweighs other capabilities in importance. Secondly, we suggest that the selection of the environment in late-industrializing countries changes systematically over time, altering the reasons underlying the continued existence and creation of business groups. We formulate several testable propositions on the evolution of business groups predicting patterns of diversification and organizational structure over time.
9.	Jeffrey H. Dyer and Kentaro Nobeoka	2000	In this paper authors examine the 'black box' of knowledge sharing within Toyota's network and demonstrate that Toyota's ability to effectively create and manage network-level knowledge-sharing processes at least partially explains the relative productivity advantages enjoyed by Toyota and its suppliers.	This study suggests that the notion of a dynamic learning capability that creates competitive advantage needs to be extended beyond firm boundaries. Indeed, if the network can create a strong identity and coordinating rules, then it will be superior to a firm as an organizational form at creating and recombining knowledge due to the diversity of knowledge that resides within a network.
10.	Ayse Karaevli	2008	The article aims to present the evolution of diversification strategies in Turkish business groups.	The article presents the evolution of diversification strategies in Turkish business groups with focus on all important dimensions.

Source: prepared for this study

2.4 Strategic Redirections

In the strategy literature, strategic redirection defined as the process of business group's reentrance into different sectors of business and changing the strategy that was applied. The well-known redirection can be recognized within the single business unites or fully different companies.

One of the pioneering researches on the issue of strategic redirection or strategic transformation was done by Doz and Prahald (1987). In their research they were approaching the process of strategic redirection on a cumulative basis rather than explaining each process one by one. They concentrated on the part where one stage transitions to another. They suggest that change in strategic direction, management structure and systems as well as organizational culture encompasses major change in magnitude of strategy.

Seth and Easterwood (1993) argues that 1980s were period of large corporate restructuring, where management buyout was one of the forms that these restructurings took. In management buyout firm converts from public stock ownership to private ownership where the transaction is financed by large debt issues.

It is well known that company is improved in case it has been explored to versions organizational redirections. In order to improve customer service organization tends to achieve more by adopting a new vision in the approachable sphere. The vision needs to incorporate a new framework which will fulfill a mission and goals of a particular company.

Strategic redirection requires power reallocation which can be accomplished only when the need for it has been widely recognized and when one's resistance is seen by other managers as personal opportunism rather than a genuine legitimate difference in priorities (Doz and Prahald, 1987).

Furthermore, Doz and Prahald (1987) suggested process model of strategic redirection which will be presented in the following part. In this model they introduced four stages of change incubation, variety generation, power shift and refocusing each of which have an implication in cognitive perspectives, strategic priority and power allocation.

Table 2.10: A Process Model of Strategic Redirection

	Change content		
Change process stages	**Cognitive perspectives**	**Strategic priority**	**Power allocation**
1.Incubation	New vision brought by new executive, often appointed for unrelated reasons		
2.Variety Generation **3.Power Shift**	Data management and "soft management" tools used to consider change	Different strategic priorities emerge, new vision is refined, need for redirection becomes seen as legitimate; conflict resolution tools are used to make change legitimate	Short-term self-interest of operating managers aligned with new strategy through series of relatively minor changes
4.Refocusing			"Hard" management tools used to make power reallocation clear; changes in information and administrative structures

Source: Doz and Prahald (1987).

Strategic redirection is very similar to the strategic direction. It includes vision, mission, and values. The need for redirection is necessary after completing analysis on the current state of the business. Investigating the state of the business refer to customers' needs, products and level of satisfaction.

Redirection is tailoring the company in a way that it will become a new business, the one you desired. In some cases some companies will be modified and moved to the appropriate directions, mean while other companies will face failure.

Karademir (2004) in his research explained that the redirection strategy of Turkish business groups is influenced by their evolution with their institutional, market, and resource-based environments that was implemented at same time.

In Turkey redirection for business groups was triggered by the state and its economic role. It was done in two specified ways. The first one was done by the state when they provided preferential credits, tax rebates etc., for the business groups that are in a wide variety of fields, it was encouraging them to invest into different fields. This approach of state increased the rent seeking activities of the business groups (Bugra, 1994). Redirection was done by business groups in order to answer to opportunities in the market. The second way, uncertain business environment was created because of the economic decision making's pragmatic nature. Business groups disseminate the risk that is possible in a business environment where we have high uncertainty, by applying different directions (Bugra, 1994).

However, strategic redirections itself can be successful or less successful ones. Doz and Prahald (1987) identified several causes of failure based on their research findings which will be presented below.

As a first cause of failure in strategic redirections authors identified ***lack of key executive*** as initiator and focal point for the process of change wherefore changes initiated by corporate staff groups and are run as a collective exercise in an existing constellation of executives did not succeed. Furthermore lack of top management commitment was reflected in several companies they studied which at the end did not accomplish strategic redirection (Doz and Prahald, 1987).

Second contributing factor to the failure of strategic redirection was the ***inability to formulate a clear logic*** for the redirection process. Sometimes problem can arise because of intense interdependencies between businesses and conflicting priorities for these businesses. In other cases various segments of the same business had very different priorities but also shared many operations and the strategic logic for the whole business was unclear (Doz and Prahald, 1987).

As third and sometimes prevailing factor in failure of strategic redirection authors are naming widening gap in the process between the broad cognitive shift and the administrative infrastructure needed to support it (***infrastructure lag***). To be more precise it is a situation where key executive attempted to make progress despite and against management systems that had not changed at all – or were in state of confusion – and did not support the change process. On the other hand data management systems were not sufficiently well developed to allow the need for a possible shift in strategic direction to be analyzed and justified and thus the credibility of the new vision is in decline (Doz and Prahald, 1987).

Fourth and critical factor in failure of strategic redirection authors identified to be ***departure of key executive***. In one case key executive who had initiated the change process reached mandatory retirement age in the middle of the process and retired, and his successor did not elicit sufficient respect or probably did not have enough organizational savvy to carry the change through. Therefore we can say that by the departure of key executive process of redirection is losing its momentum by default of leadership (Doz and Prahald, 1987).

Finally ***inability to shift power*** is representing the fifth cause of strategic redirection failure that authors identified. Sometimes direct clear conflict erupt towards the end of the process between the key executive who had masterminded the whole process and some increasingly reluctant but strong subsidiary manager on the other side. In general in specific phases of multiphase processes attempts to shift power without having first legitimized a new cognitive perspective, and developed an alternative strategy were abortive (Doz and Prahald, 1987).

As final words we can say that strategic adaptation is possible but fraught with difficulties. Major strategic redirections involve extreme changes in cognitive, strategic and power sharing processes among executives, with careful and well trained use of management tools that is sometimes simply difficult to implement.

3 THE METHODOLOGY OF THE STUDY

This part of thesis includes the methodology of study which gives the full explanation on the research objectives, research hypothesis, research design, data collecting procedure, research instruments and methods used for data analysis.

3.1 Research Objectives

The main purpose of the study is to define and present the evolution of strategic directions of business groups in Turkey in different periods; before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after.

According to the aim, the main objectives of this research are as following:

1. Investigate, analyze and present whether there is a similarity or difference between strategic redirection of business groups over the time or not.
2. Determine the outlook of the emergence of business groups by the periods (before 1950, between 1950 and 1979, between 180 and 1999, and period between 2000 and after).
3. Investigate, analyze and present if there is a significant difference in terms of the relations between the period of business groups' establishment and the number of entered sectors or not.
4. Investigate, analyze and present if there is a significant difference in terms of the relations between the period of business groups' establishment and the size/differentiation of business groups or not.

3.2 Research Design

In order to identify the determinants evolution of strategic direction, diversification structure of each business groups over the decades was examined. To this end, founding of new business in new sector and acquisition in new sector of business groups was studied. Some other control variables such as founding time, sector of first business, redirection etc. was also examined.

The study adopted an analysis of variance (ANOVA) as the most appropriate research design for the research of the issues of interest. The data is gathered through the business groups' websites. We created the table that included the collected data such as the information about origin of business groups, the number of companies that are in the business group, the number of sectors in which business group was and is active, the year of business group establishment, the first, second, third, fourth, fifth and sixth sector where the business group was active, and the year of their entrance into a new sector.

Each sector was coded according the NACE Code (Nomenclature generale des Activites economiques dans les Communautes europeennes), it refers to the industrial classification which is used by Eurostat (Combined Nomenclature, 2015).

The Code system goes as follow:

Section A: Agriculture, hunting and forestry;
Section B: Fishing;
Section C: Mining and quarrying;
Section D: Manufacturing;
Section E: Electricity, gas and water supply;
Section F: Construction;
Section G: Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods;
Section H: Hotels and restaurants;
Section I: Transport, storage and communication;
Section J: Financial intermediation;
Section K: Real estate, renting and business activities;

Section L: Public administration and defense; compulsory social security;
Section M: Education;
Section N: Health and social work;
Section O: Other community, social and personal service activities;
Section P: Private households with employed persons; and
Section Q: Extra-territorial organizations and bodies.

3.3 Subject of the Research

Subjects for the study included 102 multiple business groups in Turkey (period before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after). Those business companies are active in different sectors all around Turkey. Regarding the sample, the list of business groups which represents Turkey, consist of top 500 businesses of Turkey, by Istanbul Chamber of Industry (2014).

3.4 Data Collecting Procedure

Data collection is a particularly important part of research. All other stages of the research depend on the well conducted phase of data collection.

This study employed analysis of variance (ANOVA) method and data was gathered through the business groups' websites. The web pages were in Turkish language, but there was also every webpage in English language, therefore there will be no confusion when it comes to the terminology used in this research.

We gathered most data from the web pages of business groups. There were few business groups' web pages that did not include the needed information, therefore we contacted the offices of those business groups and they willingly provided the information for us.

We contacted the business groups that did not have full information on their web pages. Among 140 business groups we gathered just 110, mostly from web pages and some from contacting them personally. The 30 of them did not give respond and provide us needed information.

3.5 Methods Used for Data Analysis

In this research we wanted to define and present the evolution of strategic directions of business groups in Turkey in different periods; before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after.

The most common method for analyzing data gathered through the business groups' websites is descriptive method. Descriptive method is also called non-experimental method. The aim is to describe the facts and present the states, events, relations, correlations among the subjects in the study. In other words, it provides description about phenomena. The descriptive statistics present the mean and the range of a variable. The obtained results are listed.

An analysis of variance (ANOVA) was conducted in order to investigate the evolution of strategic redirections within the Business portfolios of business groups in Turkey (period before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after). A between - groups one-way ANOVA was conducted (Pallant, 2007) and indicated the difference between and within the groups (business groups).

4 RESULTS

This part of the thesis includes the results of the data that was examined through detailed statistical analysis. Preliminary statistical analysis, correlation statistical analysis, and statistical analysis will be presented in following part.

4.1 Preliminary Statistical Analysis

Descriptive statistics of data, the year of the business groups' establishment, the interest for the first entered sectors of the business groups by years, the frequencies of first entered sectors of the business groups, the number of the companies within the business group and its frequency, the number of business groups that are still active in first entered sector and age of business groups.

Descriptive Statistics of Data

This part provides information about the data collected from webpages and through contacting the management of the firms (Table 4.1).

Table 4.1: The General Data

		Number of business groups
N	Valid	102
	Missing	0
Total		100.0%

From the Table 4.1 (The general data) we can see that the total number of business groups that was analyzed in the research was 102 (N=102). Valid number was 102 (V=102) and there was no business group that had missing data (M=0). With 100% valid gathered data, the study achieved an excellent rate for this type of research.

Table 4.2 presents the frequency of the business groups by the periods (before 1950, between 1950 and 1979, between 1980 and 1999, and period between 2000 and after).

Table 4.2: The Frequency of the Business Groups by the Periods

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	before 1950	17	16,7	16,7	16,7
	1950-1979	56	54,9	54,9	71,6
	1980-1999	29	28,4	28,4	100,0
	2000 and after	0	00,0	00,0	00,0
	Total	102	100,0	100,0	

From Table 4.2 we can see that the largest number of established business groups was 56 (54,9%) in period between 1950 and 1979, then 29 (28,4%) business groups in the period between 1980 and 1999 (30, 6%), 17 out of 102 was in the period before 1950 (16,7 %), and we do not have any business group established in 2000 and after.

Table 4.3 shows the interest for the first entered sectors of the business groups by year~~s~~.

Table 4.3: The Interest for the First Entered Sectors of the Business Groups by the Years

		Sector	Frequency	Percent
Valid	Before 1950	Agriculture, hunting and forestry	2	1,9
		Manufacturing	7	6,8
		Wholesale and retail trade	3	2,9
		Construction	1	0,9
		Transport, storage and communication	2	1,9
		Real estate, renting and business activities	1	0,9
		Extra-territorial organizations and bodies	1	0,9
	1950 – 1979	Manufacturing	26	25,4
		Wholesale and retail trade	8	7,8
		Construction	12	11,7
		Mining and quarrying	4	3,9
		Agriculture, hunting and forestry	1	0,9
		Fishing	2	1,9
		Transport, storage and communication	2	1,9
		Financial intermediation	1	0,9
	1980 – 1999	Manufacturing	7	6,8
		Construction	5	4,9
		Agriculture, hunting and forestry	4	3,9
		Wholesale and retail trade	2	1,9
		Transport, storage and communication	3	2,9
		Mining and quarrying	5	4,9
		Financial intermediation	1	0,9
		Fishing	1	0,9
		Extra-territorial organizations and bodies	1	0,9
	2000 and after	0	0	0
	Total		102	100,0

Table 4.3 shows that in all three periods for first time entrance the most interest was for manufacturing sector.

In the period before 1950 the interest goes as follow: 7 business groups entered the manufacturing sector for the first time, 3 of them entered the wholesale and retail trade sector, 2 of them entered agriculture, hunting and forestry, 2 of them entered the transport, storage and communication, 1 entered the extra-territorial organizations and bodies, 1 entered the construction sector, and 1 entered the real estate, renting and business activities.

In the period between 1950 and 1979 the interest goes as follow: 26 of business groups for the first time entered into manufacturing sector, 12 of them entered the construction sector, 8 of went into wholesale and retail trade, 4 of them entered the mining and quarrying sector, 2 of enrolled into fishing sector, 2 of them entered the transport, storage and communication sector, 1 of them enrolled into agriculture, hunting and forestry sector, while 1 entered the financial intermediation sector.

In the period between 1980 and 1999 the interest for sectors while business groups were entering into the sector for the first time was as follow: 7 of business groups entered the manufacturing sector, 5 of them entered the mining and quarrying sector, again 5 of them went into construction sector, 4 of them into agriculture, hunting and forestry sector, 3 of them into transport, storage and communication sector, 2 of them into wholesale and retail trade sector, 1 of them into fishing sector, 1 into extra-territorial organizations and bodies sector and 1 into financial intermediation.

Table 4.4 shows the frequencies of first entered sectors of the business groups.

Table 4.4: The Frequencies of First Entered Sectors of the Business Groups

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agriculture, hunting and forestry	7	6,9	6,9	6,9
	Fishing	3	2,9	2,9	9,8
	Mining and quarrying	10	9,8	9,8	19,6
	Manufacturing	38	37,3	37,3	56,9
	Construction	19	18,6	18,6	75,5
	Wholesale and retail trade	13	12,7	12,7	88,2
	Transport, storage and communication	7	6,9	6,9	95,1
	Financial intermediation	2	2,0	2,0	97,1
	Real estate, renting and business activities	1	1,0	1,0	98,0
	Extra-territorial organizations and bodies	2	2,0	2,0	100,0
	Total	102	100,0	100,0	

Table 4.4 shows frequencies of first entered sectors of the business groups. While establishing their business groups, 38 out of 102 business groups firstly started in the manufacturing sector. 19 of business groups entered the construction for the first time. Wholesale and retail trade sector was on 3rd place of business groups' preference, 13 of them entered into the wholesale and retail trade sector. 10 of the business groups entered into mining and quarrying sector. In every other sector there was less than 10 business groups which entered in that sector for first time.

Table 4.5: The Number of the Companies within the Business Group and Its Frequency

Number of company in the business group		Frequency		Percent	Valid Percent
Valid	2 - 9	39		38,2	38,2
	10- 19	39		38,2	38,2
	20 - 29	15		14,7	14,7
	30 -39	2		1,9	1,9
	40 and more	7		6,8	6,8

Table 4.5 shows the number of the companies within the business group and their frequency. The highest number of the companies within the business group is 83 and we have just one business group among the researched business groups. There is just one business group with two companies within the business group of our research interest.

Table 4.6: The Number of the Number of Business Groups that are Still Active in First Entered Sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Active in first entered sector	102	100,0	100,0	100,0
	Not active in first entered sector	0	0,0	0,0	0,0
Total		102	100,0	100,0	100,0

Table 4.6 shows that all business groups are active today in the sectors into which they first time entered.

Table 4.7: The Frequency of Age of Business Groups

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	17	1	1,0	1,0	1,0
	19	1	1,0	1,0	2,0
	22	4	3,9	3,9	5,9
	23	1	1,0	1,0	6,9
	24	3	2,9	2,9	9,8
	25	1	1,0	1,0	10,8
	26	2	2,0	2,0	12,7
	27	4	3,9	3,9	16,7
	28	1	1,0	1,0	17,6
	29	3	2,9	2,9	20,6
	30	3	2,9	2,9	23,5
	31	1	1,0	1,0	24,5
	32	1	1,0	1,0	25,5
	33	2	2,0	2,0	27,5
	34	2	2,0	2,0	29,4
	35	2	2,0	2,0	31,4
	37	3	2,9	2,9	34,3
	39	3	2,9	2,9	37,3
	40	2	2,0	2,0	39,2
	41	1	1,0	1,0	40,2
	42	2	2,0	2,0	42,2
	45	1	1,0	1,0	43,1
	46	1	1,0	1,0	44,1
	47	3	2,9	2,9	47,1
	49	3	2,9	2,9	50,0
	50	1	1,0	1,0	51,0
	51	1	1,0	1,0	52,0
	52	2	2,0	2,0	53,9
	53	3	2,9	2,9	56,9
	54	2	2,0	2,0	58,8
	55	1	1,0	1,0	59,8
	57	2	2,0	2,0	61,8
	58	3	2,9	2,9	64,7
	59	3	2,9	2,9	67,6
	60	5	4,9	4,9	72,5
	61	3	2,9	2,9	75,5
	63	3	2,9	2,9	78,4
	65	5	4,9	4,9	83,3
	66	1	1,0	1,0	84,3
	67	1	1,0	1,0	85,3
	69	2	2,0	2,0	87,3

	70	1	1,0	1,0	88,2
	71	3	2,9	2,9	91,2
	72	1	1,0	1,0	92,2
	73	1	1,0	1,0	93,1
	75	2	2,0	2,0	95,1
	78	1	1,0	1,0	96,1
	88	1	1,0	1,0	97,1
	89	1	1,0	1,0	98,0
	90	1	1,0	1,0	99,0
	92	1	1,0	1,0	100,0
	Total	102	100,0	100,0	

Table 4.7 shows that the youngest business group is 17 years old (established in 1998), and the oldest business groups is 92 years old (established in 1923). The biggest number of business groups established was in 1950 and 1955, five business groups was established in 1950 and also five was in 1955. In other years less than five groups was established.

4.2 Statistical Analysis

An analysis of variance (ANOVA) was conducted in order to investigate whether there is significant difference in terms of the relations between the period of business groups' establishment and the number of entered sectors or not. Since there is only one continuous dependent variable in this case, a between - periods one-way ANOVA was conducted (Pallant, 2007).

Table 4.8: The Results of one-way ANOVA - the Difference between and within the Period of Business Groups' Establishment and the Number of Entered Sectors

Number of entered sectors					
	Sum of Squares	Df	Mean Square	F	Sig.
Between groups	33,073	2	16,536	2,801	,066
Within groups	584,505	99	5,904		
Total	617,578	101			

*. The mean difference is significant at the 0.05 level.

The significant value (p=0.066) shows that there are no significant differences between periods. The table shows the results of one-way ANOVA and indicates the difference between and within the groups.

Table 4.9: Multiple Comparisons

Numberofenteredsectors
Scheffe

(I) theyearoffirstcompanyestablishment	(J) the year of first company establishment	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
before 1950	1950-1979	1,400	,673	,120	-,27	3,07
	1980-1999	1,675	,742	,083	-,17	3,52
1950-1979	before 1950	-1,400	,673	,120	-3,07	,27
	1980-1999	,275	,556	,885	-1,11	1,66
1980-1999	before 1950	-1,675	,742	,083	-3,52	,17
	1950-1979	-,275	,556	,885	-1,66	1,11

*. The mean difference is significant at the 0.05 level.

Table 4.9 shows that there was no statistically significant differences between the periods.

An analysis of variance (ANOVA) was conducted in order to investigate whether there is significant difference in terms of the relations between the period of business groups' establishment and the size of multiple business groups or not. Since there is only one continuous dependent variable in this case, a between - periods one-way ANOVA was conducted (Pallant, 2007).

Table 4.10: The Results of One-Way ANOVA - The Difference Between and Within the Period of Business Groups' Establishment and the Size of Multiple Business Groups

Number of the company					
	Sum of Squares	df	Mean Square	F	Sig.
Between groups	1080,055	2	540,028	2,864	,062
Within groups	18666,621	99	188,552		
Total	19746,676	101			

*. The mean difference is significant at the 0.05 level.

The table shows the results of one-way ANOVA and indicates the difference between and within the groups. The significant value (p=0.062) shows that there are no significant differences between periods.

Table 4.11: Multiple Comparisons

Number of the company Scheffe						
(I) the year of first company establishment	(J) the year of first company establishment	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
before 1950	1950-1979	7,361	3,802	,159	-2,09	16,81
	1980-1999	9,888	4,194	,067	-,54	20,31
1950-1979	before 1950	-7,361	3,802	,159	-16,81	2,09
	1980-1999	2,527	3,141	,724	-5,28	10,33
1980-1999	before 1950	-9,888	4,194	,067	-20,31	,54
	1950-1979	-2,527	3,141	,724	-10,33	5,28

*. The mean difference is significant at the 0.05 level.

An analysis of variance (ANOVA) was conducted in order to investigate whether there is a significant difference in terms of the relations between the period of business groups' establishment and the year of first change into some other sector or not. Since there is only one continuous dependent variable in this case, a between - periods one-way ANOVA was conducted (Pallant, 2007).

Table 4.12: The Results of One-Way ANOVA - The Difference Between and Within the Period of Business Groups' Establishment and the Year of First Change into Some Other Sector

Year of first change into some other sector					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	30,071	2	15,035	33,137	,000
Within Groups	44,919	99	,454		
Total	74,990	101			

*. The mean difference is significant at the 0.05 level.

The significant value (p=0.000) shows that there is significant difference between periods. The table shows the results of one-way ANOVA and indicates the difference between and within the groups.

Table 4.13: Multiple Comparisons

Firstchangeyear Scheffe						
(I) theyearoffirstcompanyestablishment	(J) theyearoffirstcompanyestablishment	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
before 1950	1950-1979	-,600*	,187	,007	-1,06	-,14
	1980-1999	-1,566*	,206	**,000**	-2,08	-1,05
1950-1979	before 1950	,600*	,187	,007	,14	1,06
	1980-1999	-,966*	,154	**,000**	-1,35	-,58
1980-1999	before 1950	1,566*	,206	**,000**	1,05	2,08
	1950-1979	,966*	,154	**,000**	,58	1,35

*. The mean difference is significant at the 0.05 level.

Table 4.13 shows the significant difference between periods when it comes to the year of first change into some other sector. We observed the significant difference between the period before 1950 and the period 1980 – 1999. There is a significant difference between the period 1950 – 1979 and the period 1980 – 1999. There is no significant difference between period before 1950 and 1950 – 1979.

5 DISCUSSION

5.1 Research Findings

The research on the topic: "Evolution of Strategic directions of Business Groups: Evidence from Turkey" come out with findings that are presented in following part.

During the processing the data we used statistical analysis as follows: Preliminary statistical analysis and statistical analysis - an analysis of variance (ANOVA).

Descriptive statistics of the total number of business groups that was analyzed in the research was 102 (N=102). Valid number was 102 (V=102) and there was no business group that had missing data (M=0). With 100% valid gathered data, the study achieved an excellent rate for this type of research.

The aim of the study is to define and present the evolution of strategic directions of business groups in Turkey in different periods. Therefore, we divided this period into 4 periods as follows: 1 – period before 1950, 2 - period between 1950 – 1979, 3 – period between 1980 – 1999 and 4 – period between 2000 and after.

The largest number of established business groups was in the period between 1950 and 1979 (56, respectively, 54,9%), then we have 29 (28,4%) business groups in the period between 1980 and 1999 (30,6 %), 17 out of 102 was in the period before 1950 (16,7 %), and we do not have any business group established in 2000 and after.

The interest for the first time entrance into some sector for 7 business groups in the period before 1950 was manufacturing sector, 3 of them entered into wholesale and retail trade sector, 2 of them into agriculture, hunting and forestry, 2 of them into transport, storage and communication, 1 into extra-territorial organizations and bodies, 1 into construction sector, and 1 into real estate, renting and business activities.

In the period between 1950 and 1979 the interest for the first time entrance into some sector for 26 of business groups was manufacturing sector, for 12 of them into construction sector, 8of them into wholesale and retail trade, 4 of them into mining and quarrying sector, 2 of them into fishing sector, 2 of them into transport, storage and communication sector, 1 of them into agriculture, hunting and forestry sector, and 1 into financial intermediation sector.

The interest for the first time entrance into some sector in the period between 1980 and 1999 for 7 of business groups was entrance into manufacturing sector, for 5 of them it was mining and quarrying sector, again 5 of them into construction sector, 4 of them into agriculture, hunting and forestry sector, 3 of them into transport, storage and communication sector, 2 of them into wholesale and retail trade sector, 1 of them into fishing sector, 1 into extra-territorial organizations and bodies sector and 1 into financial intermediation.

We determined that 38 out of 102 business groups, while establishing their business groups, firstly started in the manufacturing sector. 19 of business groups' first entered sector was construction sector. Wholesale and retail trade sector was on 3rd place of business groups' preference, 13 of them entered into the wholesale and retail trade sector. 10 of the business groups entered into mining and quarrying sector. In every other sector there was less than 10 business groups which entered that sector for the first time.

The highest number of the company within the business group is 83 and we have just one such business group among the researched business groups. There is just one business group with two companies within the business group of our research interest.

We found out that all business groups are active today in the sectors in which they entered for the first time.

The youngest business group is 17 years old (established in 1998), and the oldest business groups is 92 years old (established in 1923). The biggest number of business groups established was in 1950 and 1955, five business groups was established in 1950 and also five was in 1955. In other years less than five were established.

5.2 Main Findings

The purpose of this thesis was to define and present the evolution of strategic redirections within the Business portfolios of business groups in Turkey (period before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after).

The research objectives were following:

- To investigate, analyze and present whether there is a similarity or difference between strategic redirection of business groups over the time or not.
- To determine the outlook of the emergence of business groups by the periods (before 1950, between 1950 and 1979, between 180 and 1999, and period between 2000 and after).
- To investigate, analyze and present if there is a significant difference in terms of the relations between the period of business groups' establishment and the number of entered sectors or not.
- To investigate, analyze and present if there is a significant difference in terms of the relations between the period of business groups' establishment and the size/differentiation of business groups or not.

With the use of the analysis of variance (ANOVA) we investigated whether there was a significant difference in terms of the relations between the period of business groups' establishment and the number of entered sectors or not. The significant value (p=.0.066) showed no significant differences between periods.

An analysis of variance (ANOVA) was conducted in order to investigate whether there is a significant difference in terms of the relations between the period of business groups' establishment and the size of multiple business groups or not. The significant value (p=0.062) has shown no significant differences between periods.

ANOVA analysis was also conducted in order to investigate whether there is significant difference in terms of the relations between the period of business groups' establishment and the year of first change into some other sector or not. Since there is only one continuous dependent variable in this case, a between - periods one-way ANOVA was conducted. The significant value (p=0.000) shows that there is significant difference between periods. The results of one-way ANOVA indicates the difference between and within the groups. We observed the significant difference between the period before 1950 and the period between 1980 – 1999. There is significant difference between the period 1950 – 1979 and the period 1980 – 1999. There is no significant difference between period before 1050 and 1950 – 1979.

5.3 Limitations of the study

The thesis explores evolution of strategic directions of business groups: evidence from Turkey. The number of the business groups was small sample, but considering that the in period before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after, existing business groups in Turkey is in total number 140, a sample of 110 can be considered satisfactory.

There were limitations in terms of access to webpages of the companies because some of them were not active, therefore, we contacted people working in that company, creating confidence on the objectives and trying to get the possible results of the research. We faced the expressed concern and fear of the possible results of the research as well as making available the necessary data. One other limitation of this research was lack of time to do deep research on this topic. There was a lack of the literature and biography, therefore it can be recognized as limitation of this research.

6 CONCLUSION

The research on the topic: "Evolution of Strategic Directions of Business Groups: Evidence from Turkey " was conducted with the purpose to define and present the evolution of strategic directions of business groups in Turkey in different periods; before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after.

The study adopted an analysis of variance (ANOVA) as the most appropriate research design for the research of the issues of interest. The data is gathered through the business groups' websites. We have set research objectives on evolution of strategic redirections of business groups: a case study conducted in Turkey. Our concern was to investigate, analyze and present the frequency of the business groups by the periods (before 1950, between 1950 and 1979, between 180 and 1999, and period between 2000 and after), than to determine what was the interest for the first entered sectors of the business groups by the years, to investigate, analyze and present what is the most entered sector of the business groups for the first time – sector of their establishment.

We also had concern to determine the number of the companies within the business group and their frequency, the number of business groups that are still active in first entered sector, and the age of business groups that were included into our research. We analyzed and presented if there was significant difference in terms of the relations between the period of business groups' establishment and the number of entered sectors or not. Also, we analyzed and presented if there was a significant difference in terms of the relations between the period of business groups' establishment and the size of multiple business groups or not, and significant difference in terms of the relations between the period of business groups' establishment and the year of first change into some other sector or not. The results from this research showed that the period between 1950 and 1979 was very interesting for establishment of business groups because in that period 56 business groups were established. Very interesting fact that we gained from this research was that there was no business group established in 2000 and after. In those three periods for first time entrance the most interest was for manufacturing sector. We determined that 38 out of 102 business groups while establishing their business groups firstly started in the manufacturing sector. 19 of business groups' first entered sector was construction sector. Wholesale and retail trade sector was on 3^{rd} place of business groups' preference, 13 of them entered into the wholesale and retail trade sector. 10 of the business groups entered into mining and quarrying sector. In every other sector there was less than 10 business groups which entered into that sector for the first time. It is interesting that just one business group entered into real estate, renting and business activities sector.

The results and analysis showed that the highest number of the companies within the business group is 83 and we have just one such business group among the researched business groups. There is just one business group with two companies within the business group of our research interest. We found out that all business groups are active today in the sectors in~~to~~ which they entered for the first time. The youngest business group was established in 1998 (17 years old), and the oldest business groups was established in 1923 (92 years old). The biggest number of business groups established was in 1950 and 1955, five business groups were established in 1950 and also five were in 1955. In other years less than five was established.

The results of the analysis showed that there is no significant difference in terms of the relations between the period of business groups' establishment and the number of entered sectors; also we did not face the significant difference in terms of the relations between the period of business groups' establishment and the size of multiple business groups. We found out and presented that there is significant difference in terms of the relations between the period of business groups' establishment and the year of first change into some other sector.

6.1 Future Research

The focus of our future research is going to be the role of management in the redirection strategy within business groups in Turkey. Many experts will face the challenge to decide who the main actor is when it comes to applying those strategies, in another words, who has the main role in the whole process of redirection. The research results suggest future redirections in practice that we have identified during the research and those will be presented in following part.

6.2 The recommendations for multiple business groups

This research investigated, analyzed and presented the evolution of strategic directions of business groups in Turkey in different periods; before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after.

This research which showed through analysis and by presenting the implementation of the strategic directions of business groups in Turkey in different periods; before 1950, 1950 – 1979, 1980 – 1999 and 2000 and after, can be very good information for multiple business groups. This kind of approach and applying those strategies is just a recommendation for business groups to work on the management and try to implement the same strategies for their expending and creating long lasting life of their business groups. In the research we showed that there are no significant differences in terms of the relations between the period of business groups' establishment and the number of entered sectors. It is recommended for business groups to enter into new sectors and explore their business even if they are a very young business group. The fact that there is no significant difference in terms of the relations between the period of business groups' establishment and the size of multiple business groups is a good message and recommendation for business groups to work on exploring their companies and trying to open as much companies within the business groups even if they are young business group.

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APPENDIX 1

The list of business groups in Turkey

	name_of_BG	age_of_BG	number_of_the_company	number_of_entered_sectors	first_entered_sector	the_year_of_first_company_establis...	first_change_2nd_entered_sector	first_change_year	second_change_3rd_e...	second_change_year	third_change_4th_...	third_change_year	fourth_change_5t...	fourth_change_year	five_changes_6th_entered_sector	five_changes_year	first_sector_continues
1	ABALIOGLU	71	13	7	I	1	D	2	G	2	D	3	D	4	C	4	1
2	ABDULKADIR OZCAN	60	11	2	G	2	D	3	Y	5	Y	5	Y	5	Y	5	1
3	ACIBADEM	24	8	6	Q	3	K	4	H	4	S	4	P	4	R	4	1
4	ADALI	53	5	7	F	2	I	2	B	3	S	3	D	3	I	4	1
5	ADO GRUP	59	10	5	C	2	D	3	F	4	A	4	D	4	Y	5	1
6	AGAOGLU	34	22	3	F	3	I	3	C	4	Y	5	Y	5	Y	5	1
7	AKBAS HOLDING	53	17	6	D	2	F	3	I	3	I	3	A	3	C	3	1
8	AKCA HOLDING	60	6	4	A	2	D	2	D	3	D	3	Y	5	Y	5	1
9	AKFEN HOLDING	39	10	7	D	2	F	3	D	3	J	3	S	3	C	4	1
10	AKIN HOLDING	75	11	5	D	1	G	3	D	3	F	3	J	4	Y	5	1
11	AKKANAT HOLDING	30	10	5	D	3	G	3	I	3	P	3	C	4	Y	5	1
12	AKKOK	47	15	5	D	2	G	2	K	2	C	3	D	4	Y	5	1
13	ALARKO	61	13	7	G	2	D	2	F	3	G	3	C	3	I	3	1
14	ALISAN HOLDING	30	7	6	I	3	F	3	K	3	S	3	J	4	L	4	1
15	ALTINBAS HOLDING	65	17	6	D	2	B	3	J	3	C	3	I	4	P	4	1
16	ANADOLU GRUP	63	32	11	D	2	D	3	I	3	C	3	G	3	K	3	1
17	AYDINER GRUP	65	75	13	G	2	D	2	R	2	Q	2	D	3	J	3	1
18	AYHANLAR HOLDING	46	14	6	F	2	D	2	C	3	A	3	I	3	B	4	1
19	BAKIOGLU HOLDING	37	9	3	D	2	B	3	F	4	Y	5	Y	5	Y	5	1
20	BATI ANADOLU GRU...	42	10	8	D	2	K	3	D	3	F	3	I	3	D	3	1
21	BAYRAKTAR HOLDING	49	6	5	D	2	F	2	I	2	B	4	C	4	Y	5	1
22	BILKENT HOLDING	57	10	5	G	2	D	2	I	3	F	3	G	4	Y	5	1
23	BORUSAN HOLDING	47	28	9	F	2	D	2	D	2	G	2	P	3	D	3	1
24	BOYDAK HOLDING	71	28	8	G	1	C	2	I	2	J	2	I	3	D	3	1
25	BOYNER HOLDING	58	45	8	D	2	D	2	G	3	D	3	I	3	J	3	1
26	CALIK GRUBU	25	11	6	I	3	G	4	Q	3	I	4	L	4	I	4	1
27	CAN GROUP	63	10	5	D	2	D	2	G	3	I	4	S	4	F	4	1
28	CECELI GROUP	30	6	4	D	3	C	4	A	4	Q	4	Y	5	Y	5	1
29	CELEBI HOLDING	34	15	7	D	3	C	3	F	3	K	3	J	4	D	4	1
30	CELIKLER GRUP SIR...	57	8	5	I	2	K	2	I	3	I	3	F	4	A	4	1
31	CENGIZ HOLDING	65	83	8	F	2	I	2	I	3	C	3	K	3	K	3	1
32	CINER GROUP	28	17	6	F	3	I	3	K	3	C	4	I	4	B	4	1
33	CUKUROVA HOLDING	65	9	6	D	2	D	2	C	3	I	3	O	4	C	4	1
34	DEDEMAN HOLDING	61	6	4	G	2	D	2	D	3	P	3	F	3	J	4	1
35	DEMIROREN SIRKET...	88	8	4	D	1	F	1	B	1	I	2	Y	5	Y	5	1
36	DINIZ HOLDING	59	23	6	D	2	C	2	P	3	L	4	F	4	J	4	1
37	DOGAN HOLDING	27	22	11	B	3	I	3	G	3	K	2	G	3	C	4	1
38	DOGUS GRUBU	60	12	5	D	2	F	2	I	3	D	3	K	3	Y	5	1
39	ECZACIBASI	69	12	8	K	1	F	2	I	2	G	3	L	3	D	3	1
40	EKINCILER HOLDING	73	41	6	Q	1	G	1	F	2	B	1	D	2	G	3	1
41	EKSIM YATIRIM HOL...	40	6	6	D	2	F	3	K	3	A	3	L	3	I	4	1
42	ELGINKAN HOLDING	65	13	3	I	2	L	4	C	4	Y	5	Y	5	Y	5	1
43	ENKA	58	19	5	D	2	I	2	G	2	F	2	J	2	D	3	1
44	ERCAN SIRKETLER ...	55	9	4	G	2	F	2	C	2	L	3	Y	5	Y	5	1
45	ERDEM HOLDING	35	7	5	C	3	B	2	F	2	I	3	K	4	Y	5	1
46	EREN HOLDING	22	26	7	J	2	C	3	F	4	G	3	K	3	I	4	1
47	ERIKOGLU HOLDING	17	31	8	C	3	D	4	D	2	K	3	D	3	D	3	1
48	ESAS HOLDING	60	18	5	B	2	G	3	Q	4	C	4	D	4	Y	5	1
49	ETI SIRKETLER GRU...	52	15	3	F	2	J	3	C	3	Y	5	Y	5	Y	5	1
50	FENIS HOLDING	53	3	3	I	2	D	2	G	3	Y	5	Y	5	Y	5	1
51	GEDIK HOLDING	54	8	3	D	2	D	2	F	3	Y	5	Y	5	Y	5	1
52	GSD HOLDING	52	9	4	D	2	J	3	J	3	J	4	Y	5	Y	5	1
53	GULSAN HOLDING	29	5	2	D	3	J	3	Y	5	Y	5	Y	5	Y	5	1
54	HABAS TOPLULUGU	37	29	8	D	2	I	3	B	3	I	4	Q	4	F	4	1
55	HAYAT GRUBU	59	10	5	C	2	D	2	D	3	J	3	J	3	Y	5	1
56	IBRAHIM CECEN HO...	78	25	5	D	1	D	3	D	3	D	4	C	4	Y	5	1
57	IBRAHIM POLAT HO...	50	8	5	F	2	D	2	I	3	C	3	K	4	Y	5	1
58	ICDAS	60	11	5	F	2	D	2	I	3	C	3	S	3	Y	5	1
59	IHLAS HOLDING	61	8	4	D	2	C	4	I	4	D	4	Y	5	Y	5	1
60	ILCI HOLDING	45	20	8	J	2	F	3	Q	3	D	3	K	3	I	3	1
61	INCI HOLDING	29	12	7	F	3	C	4	A	4	B	4	I	4	I	4	1
62	ISBIR HOLDING	63	12	4	G	2	K	2	D	3	P	3	Y	5	Y	5	1
63	ITTIFAK HOLDING	47	3	2	D	2	D	2	Y	5	Y	5	Y	5	Y	5	1
64	KAR SIRKETLER GR...	27	15	10	A	3	D	3	G	3	F	3	C	3	J	3	1
65	KAYI GRUBU	22	19	7	A	3	S	3	I	3	F	3	J	4	N	4	1
66	KAYNAK GRUP	24	7	4	F	3	C	5	L	5	G	5	Y	5	Y	5	1
67	KAZANCI HOLDING	22	2	1	F	3	Y	5	Y	5	Y	5	Y	5	Y	5	1
68	KIBAR HOLDING	49	8	6	G	2	C	2	D	4	J	3	D	4	C	4	1
69	KILER HOLDING	41	9	3	D	2	G	2	D	3	Y	5	Y	5	Y	5	1
70	KILIC HOLDING	31	8	6	D	3	C	3	C	4	A	4	I	4	D	4	1
71	KIPAS HOLDING	32	22	5	G	3	F	3	I	4	I	4	I	4	Y	5	1
72	KIRACA HOLDING	69	7	5	F	1	I	3	C	3	F	4	C	4	Y	5	1
73	KOC HOLDING	26	22	7	D	3	C	3	C	4	A	4	P	4	G	4	1
74	KORUMA SIRKETLE...	89	70	17	G	1	I	1	D	1	D	2	G	2	C	2	1
75	KOZA IPEK HOLDING	66	5	4	A	1	I	2	D	2	C	4	Y	5	Y	5	1
76	KURUM HOLDING	67	18	7	D	1	C	2	B	3	F	3	D	4	K	4	1
77	LIMAK HOLDING	49	22	9	F	2	D	2	I	3	O	3	L	3	K	3	1
78	NAKSAN HOLDING	92	46	8	D	1	I	1	G	1	D	2	D	2	F	2	1
79	NUROL HOLDING	75	12	5	G	1	D	2	D	2	I	4	D	4	Y	5	1
80	ORHAN HOLDING	37	5	6	C	2	F	3	K	3	A	3	G	3	I	4	1
81	OZTURE HOLDING	22	4	4	F	3	K	4	C	4	I	4	Y	5	Y	5	1
82	POLISAN HOLDING	27	23	4	C	3	B	3	G	4	D	4	Y	5	Y	5	1
83	SABANCI HOLDING	51	8	5	C	2	H	2	A	3	L	4	F	4	Y	5	1

83	SABANCI HOLDING	51	8	5	C	2	H	2	A	3	L	4	F	4	Y	5	1
84	SAHINLER HOLDING	39	14	4	F	2	B	3	L	4	J	4	Y	5	Y	5	1
85	SAHINLER HOLDING	33	21	7	D	3	A	3	K	3	C	3	F	3	I	3	1
86	SANKO HOLDING	90	46	11	A	1	K	1	I	1	D	2	K	2	D	2	1
87	SARKUSYAN SIRKE...	39	17	7	F	2	I	3	C	3	D	4	D	4	I	4	1
88	SINPAS HOLDING	40	5	5	D	2	D	3	K	4	F	4	F	4	C	4	1
89	SOYAK HOLDING	72	18	8	D	1	A	2	F	3	Q	3	I	3	D	4	1
90	TAHA GRUP	54	8	5	F	2	C	2	B	3	L	3	C	4	Y	5	1
91	TASDELEN GRUP	27	16	1	C	3	Y	5	Y	5	Y	5	Y	5	Y	5	1
92	TEKFEN HOLDING	29	6	3	C	3	K	3	C	4	Y	5	Y	5	Y	5	1
93	TELLIOGLU SIRKETL...	58	24	8	F	2	D	2	I	2	D	3	J	3	I	3	1
94	UMPAS HOLDING	33	8	3	A	3	B	4	I	4	Y	5	Y	5	Y	5	1
95	YASAR HOLDING	23	6	5	C	3	G	3	B	4	K	4	D	4	Y	5	1
96	YILDIRIM HOLDING	70	13	4	D	1	I	2	I	2	A	3	Y	5	Y	5	1
97	YILDIZ HOLDING	26	8	4	G	3	D	3	D	4	C	4	Y	5	Y	5	1
98	YILDIZLAR HOLDING	71	12	5	I	1	A	2	R	3	G	4	L	4	D	4	1
99	YILDIZLAR SSS HOL...	35	7	3	D	2	A	2	C	4	Y	5	Y	5	Y	5	1
100	YILTEKS GRUP	42	13	4	B	2	F	4	D	4	C	4	Y	5	Y	5	1
101	YUKSEL HOLDING	24	10	4	A	3	F	4	I	4	I	4	Y	5	Y	5	1
102	ZORLU GRUBU	19	5	2	D	2	D	4	Y	5	Y	5	Y	5	Y	5	1

APPENDIX 2

NACE CODES

General Industrial Classification of Economic Activities in the European Communities (Nomenclature générale des Activitéséconomiquesdans les CommunautésEuropéennes) - version used for the input-output tables (European System of Accounts 1979).

NACE/CLIO was the branch of NACE 1970 used for the compilation of input-output tables. It was designed as a nomenclature of branches, made up of "homogeneous production units", which are analytical units. NACE/CLIO branches have been defined by regrouped NIMEXE headings, and in all but a few cases complete NIMEXE headings have been used. As a result, NIMEXE headings of several industrial origins fall under the branch corresponding to the predominant production.

Section A: Agriculture, hunting and forestry;
Section B: Fishing;
Section C: Mining and quarrying;
Section D: Manufacturing;
Section E: Electricity, gas and water supply;
Section F: Construction;
Section G: Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods;
Section H: Hotels and restaurants;
Section I: Transport, storage and communication;
Section J: Financial intermediation;
Section K: Real estate, renting and business activities;
Section L: Public administration and defense; compulsory social security;
Section M: Education;
Section N: Health and social work;
Section O: Other community, social and personal service activities;
Section P: Private households with employed persons; and
Section Q: Extra-territorial organizations and bodies.

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Cıbız, S.F., (2014). Effects of Social Media on Decision Making Process of Consumer Purchase.