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International Performance of Emerging Market Firms

Marketing and Supply Chain Capabilities and Host Country Institutions

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Kehittyvien markkinoiden yritysten kansainvälinen menestyminen: Markkinointi- ja toimitusketjukyvykkyyden sekä kohdemaiden instituutioiden vaikutus

Tiivistelmä

Lisääntyneestä kiinnostuksesta huolimatta, kehittyvien markkinoiden yritysten kansainvälisestä menestymisestä tiedetään vähän. Tutkimuksen tavoitteena on analysoida markkinointi- ja toimitusketjukyvykkyyden roolia kehittyvien markkinoiden yrityksissä sekä näiden kyvykkyyksien ja kohdemaiden institutionaalisen kontekstin yhteisvaikutusta yritysten kansainväliseen menestykseen.

Tutkimuksen viitekehystä tarkennettiin ja testattiin käyttäen mixed-metodia. Yritysten markkinointi- ja toimitusketjukyvykkyyksien yhteisvaikutusta kartoitettiin kvalitatiivisella tutkimuksella, joka perustui 14 turkkilaisen yrityksen haastatteluaineistoon. Tulokset osoittivat, että markkinointi- ja toimitusketjukyvykkyyden väliset suhteet ovat monitahoisia.

Työn kvantitatiivinen aineisto perustuu 270 turkkilaisessa yrityksessä työskennelleelle johtajalle tehtyyn kyselytutkimukseen (n=540). Tulokset markkinointi- ja toimitusketjukyvykkyyksien välisistä yhteyksistä osoittivat, että suhdekyvykkyydet ovat edellytys innovatiivisuudelle sekä omaksumiskyvykkyydelle, jotka puolestaan lisäävät toimitusketjuketteryyttä. Innovatiivisuus, omaksumiskyky ja toimitusketjun ketteryys vaikuttivat positiivisesti yritysten kansainväliseen menestymiseen, kun taas ihmissuhdekyvyillä oli vain hyvin vähäinen vaikutus.

Kohdemaiden instituutioiden roolin analysointi puolestaan osoitti, että instituutioiden kehittymisaste sekä institutionaalinen epävarmuus vaikuttivat enimmäkseen odottamattomalla ja välillisellä tavalla keskeisiin suhteisiin. Tulokset vahvistivat osittain institutionaalisen etäisyyden vaikutuksiin liittyneet hypoteesit. Institutionaalisella etäisyydellä oli positiivinen välillinen vaikutus ihmissuhdekyvykkyyksien ja toimitusketjuketteryyden rooliin yritysten kansainvälisessä menestyksessä. Tutkimus kontribuoi alan teoreettiseen keskusteluun sekä lukuisiin yritysjohdollisiin ja -poliittisiin johtopäätöksiin.

Asiasanat

Dynaaminen kyvykkyys, kehittyvien markkinoiden yritykset, kohdemaainstituutiot, markkinointikyvykkyys, toimitusketjukyvykkyys

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Abstract
Despite growing interest in emerging market firms (EMFs), little is known about their international performance. In particular, integrated examination of marketing and supply chain capabilities (MCs and SCCs) and their interaction with institutions in explaining EMFs' international performance is missing in the existing literature. Thus, the purpose of this research is to examine the roles of MCs and SCCs of EMFs, in interaction with institutional contexts of host countries, in international performance of EMFs. The research framework was refined and tested following a mixed-methods approach.

The qualitative study explores the interaction between MCs and SCCs. Drawing on a dyadic study of 14 Turkish firms, the findings reveal that supply chain agility and relational capability are pivotal dynamic capabilities (DCs) emanating primarily from supply chain management domain, while innovativeness and absorptive capacity are key DCs stemming primarily from marketing domain. The qualitative study findings also reveal that primary relationships between these MCs and SCCs are multifaceted.

The quantitative study draws on a sample of 540 managers from 270 firms and tests 11 hypotheses. The findings on the links between MCs and SCCs show that relational capability is an antecedent to innovativeness and absorptive capacity, both of which lead to increased supply chain agility. The findings also show that innovativeness, absorptive capacity, and supply chain agility positively influence international performance of EMFs, while the direct influence of relational capability is marginal. The findings on the role of host country institutional factors show that institutional development and institutional uncertainty mostly exhibit unexpected moderation on the focal links. However, the findings partially confirm the hypotheses concerning institutional distance. Institutional distance positively moderates the influences of relational capability and supply chain agility on international performance of EMFs. Overall, this dissertation shows that host country institutions and DCs jointly influence international performance of EMFs, yet institutions' role is often unpredictable. These results lead to theoretical contributions and managerial and policy implications.

Keywords: Dynamic capabilities, emerging market firms, host country institutions, marketing capabilities, supply chain capabilities

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"A scientist's work is determined by two things. His interests and the interests of his time" — Anthony Doerr.

I have long been interested in capabilities, long before I started my academic life. It did not take me long to realize that capabilities behave in an intriguing way: they are often needed to succeed, but their existence alone does not secure success. However, it took a long time to formulate a viable research question out of my interests, and I have seen increased role of my time in formulating my research question along the way. I knew asking the right question is the key for doing a meaningful research, and it took half of my PhD life to ask the right question. The rest was easier.

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Ismail Gölgeci

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List Of Key Abbreviations

AC	Absorptive Capacity
CFA	Confirmatory Factor Analysis
DCM	Demand Chain Management
DCs	Dynamic Capabilities
DCT	Dynamic Capabilities Theory
EMFs	Emerging Market Firms
FDI	Foreign Direct Investment
GVCs	Global Value Chains
IB	International Business
IT	Institutional Theory
MCs	Marketing Capabilities
MNE	Multinational Enterprise
RBT	Resource-based Theory
RC	Relational Capability
SCA	Supply Chain Agility
SCCs	Supply Chain Capabilities
SCM	Supply Chain Management
SEM	Structural Equation Modeling

1 INTRODUCTION

This chapter provides an introduction to the study (the words "study" and "research" are used interchangeably throughout this dissertation). In this chapter, the study background is discussed along with research gaps and the importance of the research phenomenon. The chapter includes discussion about research questions and purpose by outlining the key research issues of the study and provides the rationale for studying the proposed topic. Furthermore, the chapter addresses the positioning and aimed contributions of the study, highlighting the novelty and importance of this research, seeking an answer to the "So what?" question. The scope of study is also discussed to inform about the study context and application of the study findings. The chapter concludes with definitions of the key terms used and the explanation of the structure of the dissertation.

1.1 Study Background

What enables emerging market firms' performance in foreign markets? This is a timely and relevant question, as emerging market firms become increasingly visible in global marketplace and face both the need and challenges of internationalization. Given the increased globalization, their current competition base is the whole globe. Many of them need to be present in the global marketplace to grow further, respond to competitors, and compete on a fair basis. Furthermore, different proactive motives such as market seeking, resource seeking, efficiency seeking, and strategic asset seeking motives (Dunning 2000), assert strong drives for local firms to internationalize their markets and activities, sometimes without sufficient reflection and specific rationale for internationalization. However, despite seemingly strong reasons for internationalization, recent studies reveal that internationalization may lead to disappointing performance outcomes (Hennart 2011).

For emerging market firms that face local and global competition at home, tapping foreign markets may provide notorious growth opportunities (Arnold & Quelch 1998), which often are associated with economic rents that economies of scale and scope bring. Thus, firms may become self-incentivized by the performance potential of often positively perceived notion of growth. However, internationalization may not be as festive as it appears at first. Prior research found that internationalizing firms may face serious market uncertainties (Rivoli & Salorio 1996), risk elements (Kim & Hwang 1992), market and supply chain complexities (Craig & Douglas 1997; Milgate 2001), weak or disruptive institutions (Peng & Parente 2012) in international markets. Furthermore, "global

factory" phenomenon asserts that the power of brand names, innovation and financing combined with an efficient distribution network of well-established multi-national enterprises from developed markets provide formidable entry barriers to new entrants (Buckley 2009a). Thus, internationalizing and/or multinational firms originating in emerging markets may not always achieve performance levels that they endeavor. For instance, among many other possible challenging factors, local or foreign institutional environment may pose additional challenges to their activities and performance. These institutional challenges may manifest themselves as local and foreign institutional pressure, legitimacy imperative, institutional constraints and extractive behavior (Acemoglu et al. 2003), and institutional uncertainty that clouds actors' judgment.

Then, it becomes meaningful to return to the question posed above that evidently has no universal and straight answer. In fact, this question could be addressed through many perspectives and is likely to have many plausible answers both by practitioners and researchers. Nevertheless, when examining this question through a researcher's lens, a fruitful approach could be to acknowledge that sustaining a dynamic fit between what the firm offers and what the environment requires could yield superior returns (Miles et al. 1978). This viewpoint could also serve as a good assumption and point of departure. It may facilitate the reconciliation of the ongoing agency vs. structure debate (Heugens & Lander 2009). The first pillar of this approach relates to *what the firm offers*. What the firm may offer to its relevant stakeholders is often the function of its resources and capabilities (Barney 1991; Barney 2001a), along with its strategy, structure, and processes. Yet, increasingly, what the firm offers is also the function of dynamic capabilities that that may be utilized to transform the firm's resources and capabilities in accordance with the changing environmental realities (Teece 2007; Teece, Pisano, & Shuen 1997). For example, it is Apple Inc.'s unique and dynamic product, marketing, supply chain capabilities that have enabled the firm differentiate in the market and outperform its competitors globally (Gartner 2011). The second pillar, on the other hand, relates to *what the environment requires*. As pivotal components of a broad range of environmental factors, institutions shape firms' scope, identity, resources, and capabilities and dictate certain behavior and structure to firms that interact them (Dunning & Lundan 2010; Meyer et al. 2009). For instance, institutional characteristics of Finland have played a pivotal role in Nokia's evolution from being a paper company to ICT giant over time (Häikiö 2002).

One of the key elements of global strategy for firms facing effects and challenges of internationalization and international presence is developing capabilities to leverage against these effects and challenges (Etemad 2004). In turn, dynamic

capabilities, strategic capabilities that enable firm to command its capability and resource base, are posited to be key forces in rising to the challenges of complex and turbulent global markets (Teece 2014). Drawing on the one of its earlier and most common definitions given as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano, & Shuen 1997), dynamic capabilities (DCs) emanating from specific organizational domains are the main focus of this study. A firm needs to possess DCs to change its processes to respond to changing environments. Having DCs often provide organizations with the potential for growth, in addition to increasing opportunities to survive (Helfat et al. 2007). The essence of the dynamic-capabilities approach is that long-term competitive advantage is driven by the continuous development, alignment and reconfiguration of firm-specific assets, resources, and capabilities (Teece & Pisano 1994; Teece et al. 1997). Therefore, since its early conceptualization, dynamic capabilities approach has been one of the main theoretical lenses in strategy, international business (IB), entrepreneurship, and marketing research (Teece 2007).

DCs' core premise is their enabling role for the firm to "address rapidly changing environments" (Teece et al. 1997). The business environment today is completely different from the business environment that existed during the most conventional theories of the firm and business were developed (Teece 2009). The world has been and still is becoming unprecedentedly dynamic place for the last few decades (Cavusgil & Cavusgil 2012). Institutional, social, and economical structures of countries are changing at unpredictable and highly volatile pace. Hence, a capability or resource that was valuable yesterday can become defunct today. Nonetheless, a capability that holds the attribute of being "dynamic" may enable the firm to keep its evolutionary fitness to the environment, in which it is embedded (Teece 2014).

Nevertheless, a sole focus on DCs may still result in missing a more complete exploration of the international performance of emerging market firms (EMFs) in various contexts. The ongoing transformation in global business and institutional environment (Cavusgil & Cavusgil 2012) and the vigorous interaction between environment as "structure" and firms as "agency" (Heugens & Lander 2009) entail a close look at the interplay between institutions and DCs. Many institutional factors can trigger the need to refine and sometimes reconfigure an EMF's business model, assets, and competences. Exogenous events (e.g. recession, enhanced competition, economic or political turbulence, regulation) will require responses shaped by the DCs of the firm (Teece 2009). Thus, DCs

enable firms to innovate and survive the possible challenges that they may face (Ghoshal 1987) and respond to global institutional environment (Peng & Heath 1996). Thus, firms seeking expansion to international markets need to develop and utilize DCs to do so (Griffith & Harvey 2001). Conversely, it is also possible that institutions shape development, deployment, and utilization of DCs (Peng et al. 2009). Consequently, bilateral and synthesizing perspective to DCs and institutions is needed for better understanding international performance of EMFs, and this research adopts such perspective.

Focusing on the firm as a key economic agent and the focal unit of analysis of this research, marketing and supply chain activities (inbound & outbound logistics, operations, marketing & sales, and services) constitute the core competencies of the firm (Porter 1998). All other functions, albeit essential, come secondary (ibid). Thus, with their strategic stance (Helfat & Winter 2011), DCs are inextricably intertwined with marketing and supply chain management (Hitt 2011). In other words, two of the primarily relevant venues to develop, deploy, and utilize DCs are marketing and supply chain management activities of firms. Capabilities developed within supply chain and marketing domains may have a strong positive impact on developing market competencies, especially when supply chains become more complex due to expansion (Fynes, de Búrca, & Marshall 2004). Marketing and supply chain capabilities are especially critical to firms operating or seeking to operate in multiple countries, because these capabilities facilitate application of firm strategy and allow effective implementation of local activities at complex host country environment for upstream and downstream activities. More importantly to EMFs, such capabilities are vital for them to override "the global factory" system (Buckley 2009a) and make a notable leap in their international performance and competitiveness. Accordingly, it is very important to study DCs manifested in marketing and supply chain domains in interaction with institutional factors to achieve a better understanding of international performance of EMFs. This could provide a scholarly account to the broad question asked in the beginning of the section.

1.2 Purpose of the Study

According to Teece's (2009) conceptualization, the microfoundations of DCs include difficult to imitate organizational-level innovation, change, global sourcing, and global marketing routines; the business intuition and insight needed to create new business models and revenue architectures that scale globally and to identify and address new markets and technologies; and finally the capacity to calibrate uncertainty, and continuously effectuate the co-alignment and efficient

governance of co-specialized assets domestically and internationally. Yet, such complex, abstract, and elusive conceptualization continues to wait for extensive and rigorous empirical testing (Teece 2009), especially in the context of EMFs.

Likewise, there are gaps to be filled in terms of institutional theory's application to EMFs (Hoskisson et al. 2013; Peng, Wang, & Jiang 2008). In a recent study pondering on theoretical premises and the future of the DCs concept, Barreto (2010) urges inclusion of boundaries to the application of DCs and relevant contingencies to the major relationships between DCs and other variables of interests. In other words, there is an increasing call for paying more attention to the internal and external factors that may facilitate (or hamper) firms to realize the potential embodied by their DCs. Nevertheless, in specific, our understanding of the institutional conditions under which DCs enhance international performance is incomplete. Although it is plausible to argue that, on average, firms with greater DCs may represent those firms with higher performance, it is not guaranteed that firms may actually realize the potential of DCs to produce the expected results, given vast differences among institutional contexts across the globe (Wilden et al. 2013). Thus, rather than seeking formulas for universal performance determinants, it is necessary to recognize that the value of DCs is context dependent, some of which are institution based.

Despite many discrete studies on DCs, institutions, and international performance (e.g, Aspelund, Madsen, & Moen 2007; Bruton, Lohrke, & Lu 2004), these topics have received little attention from marketing and supply chain perspectives (Douglas & Craig 2006; Leonidou, Katsikeas, & Samiee 2002). Teece (2009) argues that theory of the multinational enterprise (MNE) has largely missed consideration of the firm's organizational capabilities, and despite notions of organizational capability have been around for decades, efforts to embed capabilities into the theory of the MNE would appear to be overdue. Hence, there are three specific key gaps in the extant theory that waits attention and that is attempted to be filled in this study.

First, marketing and supply chain management (SCM) scholars underlined the need of integrating supply and demand interfaces (Anderson 1982; Vollmann, Cordon, & Raabe 1995) and offered integrative business models like demand chain management (DCM) to tackle supply-demand divide (e.g., Jüttner, Christopher, & Baker 2007). However, there is nearly no empirical research on how firms' marketing and supply chain capabilities interact with each other (Esper et al. 2010). Without a thorough and firsthand insight into the nature of the interplay between marketing and supply chain capabilities, research examining these capabilities jointly would remain incomplete. This absence of theoretical

and empirical research on the interaction between marketing and supply chain capabilities represents the identified *theoretical void.*

Second, there is a dearth of research on marketing and supply chain capabilities (MCs and SCCs) (Barrales-Molina, Martínez-López, & Gázquez-Abad 2014) and on their role in international performance (Blesa & Ripollés 2008; Morash & Lynch 2002). In fact, the conceptualization of SCCs has not even been completed yet, and there are some ambiguities surrounding this concept especially in terms of unit of analysis and capability domain (Defee & Fugate 2010), let alone SCCs' relation to firm performance. There have been studies on MCs (Barrales-Molina et al. 2014; Cadogan 2012), SCCs (Defee & Fugate 2010), and the role of various capabilities in international performance (Lu et al. 2009; Prange & Verdier 2011) separately. However, there is no research that addresses all these three issues integratively in a single framework. In particular, we know little about MCs and SCCs of emerging market firms and whether and under what conditions these capabilities can be conducive to EMFs' international performance.

Third, emerging markets are characterized by market heterogeneity, sociopolitical governance, chronic shortage of resources, unbranded competition, and inadequate infrastructure that renders these markets being radically different from developed markets (Sheth 2011). Originating in such countries, EMFs often have distinct characteristics, constraining the applicability of theories developed and tested in developed markets on such firms and requiring rethinking of marketing theory and practice for these markets and firms from these markets (Sheth 2011). EMFs are underrepresented in research compared to their economic output and growth potential (Meyer & Peng 2005). Likewise, internationalizing or multinational firms from emerging markets operate in diverse institutional contexts, which require the examination of pertinent institutional factors to account for the role of institutions in business and performance. These voids represent both *research and contextual gaps*.

In short, DCs are extremely important for competitive advantage in a world of competitive, complex, and turbulent business environment, and dynamic capabilities theory (DCT) has proven its place in strategy (Katkalo, Pitelis, & Teece 2010) and IB research (Teece 2009). Yet, to the author's best knowledge, no empirical study explored how EMFs build and utilize MCs and SCCs in tandem to leverage for their international performance in various foreign markets that they expand and operate.

Beyond these identified research gaps, there are further motivations that strengthen the ground for conducting this research. First motivation emanates from the recently spreading phenomenon coined as the "global factory". The

global factory phenomenon asserts that brand power, innovation, munificent financing, efficient distribution networks, and institutional backing that well-established MNEs from developed markets possess or have access provide formidable entry barriers to new entrants from emerging markets (Buckley 2009a). Instead, many EMFs are destined to be manufacturing and service contractors to MNEs, fulfilling low value-added externalized (outsourced) production and service activities, often non-core to MNEs (Mudambi 2008). The "global factory" phenomenon assigns a different meaning to the extensively studied concept of "internationalization". EMFs internationalizing as a part of large MNEs' global factories, do not typically follow the same patterns of internationalization like other EMFs that internationalize following different motives and processes. Likewise, EMFs that are part of the global factories do not typically incur same capabilities and performance outcomes like other EMFs (Buckley 2009a). Thus, the global factory phenomenon also casts multinationality-performance link to be especially critical and hardly predictable for EMFs in their attempt to emerge to the global stage as self-standing actors. Accordingly, studying international performance of EMFs emerges as both timely and relevant necessity for theory and practice to better understand drivers of their international performance and rise as new worthy players in the global arena.

Second, higher product and cost competence development focus of EMFs compared to developed market firms and the "global factory" phenomenon (Buckley & Ghauri 2004) often engender increased attention on supply chain capabilities by EMFs compared to developed market firms. Such imbalanced attention on SCCs by many EMFs can provide them with short term mediocre rents in the current competitive system. However, same imbalance can pose extra challenges to EMFs in the long run in attaining continued and superior international performance. Hence, the practical problem arises as to how EMF's may rise to the challenges linked with their inherent and external constraints that primarily manifested in terms of resources and institutions (Hoskisson et al. 2013; Knight & Kim 2009) as well as imperatives of the "global factory" phenomenon and achieve greater success at global arena.

The purpose of this research is to examine the roles of MCs and SCCs of EMFs in their international performance and these capabilities' interaction with institutional contexts of host countries in predicting international performance. In particular, the research aims to address the following interconnected research questions:

- *How do marketing and supply chain capabilities of emerging market firms interact with each other?*
- *What is the role of marketing and supply chain capabilities of emerging market firms in their international performance?*
- *What are the effects of institutional characteristics of host countries on the relationship between marketing and supply chain capabilities and international performance?*

In short, this research primarily addresses research gaps related to the joint impact of EMFs' MCs and SCCs on international performance across different host country institutional contexts. These research questions are developed following a thorough literature review. The literature review includes in-depth, systematic, and synthesizing analysis of two pertinent theoretical perspectives of dynamic capabilities theory and institutional theory, a review of capabilities and institutional elements, EMFs, and a review of relevant concepts (MCs, SCCs, and institutional factors) and relationships among them. Subsequently, the developed research questions are addressed by mixed-methods approach that links qualitative and quantitative studies in an integrated fashion (Creswell 2009; Currall et al. 1999; Molina-Azorin 2012). In particular, the first research question is addressed via qualitative study while the second and third questions are addressed via following quantitative study. These two phases are linked to each other following hypotheses generation grounded in empirical evidence and theoretical support to incorporate the findings from the first phase to the second phase of the research.

Studying these three research questions is important for several reasons. First, for many practitioners, the key challenge is to identify, develop, explore the linkages between their firm's core capabilities, and reconfigure them promptly to gain and maintain competitive edge (Prahalad & Hamel 1990; Prašnikar et al. 2008). Within any organization, there is an intensive interaction between marketing and supply chain management functions or in other words between supply and demand activities, as these core activities of the firm are heavily interdependent of each other (Esper et al. 2010). However, despite the awareness of benefits of integration, most firms still tend to adopt *either* demand-focused *or* supply-focused strategies (Esper et al. 2010; Stank et al. 2012). Likewise, supply and demand sides within firms still seem to be disconnected from each other (Jüttner et al. 2007). Such discrepancy between the theory and practice begs the question of "*Why do many firms continue to focus their attention on excelling at either supply or demand activities but rarely both?*" Thus, a closer look on the ignored phenomenon of marketing capabilities - supply chain capabilities interaction is

critical for the advancement of dynamic capabilities theory to bridge the gap between theory and practice.

Second, there is a need of better understanding of what capabilities are conducive to international performance and how. This need is more apparent for rapidly growing yet underrepresented EMFs. Despite a strong view that DCs lead to competitive advantage (Teece et al. 1997; Teece 2007), there are convincing counter arguments that DCs, by and themselves, will not lead to sustainable competitive advantage (Eisenhardt & Martin 2000). In fact, DCT has been persistently criticized for its assumed vagueness and tautology (Barreto 2010), as well as for its unclear practical implications (Arend & Bromiley 2009). Consequently, it is still unclear, to date, whether DCs conclusively lead to international performance of EMFs. This issue begs an empirical study with a comprehensive yet specified approach to certain DCs in two core domains and their boundary conditions.

Third, wherever there is a business activity, institutions come into equation as inevitable factors to account for (Meyer et al. 2009). Institutions implicitly or explicitly manifest various types of constraining and facilitating influences on firm behavior, structure, and scope. However, they are often overlooked in research focusing on performance (Peng et al. 2009). Thus, explaining international performance of EMFs based on their capabilities would not be complete without consideration of relevant institutional factors. These contentions are also supported in the literature, as many scholars have called for more studies concentrating on DCs and institutional factors in global business environment (e.g. Barreto 2010; Hoskisson et al. 2013; Wright et al. 2005). This study responds to these calls and aims to contribute to the literature by studying the impact of MCs and SCCs of EMFs' on international performance in tandem with key institutional factors.

1.3 Contributions and Positioning of the Study

This dissertation is positioned to contribute primarily to international marketing and strategy research. DCT has originated from strategy research and has attracted increasing attention in various business fields since its inception (Barreto 2010; Teece 2014). Since DCs are theorized to be built and leveraged at strategic levels, have operant function on firms' assets, resources, and competences, and are often linked to performance, their primary research domain is strategy field (Teece 2007; 2012; Teece et al. 1997). However, research based on DCs is not confined to strategy domain. In fact, DCT has also been used in research

specialized in many areas in business, including, in marketing (e.g., Fang, & Zou 2009), operations management (e.g., Prater, Biehl, & Smith 2001), IB (e.g., Lee & Slater 2007), and supply chain management (Wu et al. 2006). While acknowledging DCT's strategic management roots and its multi-disciplinary applications, this dissertation focuses on DCs within marketing and supply chain management domains. Similarly, this study follows and adopts recent developments in institutional theory to explore institutional factors in global context as they relate to EMFs. The adoption of institutional theory (IT) is tied to the positioning of this research, and thus pertinent institutional variables are discussed and conceptualized as they relate to international marketing and strategy in general and to the other variables studied in this research in particular.

Drawing on the identified gaps stated in the background and the purpose sections as well as the positioning of the research, the dissertation offers a new approach and aims to build a testable framework for the interaction between MCs and SCCs at its initial qualitative phase. Illustrating the nature of this interaction will shed some light on much ignored phenomenon of DCM as a competitive strategy. In particular, the intention is to make specific contributions to marketing and SCM theory and practice by 1) revealing the complicated nature of positive and negative relationships between marketing and supply chain capabilities in order to shed some light on capability configuration inquiries; and 2) uncovering precluding or facilitating influence of some organizational forces on capability interrelationships in order to elucidate underpinning elements that influence the interplay between key capabilities. This contribution is relevant because the importance of both EMFs and integration of marketing and supply chain activities and strategies are recognized in recent literature (Esper et al. 2010; Peng et al. 2008). Furthermore, this research links the research on organizational (dynamic) capabilities and EMFs and offers unique insights into how emerging market firms bundle their key marketing and supply chain capabilities and leverage synergies between the two core functions. Thus, the dissertation intends to make its *theoretical contribution* by moving toward a middle-range theory of interplay between MCs and SCCs. This contribution is expected to clear some of the ambiguities on what "marketing capabilities" are versus what "supply chain capabilities" are by *theoretically* exploring the nature of these capabilities and organizationally shaped interactions between them.

Once theoretical underpinnings of the interaction between MCs and SCCs are established, the dissertation aims to enhance the understanding of international performance of EMFs. This enhancement is intended to be achieved by moving the initial findings further and investigating the research questions from a novel and integrative angle. Excelling in global supply chain management is argued to

be prerequisite for international presence and survival (Hult 2004). Revealing the role of SCCs in this equation may significantly contribute to the advancement of this much ignored phenomenon in IB. Similarly, despite MCs are better researched in developed markets contexts, tying MCs to SCCs and examining their role in an emerging market context may provide fresh and valuable insights into international marketing research. In particular, testing the influence of identified MCs and SCCs on various dimensions of international performance while controlling for potentially spurious effects is expected to shed light on the performance outcomes of deployment and leverage of these capabilities by EMFs in the global arena.

Moreover, with the inclusion of institutional factors into this model, it is possible to advance the knowledge even further by gaining better understanding of how DCs interact with institutional factors in predicting international performance. It would, for instance, be possible to understand what types of effect institutional distance have on the relationship between SCCs and international performance. Such understanding may allow accounting for some of external contingencies and boundary conditions for DCs (Barreto 2010). Such understanding may also explain why some capabilities are conducive to international performance in some contexts but not in others. This empirical clarification can also be utilized as an evidence for the broad debate taking place around value and implications of DCT. Furthermore, the dissertation provides modest contribution to the understanding of the global factory phenomenon by exploring the nature of key capabilities of emerging market firms and the some of the underlying mechanisms that lead these firms to concentrate on certain marketing and supply chain capabilities over others. Hence, this contribution marked by examining interactive influence of MCs and SCCs and institutional factors of international performance would be *empirical contribution*.

Furthermore, emerging markets context is imperative (Sheth 2011). These countries with distinctive characteristics, especially Turkey, are underrepresented in research compared to their contribution to global economic output (Meyer & Peng 2005). Turkey is an economically resilient country (Budina & Van Wijnbergen 2009) and an important market, particularly to Europe (Demirbag, Glaister, & Tatoglu 2007; Demirbag, Tatoglu, & Glaister 2009). It has a sizable and relatively fast growing yet highly competitive home market that drives efficiency of Turkish firms up, and geographical proximity to major markets around the world that causes internationalization to be both opportunity and imperative to Turkish firms (Schwab, Sala-i-Martin, & Brende 2013; Yavuz 2010). Thus, investigating MCs and SCCs of emerging Turkish firms and these

capabilities' role in their international performance may provide an empirical example of EMFs from Turkish context and shed some light on how MCs and SCCs are leveraged by EMFs in various industries in international markets. This focus of the dissertation on internationalizing or multinational Turkish firms constitutes *contextual contribution.*

The research may also have valuable managerial insights into how EMFs build and harness MCs and SCCs and leverage them for attaining international performance in the presence of contextual challenges and opportunities. EMFs may reflect upon the implications of the research findings to gain insight into what MCs and SCCs they need to develop and how they can integrate these capabilities to achieve international performance. There is a need for better understanding of why some firms are better at international performance than others through MCs and SCCs standpoints, as these capabilities are important for both managerial (for performance) and societal (for employment and economic effectiveness) purposes (Morash & Lynch 2002).

Consequently, this study is important for theory in terms of both theory building and testing purposes and for management practice in terms of shedding some light on development and utilization of MCs and SCCs for international performance of EMFs. Accordingly, the dissertation functions as one of the bricks in an attempt to bridge marketing and international business research fields. In short, the research is distinctive in the research questions being raised, diversity of and depth of thematic foci, enriched mix of qualitative and quantitative research to ground theory on a solid base, and practical insight with implications for capability development and exploitation in global business environment.

1.4 Contextual and Methodological Justification

Why emerging market firms and Turkish context? Management research has been facing a notable phenomenon that has entailed rethinking of conventional theories: the evolution of emerging markets from the periphery to the core (Sheth 2011). Managerial and theoretical attention to emerging markets is not a novel phenomenon (Arnold & Quelch 1998; Errunza 1983) yet lacks sufficient depth and breadth. Emerging markets are low- to middle-income, quickly transforming, and rapid-growth countries with young and dynamic populations, as well as higher-than-average institutional presence and market uncertainties (Hoskisson et al. 2000; Hoskisson et al. 2013). Emerging markets reflect a relatively large potential. They are typically identified with dynamic economic activity and high growth (Grewal & Tansuhaj 2001). They have gone through vast breadth and depth of economic reforms, and they are increasingly interconnected to and

interdependent on global marketplace (Sheth 2011). Their global links are stronger than ever before thanks to evolutions in communication and transportation technologies (Levinson 2006).

In contrast, emerging markets are also characterized by serious challenges. They are still governed by faith-based, rather than logic-based, social and political institutions, and consumption is more based on make-versus-buy decisions and less based on brand choices (Sheth 2011). These factors cause return on branding activities low and affect capability foci. Other challenges emerging markets face include volatile, extractive, and restrictive institutions (Acemoglu et al. 2003), demographical and societal challenges (Brown 2010), penurious factor markets (Guillen 2000), and inadequate infrastructure and chronic shortage of resources (Sheth 2011).

In turn, EMFs, are relatively smaller than their counterparts in developed markets and operate in an uneconomical scale in their domestic markets (Contractor, Kumar, & Kundu 2007). Wells (1983) found that most EMFs are resource-deficient, which can be both constraint and opportunity for their performance (Senyard et al. 2014). An average EMF is typically younger than a developed market firm. This means that their processes, capabilities, and decision-making styles are not fully institutionalized (Lyles & Baird 1994) and their processes are not fully formalized (Patel 2011). Besides, their productivity levels lags considerably behind developed market firms due to poor institutional factors that provide weak bases for financial, technological, and organizational resources to compete globally (Thomas et al. 2007). The shortage of superior market-oriented capabilities such as innovativeness and branding capability and cast many EMFs to be cogwheel of large global supply chains labeled as the "global factory" (Buckley & Ghauri 2004). However, EMFs are making effective strides in global markets and some are catching up their global competitors in terms of global presence and strength (Jormanainen & Koveshnikov 2012). EMFs' internationalization strategies are characterized by their high-risk, aggressive, and "boom and bust" nature (Fortanier & Van Tulder 2009). In short, EMFs are increasingly visible in the global business environment despite their constraints and noteworthy differences from developed market firms (Yiu & Lau 2008). Coupled with relatively scarce research attention on EMFs, these characteristics of EMFs beget a research on them worth pursuing. There remains a lot to know about EMFs and capability and institutional influences on their international performance, and this research offers a modest attempt to address this need with an integrative approach.

In turn, Turkey as a context comes into the agenda due to several reasons. Turkey shares similarities with other emerging markets. However, Turkey also exhibits distinctive characteristics that enable the country to be an interesting research context. From economic standpoint, Turkey has transformed itself from being a protectionist and import-substituted agrarian economy (Maxfield & Nolt 1990) to an open and export-led industrializing economy. Its proximity to both developed Western European countries and emerging Eastern European, Near Eastern, Central Asian, and North African countries endows Turkey with strategic advantage (Yavuz 2010). Such location and rich historical legacy are also reflected in Turkey's political and socio-economic structure and its cultural and institutional characteristics. Turkey also hosts diverse economic activities driven both by increasing inward foreign direct investment (FDI) (Demirbag, Tatoglu, & Glaister 2007), and internal economic sophistication thanks to the role of Anatolian firms and agile SMEs (Yavuz 2010).

In parallel to Turkey's economic development, Turkish firms have become increasingly internationally oriented and have sought internationalizing their activities and markets (Yavuz 2010). Regardless of their size, many Turkish firms are involved with diverse set of international activities, from construction and tourism and to food, textile, transportation, and machinery industries. Turkish foreign trade has demonstrated rapid development in 2000's and totaled to some $ 411 billion in 2013, up from $ 72 billion in 2001 (CIA 2014). Unlike many countries, Turkey's major trade partners are not its immediate neighbors but are countries of diverse geographies such as Germany, Russia, China, Iraq, USA, Italy, UK, and Iran (CIA 2014). Turkish firms leverage strong and flexible industrial base as well as Turkey's proximity to European countries (Tatoglu & Glaister 1998). In addition to export-import activities, Turkish firms have increasingly been implementing a progressive agenda toward internationalization and outward FDI. Turkey's outward FDI has recently exhibited a significant increase. During 1992-2004, Turkey's outward FDI flows increased an annual average of 26 percent, the second highest rate among emerging markets (UNCTAD 2006). In short, it can be seen that the role of Turkey and Turkish firms is increasing in Europe and in the globe.

In light of this discussion and evidence, it is apparent that Turkey offers a valuable, relevant, and interesting research context to study EMFs and their international performance from dynamic capabilities and institutional perspectives. Amplified differences between resource and capability positions of firms in Turkey and in other emerging markets (Yavuz 2010) imply that it is particularly important to understand the role of diverse range of capabilities in EMFs' international performance. Moreover, Turkey's demonstrated institutional,

economic, geographic, and social features as well as its increasing importance to the world economy and in particular to European economy underline Turkey as an important context for studying EMFs.

Why mixed-methods approach? Mixed-methods approach, as an integrative and innovative approach to research design and execution, has been an increasingly popular yet challenging research undertaking (Creswell 2009; Molina-Azorin 2012). It is a youthful but increasingly robust methodological movement (Cameron 2011). Mixed-methods approach simply refers to simultaneous application of both qualitative and quantitative research approaches, which have been traditionally been alternatives to each other, within the same research pursuit (Creswell 2009). In mixed-methods approach, data can be collected and analyzed concurrently or sequentially and combined at one or more stages within a single research undertake (Hurmerinta-Peltomäki & Nummela 2006). A key feature of mixed-methods approach is its methodological pluralism, which frequently results in superior research compared with that of monomethod designs (Molina-Azorin 2012). It has been applied in wide range of management fields including strategic management and IB (Hurmerinta-Peltomäki & Nummela 2006; Molina-Azorin 2012).

Mixed-methods approach is argued to be superior over adopting qualitative or quantitative methods alone (Creswell 2009) and helps eliminating assumed realism-generalizability trade-off (McGrath 1981). It has the key features of triangulation (convergence and corroboration of findings), sequential development (linking results together), and complementarity (illuminating or enhancing results of one method with the other) (Molina-Azorin 2012). Through mixed-method approach, potential limitations of adopting a single method are addressed, examining complicated social phenomena is enabled, and validity and generalizability of research findings are enhanced (Creswell 2009). Mixed-methods research also enables the researcher to simultaneously generate and verify theory in the same study, and it inferences from the research findings (Molina-Azorin 2012). Mixed-methods approach also allows addressing variety of research questions, including theoretical paradigms that business research draws from (e.g., economics and sociology), and adopting multi-level research in one study (Cameron 2011). Particularly in IB research, mixed-methods approach can have several benefits when applied correctly as response to call for innovative methodological solutions, despite potential limitations linked with its current practice (Hurmerinta-Peltomäki & Nummela 2006).

Besides, the nature of the relatively complex inquiry being studied in this dissertation entails mixed-methods approach. Given the lack of theoretical and

conceptual development on MCs and SCCs, in-depth understanding of the nature of these capabilities as well as the interrelationships among them are required to achieve fuller understanding of the influence of these capabilities on international performance of EMFs. Undertaking a research examining the linkages between specific capabilities emanating from core functional domains and international performance can be infertile without identifying key capabilities of these domains and exploring their nature and interactions among them first. Qualitative part of this research, which comes before the main quantitative part, is employed in order to allow extension of theory on organizational DCs and interactions between them (Molina-Azorin 2012).

Accordingly, despite challenges linked with mixed-methods approach in terms of research design and execution, method integration, research skills, and time (Bryman 2007; Creswell 2009; Hurmerinta-Peltomäki & Nummela 2006), this approach is adopted in this study to achieve increased validity and richer understanding of the whole phenomenon under question. The initial qualitative study provides firsthand insights into the nature of and linkages between MCs and SCCs that came forward during this phase. These insights are channeled into the quantitative phase through hypotheses generation, linking the two research approaches.

1.5 Definitions of Key Concepts

The key terms in this dissertation have been identified based on their importance in understanding the research phenomenon under study. These terms include Dynamic Capabilities, Institutions, Emerging Market Firms, International Performance, Institutional Development, Institutional Distance, Institutional Uncertainty, Marketing Capabilities, Absorptive Capacity, Innovativeness, Supply Chain Capabilities, Relational Capability, and Supply Chain Agility. These definitions are given at the early stage of this dissertation report to serve the one of the purpose of scholarship, coined as “define phenomena”. It is hoped that these definitions, presented in Table 1, will serve as facilitators to the common understanding of the focal concepts of this study and the eased following of these conceptualization along the dissertation.

Among the definitions given, it is highly likely that the definition of DCs is the most contested one (Barreto 2010). Instead of adopting the most common definition of DCs as given by Teece et al. (1997) or the updated one as given by Teece (2007), well-grounded, recent, comprehensive, and compromised definition by Barreto (2010) and Augier and Teece (2009) was adopted as a base for the

definition of DCs in this dissertation. The discussion of this definition and other definitions will be continued in the following sections of the dissertation.

Table 1. Definitions of Key Terms

Key Concept	Definition	References
Dynamic Capabilities	The firm's potential to systematically solve problems and create relevant value, formed by its propensity to sense and seize opportunities and threats, to make timely and market-oriented decisions, and to command its resource base	(Barreto 2010; Augier & Teece 2009)
Institutions	Humanly devised formal and informal forces that shape human behavior and interaction, provide meaning to social behavior, and endow individuals with identity markers and logics to act and influence their environment	(Durand 2012; North 1990; Scott 1994)
Emerging market firms	Firms that originate or headquartered in countries commonly accepted as emerging markets	(Contractor et al. 2007)
International Performance	The extent to which firm objectives are attained in foreign markets	(Knight & Cavusgil 2005; Knight & Kim 2009)
Institutional Development	The extent to which the economic, political, and social institutions in a host country are developed and are favorable for foreign affiliates	(Chan, Isobe, & Makino 2008)
Institutional Distance	The extent of similarity or difference between a host country and a home country in its institutional context	(Kostova 1996)
Institutional Uncertainty	Volatility and ambiguity in the nature and behavior of political and socio-economical entities surrounding business actors	(Brunetti & Weder 1998; Carson, Madhok, & Wu 2006)
Marketing Capabilities	Processes and capabilities designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands	(Day 1994; O'Cass & Weerawardena 2010)
Absorptive Capacity	A set of organizational routines and processes, by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability	(Zahra & George 2002)

Innovativeness	Openness and capacity to introduce innovation in the organization	(Hult, Hurley, & Knight 2004; Hurley & Hult 1998)
Supply Chain Capabilities	The ability of an organization to identify, utilize, and assimilate both internal and external resources /information to facilitate the entire supply chain activities	(Wu et al. 2006)
Relational Capability	The firm's capability to create, manage, and leverage the overall structure of and relationships in its network over time	(Capaldo 2007; McGrath & O'Toole 2013)
Supply Chain Agility	Firm's ability to stay alert and quickly and easily adjust strategies, tactics, and operations within its supply chain to cognizantly respond or adapt to changes, opportunities or threats in its environment	(Gligor 2013)

1.6 Structure of the Dissertation

The first introductory chapter starts with a study background and purpose of the research along with identified research gaps. Furthermore, key research issues and motivation for the research is offered in this chapter. Following the discussion of research purpose, aimed contributions and positioning of the study is given to answer to the "So what?" question. Yet, limitations of the study are also discussed in the chapter to provide a realistic perspective to the promises of this research. The chapter is finalized with the definitions of key terms.

Chapter two focuses on integratively reviewing and synthesizing the two theoretical lenses adopted for this research for the both qualitative and quantitative phases of the study. This is the chapter where the theoretical foundations and core assumptions of the study are laid. It starts with the brief statement of theoretical foundations adopted and followed in this study. Overall theoretical framework, representing the synthesis of DCT and IT to explain international performance phenomenon is provided next.

Chapter three is devoted to the study of interactions between MCs and SCCs. It is a self-standing chapter including both literature review and a qualitative study to explore the interactions between MCs and SCCs and organizational factors that influence these interactions. This chapter includes methodology of this phase of the study. Then, findings are discussed through the adopted abductive approach

and several propositions, some of which are incorporated to the complete model of the study to be tested quantitatively, are developed.

Drawing on the theoretical foundations provided in chapter two and empirical insights gained from the qualitative research presented in chapter three, chapter four builds the theoretical model to be tested following the conceptualization of relevant variables. The chapter starts with conceptualization of key variables of interest, namely specific marketing and supply chain capabilities and institutional factors, drawing on the adopted theoretical lenses. Then, several hypotheses on the nexus of relationships between several capabilities, institutional factors, and international performance are developed for the main quantitative phase of the study.

Chapter five presents the discussion of the research methodology for the main empirical part of the study. The chapter starts with the description of structural equation modeling, a theory testing tool adopted in this study. Research design, including sample and data collection as well as research procedures is described next. Afterwards, operationalization of the relevant variables is provided. Finally, in order to foster the confidence in findings, validation and scale purification procedures, along with assessment of the measurement model, are also discussed in this chapter.

Chapter six focuses on results of the quantitative phase of the research. Following the assessment and validation of the measurement model, a structural model is formed and tested in this chapter. Technical discussion of findings on each hypothesized relationships is also included in this chapter. Overall, supported and not supported hypotheses including relevant control variables as well as the fit of the complete model are channeled into the next and final chapter of the dissertation.

Chapter seven concludes the study. It starts with the recap, juxtapose of the study purpose with the results, and a brief discussion of the research findings. Then, theoretical contributions of the both qualitative and quantitative phases of the study are discussed respectively. Managerial and policy implications with a special focus on the study's potential implications for EMFs as well as policy makers in emerging markets and developed markets are discussed next. This study joins to the club of research pursuits that create more questions than those answered. Hence, particular limitations as well as research insights are channeled to offer potentially fruitful research avenues to serve to anybody aiming to conduct a research on a similar topic at the end of this dissertation.

Figure 1, inspired by previous dissertations (Birk 2005; Vires Jr 2010), provides both a depiction of overall structure of the study and the map of key activities as well as important links between these activities. As Seen in the figure, the dissertation does not follow a linear style of structuring, especially with regard to key research activities – dissertation structure link. Nevertheless, it is evident in the extant literature that following a systematic combining approach entails a somewhat cyclical research execution (Dubois & Gadde 2002), and research problem definition often follows iterative steps following the review of existing literature. The researcher follows these principles suggested for the adopted research style in this dissertation. Furthermore, the integrative review of DCT and IT offers a synthesized overview of theoretical lenses adopted, but also provides the ground for following hypotheses development, which also utilizes findings from the qualitative phase, in the 4th chapter. The rest of the dissertation structure and research activities follow commonly accepted practices.

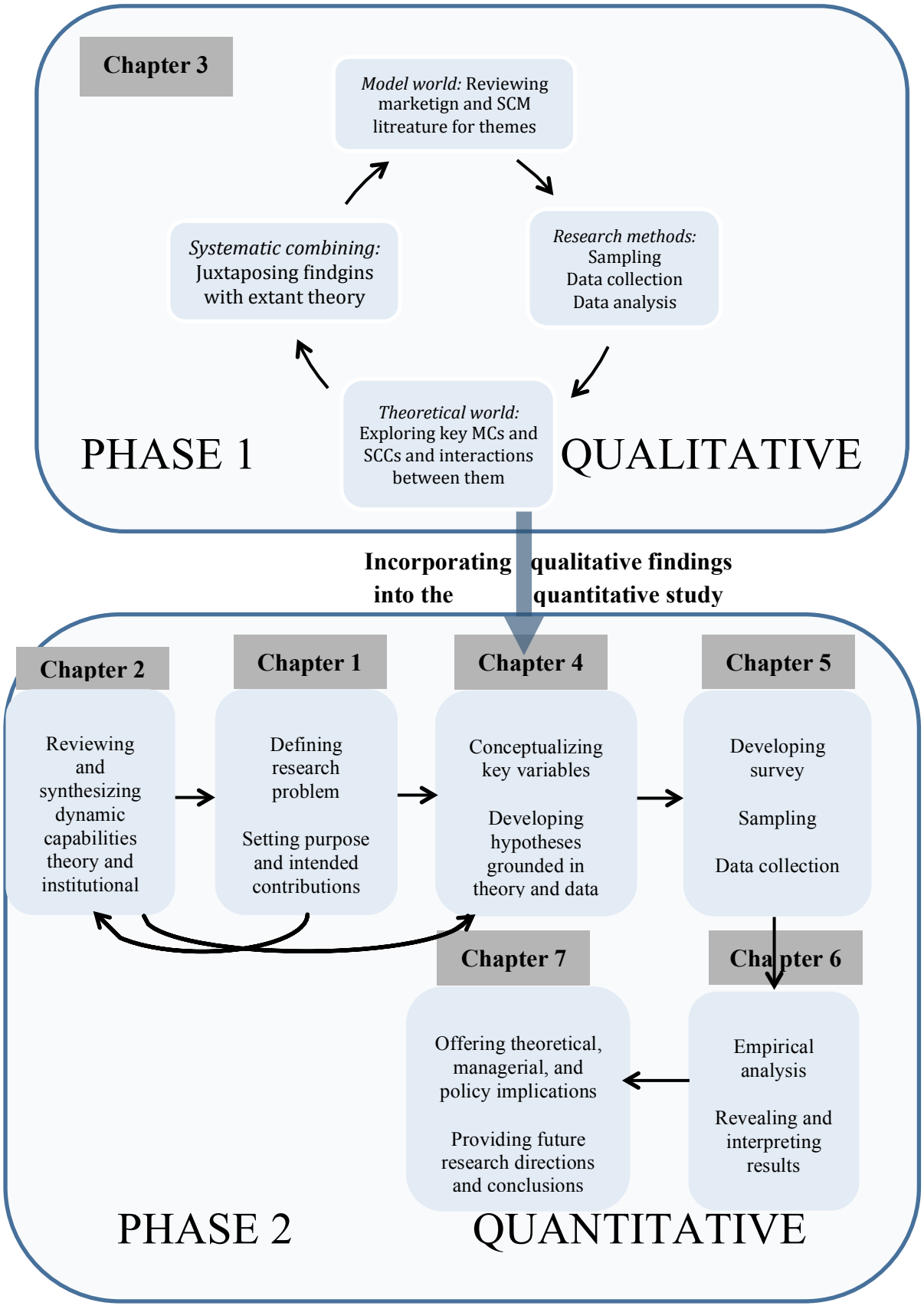

Figure 2. Structure of the Study and the Map of Major Activities (inspired by (Birk 2005; Vires Jr 2010))

2 INTEGRATIVE REVIEW OF GUIDING THEORIES

This chapter establishes the theoretical ground of the current research. In this chapter, two theoretical lenses are discussed and linked to the research. The discussion of the theoretical lenses goes beyond providing their overall review and encompasses comparative analysis of institutional theory and dynamic capabilities theory, initial efforts into their synthesis, and overall arguments on their joint influence on international activities and performance of firms. Postulates developed in this chapter are meant to provide a ground for this and prospective research on international management at the interface between institutional theory and dynamic capabilities theory and partially inform following hypothesis development at the 4th chapter.

2.1 Organizing Framework for Theory Building

Chapter two revolves around the review and discussion of the guiding theories to the focal research. As an introduction to the chapter, this section has two key functions: 1) to provide evidence for justification for the joint adoption of two theories of institutional theory (IT) and dynamic capabilities theory (DCT) when studying international performance and 2) to offer an organizing framework for theory review that follows.

Defined as a set of logical statements about how certain phenomena and constructs are related, theory plays a crucial role in conducting research and advancing knowledge (Bello & Kostova 2012). First, a good theory –which should be clear, precise, logically integrated, and parsimonious– is conducive to scientific activities that aims at predicting, understanding, and controlling phenomena (Hendrick & Johns 1972). Without theory it would be significantly more difficult to come at valid and accurate prediction and explanation, and researchers may be in a danger of skidding repetitively in the same knowledge position. Accordingly, theory allows scientific knowledge to accumulate. Second, theory provides researchers with a lens ("theory" and "theoretical lens" are used interchangeably throughout this dissertation) to examine phenomena. Hence, it plays dual roles of guiding and constraining in research. It guides because it allows researchers to stay focused and be efficient with research. It also restrains because it limits the worldview of researchers and allows only partial view of phenomena for the sake of parsimony and feasibility.

The initial driving motive behind this research was an endeavor to offer a modest contribution to the broad question of "What makes EMFs to succeed in foreign markets?" This is a very broad question that requires a systematic, extensive, integrative, and continuous research effort that cannot be afforded by a single researcher or even a group of researchers within a feasible time. Likewise, such a broad question could be approached by a wide variety of theories that offer different "lenses" to see the same phenomena. Like other fields, international business (IB) significantly benefited from accumulation of endogenous and exogenous theoretical lenses. Among others, key theories pertinent to IB and to the study of international expansion and activities are: eclectic theory (OLI paradigm) (e.g., Dunning 1980), internalization theory (e.g., Buckley & Casson 1976), and Uppsala-Model (e.g., Johanson & Vahlne 1977; Johanson & Vahlne 2009), transaction cost economics (e.g., Williamson 1979), network theories (e.g., Granovetter 1973), resource-based theories (e.g., Barney 1991; Wernerfelt 1984), real options theory (e.g., Amram & Kulatilaka 1998), dynamic capabilities theory (e.g., Teece 2014; Teece, Pisano, & Shuen 1997), and institutional theory (e.g., DiMaggio & Powell 1983; North 1990) .

All of these theories possess certain advantages and caveats in their potential explanation to broad questions such as the one posed above. The discussion of the core tenets, advantages and limitations of these theories are beyond the scope of this dissertation. Nonetheless, IT and DCT are deemed proper to adopt to fulfill the overall purpose of this research and respond to the three research questions due to simple yet essential reasons. First, IT fits well to the study of EMFs, given the strong presence and influence of institutions on firms in emerging markets (Wright et al. 2005). Second, DCT is a proper option to study international performance of EMFs, because the key variable of interest in DCT is performance and DCT seeks to offer explanation to firm performance in dynamic environments (Teece 2014; Teece 2007), which are typically identified with both emerging markets and global business environment (Teece 2014). Moreover, the roles of DCT and IT in IB and strategy fields have recently been becoming increasingly significant (Peng et al. 2009). Furthermore, as demonstrated below, these two theories exhibit meaningful complementarities that enable them to offer stronger and more accurate explanations to the three focal research questions in tandem. Thus, these two theories are integratively reviewed and explicated to be utilized in the rest of the research.

In its essence, this chapter seeks to establish the ground for answering the question of "What is the role of dynamic capabilities emanating from core domains of marketing and supply chain management in international performance

of EMFs with regard to institutional environment of these firms?" in this research. The possibility that DCs and institutional environment may reciprocally and dynamically interact with each other was the main driver behind the formation of this chapter. IT and DCT are comparatively reviewed in this chapter. Their comparative review reveals that these two theories are truly distinct theories with many different premises, yet they also have several aspects in common. Thus, the chapter concludes that these two theories can be synthesized particularly to study international performance with its various dimensions.

The rest of chapter two provides a comprehensive literature review of two focal theories and their synthesis in relation to international performance that is further used later in the 4th chapter to justify the hypotheses for this research. Wide array of literature streams including international business, marketing, strategic management, operations and supply chain management was utilized in this chapter and all along the rest of the dissertation to provide richer ground of interdisciplinary understanding of the research phenomenon. It is noted that different literature streams offer different understanding of the same phenomena or prominent concepts such as social capital and absorptive capacity. DCs are not exempt from this reality and different streams of literature adopts slightly different understandings of this increasingly popular concept (Peteraf, Di Stefano, & Verona 2013). Likewise, IT is represented by two major strands and one emergent view of institutions for the study of firm strategy (Peng et al. 2009). The rest of the chapter seeks to include all these views within a coherent and integrated structure to arrive a balanced and fuller understanding of these two theories with regard to IB in general and international performance in specific.

2.2 Theoretical Lenses and International Performance

Below, brief insights into domains and core premises of each theory are offered. It is recognizes that both lines of literature may have caveats in putting forward a "theory" in a way that most social sciences define it and some inconsistencies with regard to definitions of their focal constructs, hypotheses, unit of analysis, and empirical findings. Yet, it is also evident that both lines of literature are evolving and maturing to form established relationships between their core variables, as a part of natural evolution of major theories (Peteraf et al. 2013). Thus, these literature streams are labeled as theory is this research to acknowledge their progress and conveniently analyze them in relation to each other.

2.2.1 Institutional theory

Especially since the 1980s, IT has become one of the major perspectives in management field, witnessing a rejuvenation following the maturation of "old institutionalism" (Rupidara & McGraw 2011). The main subject of IT is institutions, in a broad sense, and their influence on the social actors, e.g., individuals or firms, behavior. Institutions are "the humanly devised constraints that structure human interaction" (North 1990) from economists' angle and "regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior" (Scott 1994) from sociologists' angle. Institutions define the "rules of the game", which determine what is, or is not, socially allowed, accepted, and valued. Combining these two strands, the formal definition of *institutions* are given in this study as humanly devised formal and informal forces that shape human behavior and interaction, provide meaning to social behavior, and endow individuals with identity markers and logics to act and influence their environment (Durand 2012; North 1990; Scott 1994). Unlike previous definitions of institutions, this definition acknowledges the bilateral interaction between the structure and the agent as well as potential benefits of institutions beyond being constraints to human behavior.

The primary role of institutions is to reduce uncertainty and provide meaning (Scott 1994). Institutional theorists suggest that organizations become similar over time because of a normative process that rewards similarity (Newman 2000). By embodying the "rules of the game", the institutional context constrains, controls, and enables economic activity. Institutional theorists suggest that values, norms, and organizational templates exist outside of particular firms but influences the way in which organizations are structured and managed (Meyer & Rowan 1977). Such influences are manifested to firms through institutional factors that refer to various visible or invisible forces that lie outside of firm boundary (Lahiri & Kedia 2011). It is contended that firms that adapt to institutional demands are more likely to obtain valuable resources and have higher survival possibilities than those that do not (DiMaggio & Powell 1983; Meyer & Rowan 1977).

IT has increasingly become closely relevant to management theory and practice during the last decades, and scholars increasingly adopted institutional perspectives to understand business phenomena, including in emerging markets contexts (Wright et al. 2005). This relevance is further amplified in IB field,

because the role of institutions becomes more complicated and varied in diverse multi-country settings, and institutions pose stronger influences in emerging markets than in developed market based countries where firms enjoy higher institutional development and stability along with lower regulations and less institutional influence (Gao et al. 2009; Peng et al. 2008). Firms seeking to expand their markets and activities internationally need to pay particular attention to institutional factors of prospective host countries, because their institutional characteristics vary significantly and may not comply with each other adding to the complexities such firms face (Dunning & Lundan 2008).

The economic and sociological strands of IT are complementary to each other (Estrin, Baghdasaryan, & Meyer 2009). Institutional sociology looks at the effects of, for instance, mimetic behavior and legitimacy as well as cultural-cognitive elements primarily within organizational fields (e.g., Kostova & Roth 2002; Scott 2008), while institutional economics focuses primarily on impacts of formal and informal (mostly macro-level) institutions (North 1990). The regulative pillar in institutional sociology corresponds to the formal institutions in institutional economics, while normative and cognitive pillars correspond to the informal institutions (Meyer & Peng 2005). Recent theorization of IT in strategy and IB reconciles these two strands and relates them closer to management field by firm strategy with institutional factors. Nevertheless, this recent theorization, sometimes labeled as "institution-based view", focuses more on formal aspects (laws, regulations, macroeconomic structure) of institutions than informal aspects (norms, cultures, ethics) as portrayed in recent discussions and empirical studies adopting IT (e.g., Ahn & York 2011; Dunning & Lundan 2008; Meyer & Peng 2005; Peng et al. 2008).

IT is often utilized -in line with increased attention to emerging markets- in IB and strategy, because it is a powerful theoretical lens to explain management phenomena taking place in emerging markets (Peng et al. 2008). As researchers probe into emerging markets whose institutions differ significantly from those in developed markets, there is an increasing appreciation that formal and informal institutions significantly shape the strategy and performance of firms in emerging markets (Peng et al. 2008). Socio-political and socio-economic systems of emerging markets are typically unstable, driving their institutions to be constantly in transition, and thus making emerging markets more relevant to IT (Roth & Kostova 2003). Due to often being conducted in emerging markets contexts, studies adopting some of the key concepts that draw their main influence from institutions and are interest to IT are institutional distance (e.g., Xu & Shenkar 2002), institutional development (e.g., Bevan, Estrin, & Meyer 2004), institutional uncertainty (e.g., Brunetti & Weder 1998), institutional capital (e.g.,

Bresser & Millonig 2003), institutional pressure (e.g., Svendsen & Haugland 2011), and institutional relatedness (e.g., Peng, Lee, & Wang 2005). These concepts facilitate enhancing understanding of influence of institutional factors on individuals and firms.

Nonetheless, the study of reverse effects, i.e., the influence of individuals and firms as agents forming, fashioning, embodying, maintaining and eroding institutions and conveying institutional logics is also becoming increasingly apparent in research (Durand 2012). Key concepts mainly adopted by scholars following this stream of research includes, but not limited to, institutional entrepreneurship (e.g., Greenwood & Suddaby 2006), institutional agency (Beckert 1999), institutional ambidexterity (Greenwood et al. 2011), and responses to institutions (Oliver 1991). These studies defy the notion that institutions should be understood only in terms of structured constraints that shape human behavior and focus on agency as an influence on structure, especially in the presence of capabilities to do so. Likewise, institution-based view prong of IT portrays institutions as one of the potential sources of competitive advantage and performance (Peng et al. 2009). In fact, firm performance is argued to be depended upon the alignment of the firm with the environment (external fit), and the congruence of organizational elements with one another (internal fit) (McKee, Varadarajan, & Pride 1989), subtly accounting for both institutions and DCs as potential determinants of firm performance.

2.2.2 Dynamic capabilities theory

DCT could be viewed as a further advancement of resource-based theory (RBT), which views the firm as a collection of resources bounded together in an administrative framework (Barney 1991; Penrose 1959; Tsang 2000). RBT emerged in the early 1980s as the resource-based view with the works of Teece (1982) and Wernerfelt (1984) and reached its zenith in the 2000s following seminal contributions by Barney (1991) and Mahoney and Pandian (1992). RBT of the firm provides a useful complement to Porter's industry-based view of strategy. RBT focuses on sustainable and unique costly-to-copy attributes of the firm as the sources of economic rents, i.e. as the fundamental drivers of the performance and competitive advantage (Ruzzier, Hisrich, & Antoncic 2006). Hence, RBT shifts the emphasis from the competitive environment of firms to the resources that firms develop to compete in that environment (Miller & Shamsie 1996).

Many works on RBT typically draw, in particular, on Penrose (1959) and Demsetz (1973) that resulted in two strands of the RBT -one focusing on innovation and resource-value creation and afterwards has evolved into DCT (e.g., Teece 1982) and the other focusing on appropriation/capture (e.g., Barney 1991). The first strand is further elaborated below in the discussion on DCT. As pointed out by Grant (1991) resources require mediation of capabilities for firms to obtain competitive advantage. This contention highlights the difference between capabilities and resources of firms and the importance of capabilities to transform resources for achieving competitive advantage (Teece 2007). Consequently, in this research the focus is on DCT. DCs are fundamental to organizations operating in turbulent and complex global marketplace (Teece 2009) versus static nature of typical resources in the world of increasingly difficult challenge of sustaining competitive advantage over time (Wiggins & Ruefli 2005). Furthermore, resources are required to be processed by capabilities in order to be appropriated (Helfat & Peteraf 2009; Teece 2009). Thus, capabilities become primary means to leverage firms' resources, which otherwise may remain inert, underutilized, or even underdeveloped, highlighting the fundamental place of DCs in firms strategy.

DCT is argued to be still in its infancy, because research adopting DCT remains mostly conceptual and focused on foundational level issues, including the definition of the term (Helfat & Peteraf 2009). There is also increasingly visible criticism towards DCT and its core arguments as well as arguments that it should not be called "theory" yet (Arend & Bromiley 2009; Barreto 2010). Furthermore, some marketing scholars (e.g., Day 2011) argue that DCT is hampered by an inherent inside-out perspective, beginning with the firm and looking outward from that vantage point rather than starting with the market. Nevertheless, the author complies with the arguments that DCT has been gradually maturing (Helfat & Peteraf 2009) and moving in the direction of being recognized as a theory (Augier & Teece 2009). Hence, the evolution of DCT is evidently continuing to be an established theory in various fields including IB (Teece 2014).

Following the establishment of DCT as a nascent theory, the definition of DCs comes into agenda. Table 2 built on Barreto (2010) shows DCs' various influential definitions, which are approaching to saturation. In an early and seminal conceptualization, DCs were defined as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece et al. 1997). However, this foundational and seminal definition was later criticized to be somewhat vague and tautological (Arend & Bromiley 2009; Barreto 2010), and then were modified to the

following: the ability to sense and then seize new opportunities, and to reconfigure and protect knowledge assets, competencies, and complementary assets with the aim of achieving a sustained competitive advantage (Augier & Teece 2009). Nonetheless, the following definition of *dynamic capabilities* as "the firm's potential to systematically solve problems and create relevant value, formed by its propensity to sense and seize opportunities and threats, to make timely and market-oriented decisions, and to command its resource base" is adopted in this dissertation as a joint, inclusive, and compromised version of two carefully crafted, well-thought on, and scrutinized definitions of DCs by Augier and Teece (2009) and Barreto (2010). This definition is in line with the following characterization of DCs by Teece (2009, p. 130) that is followed throughout the rest of the dissertation:

> "Lying at the heart of dynamic capabilities are several fundamental management/organizational skills, including: (1) learning and innovation processes; (2) business "design" competence (what business model to employ); (3) investment allocation decision heuristics; (4) asset orchestration, bargaining, and transactional competence; and (5) efficient governance and incentive alignment."

Explanation and justification of the two source definitions of DCs are given in the respective articles. Here, reasoning behind further modification to these definitions is stated as follows. First, "create relevant value" was added first to acknowledge positive and proactive stance in the conceptualizations of DCs (Teece 2007; 2009; 2014) and second to cast DCs closer to marketing and SCM domains, which underline firm's value creation function (Esper et al. 2010). Second, the word "change" in the original definition by Barreto 2010 was replaced with the word to "command" in order to better capture firm's propensity to create, extend, and reconfigure its resource base as in the early and seminal definition of DCs. Third, following the 2009 definition of DCs by Augier and Teece, the word "seize" was added to highlight the importance of realization of "sensing" opportunities and threats following "seizing", and to acknowledge in-depth analysis of micro-foundations of DCs in Teece (2007).

Following the definition of DCs, demarcation of DCs from similar concepts is granted. First, capability and competence are different but cyclical. If a firm holds a capability better than its rivals then it becomes a competence (Tsang 2000). In turn, different competences may be utilized for developing DCs. Thus, capability is neutral (can be positive or negative), while competence is relative to competitor. Yet, despite repetitive clarifications of capability and competence and other RBT and DCT related concepts (e.g., Tsang 2000) scholars often used

resources, assets, capabilities, and competencies in an interchangeable manner. Hence, the distinction between capability and competence is made here to avoid confusion.

Table 2. Key Definitions of Dynamic Capabilities (built further on Barreto 2010)

Study	Definition
Teece and Pisano (1994)	The subset of the competences and capabilities that allow the firm to create new products and processes and respond to changing market circumstances
Teece, Pisano, and Shuen (1997)	The firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments
Eisenhardt and Martin (2000)	The firm's processes that use resources—specifically the processes to integrate, reconfigure, gain, and release resources—to match and even create market change; dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and country level, sometimes industry or cultural level
Teece (2000)	The ability to sense and then seize opportunities quickly and proficiently
Zollo and Winter (2002)	A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness
Winter (2003)	Those (capabilities) that operate to extend, modify, or create ordinary capabilities
Zahra, Sapienza, and Davidsson (2006)	The abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision maker(s)
Wang and Ahmed (2007)	Firm's behavioral orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage
Helfat et al. (2007)	The capacity of an organization to purposefully create, extend, or modify its resource base
Teece (2007)	The capacity (a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets
Augier and Teece (2009)	The ability to sense and then seize new opportunities, and to reconfigure and protect knowledge assets, competencies, and complementary assets with the aim of achieving a sustained competitive advantage
Barreto (2010)	The firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base
Pavlou and El	Capabilities that help units extend, modify, and reconfigure their existing operational

Saw (2011)	capabilities into new ones that better match the changing environment
Protogerou, Caloghirou, and Lioukas (2012)	Higher order capabilities that allow firms to exploit existing lower order capabilities and more importantly to identify and acquire new technological and/or marketing capabilities

In a further effort to demarcate DCs from similar concepts, the intended meaning of the word "dynamic" as a qualifier of the concept of "capabilities" needs to be clarified. The word dynamic in the understanding of DCs does not really refer to the *environmental dynamism,* as DCs can operate in a relatively stable environments, or *capabilities that change themselves over time,* as they can be enduring. However, DCs in fact refer to *the renewal of resources,* as DCs operate on resources and ordinary capability to change the resource base of the firm (Ambrosini & Bowman 2009). Furthermore, while ordinary capabilities can be linked to technical fitness (how effectively a capability performs its function, regardless of how well the capability enables a firm to make a living), DCs assist in achieving evolutionary fitness (how well the capability enables a firm to make a living) (Helfat et al. 2007; Teece 2007).

Moreover, DCs differ from operational capabilities that enable the firm to make a living in the short-term (Winter 2003). Operational capabilities enable the firm to perform "an activity on an on-going basis using more or less the same techniques on the same scale to support existing products and services for the same customer population" (Helfat and Winter 2011. p. 1244). Dynamic capabilities, on the other hand, are directed towards strategic change, commanding the resource and capability base, and aligning the organization with the environment (Wilden et al. 2013; Zahra et al. 2006). In short, the below quotation explains what DCs are in relation to ordinary capabilities:

> "A dynamic capability is not a capability in the RBV sense, a dynamic capability is not a resource. A dynamic capability is a process that impacts upon resources. Dynamic capabilities are about developing the most adequate resource base. They are future oriented, whereas capabilities are about competing today, and they are 'static' if no dynamic capabilities are deployed to alter them. " (Ambrosini & Bowman 2009, p. 34)

As the above discussion suggests, firms leverage their dynamic and difficult-to-imitate capabilities to compete in global markets (Teece & Pisano 1994). DCs enable firms to create, deploy, and protect intangible assets that support long-run performance (Teece 2007). DCs rest on firm processes that can alter current

resources and positions, leading to new positions and paths (Helfat & Peteraf 2009). This is what makes DCs distinctive, because once an asset or a resource is readily tradable in a competitive market it can no longer be a source of firm-level competitive advantage (Teece 2009), and DCs enable firms to avoid this pitfall by dynamically governing its asset and resource base.

The micro-foundations of DCs are the distinct skills, processes, procedures, organizational structures, decision rules, and disciplines (Teece 2007). Distinct capabilities are complex bundles of skills and accumulated knowledge, exercised through organizational processes that enable firms to make best use of their strategic assets (Day 1994). The broad and encompassing view of strategy involves effective matching of external environment analysis with internal organizational capabilities, the successful interlinking of formulation and implementation, and the creative development of interdependent strategy and structure (Bartlett & Ghoshal 1991). Enterprises with strong DCs not only adapt to institutional and business environment, but also play significant a role in shaping them through innovation and through collaboration with other enterprises, entities, and institutions (Teece 2007).

DCT focuses on distinct capabilities as drivers of firm performance, and has strongly influenced strategy and IB research (Helfat & Peteraf 2009; Peng 2001). Teece (2009) argues that the capabilities view on the business enterprise has a lot to offer to the theory of MNE. In fact, in a highly idiosyncratic environment, capabilities such as strategic flexibility (Uhlenbruck, Meyer, & Hitt 2003), agility (Prater et al. 2001), and innovativeness (Luk et al. 2008) may be important. In response to relevance and importance of DCs to IB, DCTs has obtained a strong position in IB research (Fang & Zou 2009; Griffith & Harvey 2001). Numerous research studies in IB adopted DCT as a theoretical lens and examined DCT related variables such as adaptive capability, information acquisition capability (Lu et al. 2009), innovativeness (Luk et al. 2008), technological capability, managerial capability (Yiu, Lau, & Bruton 2007), relationship management capability (Shi et al. 2005), networking capability (Weerawardena et al. 2007), and entrepreneurial capability (Lee & Slater 2007).

Dynamic capabilities have also been an important subject for research investigating internationalization (Luo 2001). The role of DCs becomes critical when managing challenges stemming from multiple markets. Teece (2007), for example, stated that DCs are particularly relevant to multinational enterprises in global markets. Multinational and internationalizing firms often entail more sophisticated sets of DCs because they have to manage increased business complexity as they have to deal with several business systems, institutions,

cultures, market and supply requirements, political and socio-economic realities, geographies, and languages simultaneously (Weerawardena et al. 2007). For instance, firms like Caterpillar largely rely on their dynamic supply chain capabilities to compete and differentiate in global markets (Rao, Scheller-Wolf, & Tayur 2000). Thus, since DCs are critical to internationalization process and success, DCT becomes one of the key theoretical lenses that could be adopted when studying international performance.

2.2.3 International performance

The concept of international performance, as a key outcome variable of the dissertation, is discussed at overall level here with regard to two guiding theories that can be utilized to enhance its understanding. Nevertheless, the discussion is brief and is for the sake of facilitating the discussion of how DCT and IT could be synthesized to better understand international performance.

Nearly every firm expanding into foreign markets enters and operates abroad with a desire of better performance stemming from its international activities. International performance is critical to firms with international involvement, because context matter in an integral and systemic way both for firm-level behavior and organizational performance (Mahoney & McGahan 2007). As competition becomes increasingly global, firms find themselves increasingly involved in international activities. Hence, why some firms outperform others in the global marketplace is also a primary research question to strategy scholars (Hult et al. 2008). Yet, it remains to be a "long and winding road" to pursue, due to formidable challenges in understanding the drivers and measurement of international performance and its delineation from overall performance. Thus, international performance is an important yet elusive concept and is of key interest to any firm with international involvement.

International performance has been defined in several ways, one of which is given as "the extent to which firm objectives are attained in foreign markets" (Knight & Cavusgil 2005). It is the performance of firms' international activities and involvement and functions as an essential intermediate performance outcome variable between performance drivers and organizational performance for international firms (Moon 2010). It is a multidimensional construct (Lu et al. 2009; Verbeke & Brugman 2009), consisting of key dimensions of market share, international sales growth, international profitability, return on foreign investment, foreign customer satisfaction, and export performance (Lu et al. 2009), all of which are of fundamental importance to international firms.

Although inextricably intertwined, "international performance" and "performance" are different concepts. Whereas "international performance" refers solely to performance abroad -performance of international activities-, "performance" is more inclusive and refers to the firm's performance inclusive of all contexts the firm operates in, both local and abroad.

As the degree of internationalization increases international performance becomes more salient to overall performance, due to increased ratio of foreign markets to all markets firms serve. Thus, when firms internationalize they capture value increasingly from foreign markets, and international activities and performance of firm becomes increasingly important to the firm's stakeholders. In fact, the role of foreign markets in the overall success of the firm can easily overshadow the role of home market in the cases of large MNEs with smaller home bases such as Nestle of Switzerland, Unilever of the Netherlands, and Samsung of South Korea. Consequently, international performance has noteworthy and complex implications for overall performance of firms with foreign sales and activities.

Nonetheless, the very diversity in aspects and operationalizations of international performance begets it to be an elusive and laden construct. The understanding of performance becomes more challenging in international contexts, due to increased complexities with its conceptualization, operationalization, and analysis levels (Hult et al. 2008). Once firms step into global markets they face challenges and complexities unmatched with what they face in local markets (Jantunen et al. 2005), causing international performance to be difficult to understand and predict. Furthermore, the measurement of performance becomes highly complicated across multiple markets and multiple firms, since the performance criteria in one context may not fit the performance criteria in another context. Likewise, while some performance criteria such as high growth may be viewed as a key performance outcome by some firms (Lechner & Dowling 2003), it may be viewed as a risk to other firms in different markets (Day 1992; Gabrielsson & Gabrielsson 2013). Besides, some may emphasize international performance from financial angle or short term benefits, while others may emphasize marketing and strategy angles or long term returns. Finally, tying seemingly pertinent but actually irrelevant or peripheral factors to performance cause the concept to be overloaded and knowledge on its antecedents less reliable (Verbeke & Brugman 2009). Thus, international performance entails deeper yet inclusive examination via multiple lenses.

Nonetheless, despite a lack of unifying conceptualization and understanding, international performance is a central outcome variable for both theory and management practice (Hult et al. 2008) . In particular, several research pursuits in

IB field focus, directly or indirectly and explicitly or implicitly, on international performance (Hult et al. 2008; Verbeke & Brugman 2009; Woodcook, Beamish, & Makino 1994). Consequently, there is a need for better understanding of drivers and enablers of international performance; and comparatively analyzing and synthesizing explanations of international performance by the two major theoretical lenses can offer valuable insights.

2.3 Integration and Synthesis of the Theoretical Lenses

2.3.1 Comparing and contrasting the two theoretical lenses

The literature review identified domains of the two theoretical lenses and revealed their key characteristics that would allow analysis and evaluation of IT and DCT in relation to each other. This review is channeled in to the following discussion that focuses on analyzing the differences and commonalities between IT and DCT and synthesizing the two theories within IB domain. Tables 3 and 4 are inspired by and partially draw on the theoretical comparisons in two previous studies with foci different from the current study (Oliver 1991; Tsang 2000). These tables exhibit the two theories' key, rather than exhaustive, differences and commonalities related to and inform the following synthesis.

The comparison summarized in Tables 3 and 4 has two purposes. First, the identification of differences between these theories reveals that both theories have notably different arguments, some of which are gradually becoming similar. In essence, whereas DCT assumes firms as potent, rational, and independent entities (Peng et al. 2009), traditional propositions of IT often depicts firms as somewhat passive and conforming imitators seeking little more than legitimacy (Oliver 1991). They address each other's limitations, as one theory complements the other's incomplete assumption. Second, the identified commonalities between them reveals that these two theories can be reconciled and integrated to arrive a more accurate and insightful explanation of international performance, standing for theoretical triangulation. These two theories are also good examples of covering each other's flaws, as one theory complements the other's incomplete assumption.

Differences between IT and DCT. As can be seen in Table 3, there are numerous differences between the two theoretical lenses that make each of them distinct. To start with, the basic nature of DCT is influence of institutions while the basic nature of DCT is capability development and utilization. Many hypotheses adopting IT lens revolve around the institutional influences as antecedent,

moderating, or less likely, as outcome variables (e.g. Brunetti & Weder 1998; Kostova & Roth 2002; Roth & Kostova 2003). In turn, DCT is basically about how firms can develop and utilize DCs to achieve competitive environment, and thus, variables revolve around this basic notion (e.g. Fang & Zou 2009; Lu et al. 2009; Luo 2001).

Table 3. Differences between Institutional and Dynamic Capabilities Theories

Differences	**Institutional theory**	**Dynamic capabilities theory**
Care Premise	Influence of institutions	Capability development and utilization
Context	Institutional environment	Organizational environment
Level of analysis	Mostly country level, sometimes industry or cultural level	Mostly organizational and / or individual level
Primary disciplinary roots	Sociology	Economics
Behavioral assumptions	Reasonable	Rational
Behavioral outcomes	Quasi-homogeneity	Quasi-heterogeneity
Pace of change	Relatively slow	Relatively fast
Immediate objective	Legitimacy	Value creation
Decision process	Habitual, unreflective	Systematic, deliberate
Role of focal factors	Reducing uncertainty, providing meaning	Effectively transforming inputs into desired outputs

Context and level of analysis of the both theoretical lenses are also distinct. IT most often views institutional environment as a context for institutional influences, although this context of institutional environment is reflected on organizational or sometimes individual level (Peng et al. 2009). The primary context of DCT, nonetheless, is organizational environment (Tsang 2000) as DCs of the firm do not vest in a single individual (though created as cumulative capabilities of individuals) and belong to the firm. In parallel with their contexts, the levels of analysis for IT are often country level (Peng et al. 2009), but sometimes industry or cultural level (Delmas & Toffel 2008); while the levels of analysis for DCT are often organizational level (Teece et al. 1997), but sometimes individual level (Kor & Mesko 2013). Thus, IT represents macro-level of analysis in methodologies, and DCT represents meso or micro-level of analysis. Teece

(2009, p. 188) highlights DCT's main focus in level of analysis by his following contention:

> "Most essential to the successful maintenance of the long term health and growth of the enterprise are the learned capabilities of top management. These managers make the critical decisions in allocating personnel and financial resources that determine the fate of the enterprise and often of the entire industry of the country on which it operates."

Nevertheless, these inferences from earlier and conceptual studies adopting DCT and IT are, by and large, weakening generalizations. It is increasingly possible to see adoption of both DCT and IT at different level of analysis following the proliferation of multi-level theorization and analysis (Klein, Tosi, & Cannella Jr 1999; Mathieu & Chen 2011; Salvato & Rerup 2011).

Primary disciplinary roots of the two theories are one aspect that their differences are relatively blurry. Though North's (1990) work draws partially on economics, IT's primary root is sociology, as evidenced by Dimaggio's and Scott's leading works and IT's view on actors' behaviors as constrained by features of society. In turn, despite some links to other social sciences, DCT primarily stems from economics' worldview with its assumptions of rational behavior and foundational borrowings from evolutionary economics (Helfat & Peteraf 2009). Teece (2009) exhibits his emphasis on economics when explaining historical domains and key tenets of DCT. Both theories draw also on other disciplines. Nonetheless, their primary disciplinary roots inform their core tenets: IT concentrates on social and political environment engendering reasonable behavior, and DCT concentrates on DCs as facilitators of effective execution of rational behavior of economic entities.

There are also specific differences between IT and DCT in terms of their behavioral assumptions and outcomes. IT assumes reasonable behavior (Van de Ven & Lifschitz 2013), which collectively defines appropriate behavior for role and circumstance. Such behavior stems from restrictions and isomorphic pressures by institutions (Oliver 1997). However, DCT assumes rational behavior (Augier & Teece 2009), referring to individually defined pursuit of self and other interests. However, these assumptions are not so strict and especially modified within IT, mainly due to seminal work of Oliver (1991) who has contemplated on how firms can respond to institutional influences. One of the basic claims of recent theorizations in IT that diverges from earlier theorizations is that IT adds to the sociologically oriented institutional theory by demonstrating the benefits of integrating with efficiency-oriented research (Peng et al. 2009), which softens

restricted and mimetic behavioral assumptions of earlier theorizations (Scott 2008). In addition, there are newer conceptualizations that point out facilitating role of institutions (Ahuja & Yayavaram 2011), however the dominant understanding of institutions is still restrictive. Similarly, DCT has started to pay more attention to environment and soften its earlier behavioral assumptions of totally free rationality (Augier & Teece 2009).

In relation to behavioral assumptions, the proposed behavioral outcome in IT is quasi-homogeneity and in DCT is quasi-heterogeneity. IT suggests that firms' tendencies toward conformity with norms, traditions, and social influences in their environments lead to homogeneity among firms in their structures and activities, seeking conformity to institutional pressures (Oliver 1997). In line with theoretical expectations, empirical studies have also typically affirmed the increase of homogeneity of organizational fields under institutional development (Kraatz & Zajac 1996). Consequently, institutional influences are argued to possibly lead to rigidity that may reduce the capacity to react to changing situations or attenuate poorly performing strategies (Andriesse & van Westen 2009). However, there is an increased agreement that firms do not have to obey the norms in a strict manner and may differentiate themselves in the market by adopting certain responses to these norms (Oliver 1991). In contrast, one of the core arguments of DCT is that market imperfections cause firm heterogeneity, and that successful firms are those developing and utilizing competitive DCs (Teece 2007). Yet, it is also recognized that how capabilities are created and utilized are restricted by the context (Barney 2001b), limiting the possible heterogeneity among firms. Under these behavioral outcomes, IT suggests that immediate (or short-term) goal of firms is legitimacy through conformance (Scott 2008), as institutional forces act on firms and compel them to seek legitimacy (Deligonul et al. 2013), while DCT suggests that firms seek value creation as a means to pursue ultimate goals (Katkalo et al. 2010).

To recap, while DCT focuses on and explains how firms differentiate, IT examines limits of differentiator actions and consequently external explanans of how and why firms move toward homogenization. Thus, there is a constant and cyclical relationship between two theories that two simultaneously explains firm behavior via two contrasting forces -one that pushes firm toward equilibrium, and the other pushes away from it. Indeed the very efforts that firms make to differentiate from others may cause them to resemble each other in overall terms in the long run, leaving constraint space to differentiate (Teece 2009).

Furthermore, DCT assumes that firms' environments are at unprecedented pace of change, and thus, firms should respond accordingly by changing their behavior

and structure rapidly whenever needed (Teece 2009). Indeed, the very term of "dynamic" preceding "capabilities" signals the view that particularly firm's resource and capability base (should) change rapidly overtime to match hasty environmental change. In turn, institutions change too (North 1990). Nevertheless, many institutional theorists view institutional change as rather gradual, because institutions are large, resistant, and inelastic entities (Mahoney & Thelen 2010; North 1990). Institutions (rather than their underlying elements such as legislations or their micro-foundational constituents such as individual norms) take considerable time to be formed and changed, due to inertia stemming from their path-dependent and bulky nature (Pihkala, Harmaakorpi, & Pekkarinen 2007).

IT and DCT also differ from each other in terms of decision processes. Whereas DCT suggests that managers make rational choices as a result of systematic process bounded by uncertainty, information limitations, and heuristic biases, IT suggests that managers make non-rational choices on a habitual and unreflective basis bounded by social judgment and historical limitations (Katkalo et al. 2010; Oliver 1997). Thus, IT and DCT view business actors' decision processes differently, contributing to the debate on intuitive vs. systematic decision making and their merits vs. caveats.

Nevertheless, as the last point of differences between IT and DCT, institutions are not solely viewed as constraints with negative connotation in IT. On the contrary, institutions are viewed as providing meaning to the firm existence and activities and reducing uncertainty posed by environment as long as firms "play by the rules" (Oliver 1997; Peng et al. 2009). Uncertainty clouds actors' judgment, and the cues that inform decisions and actions emerge from the relevant institutions, giving purpose and meaning for decision-makers (Jarzabkowski 2008). Yet, the key role or function of DCs is argued to be transforming inputs into desired outputs (Katkalo et al. 2010). DCs function as a processor of resources / inputs that firms owns or have access to -thanks to interorganizational relationships and social capital (Dyer & Singh 1998; Nahapiet & Ghoshal 1998), in order to transform them into efficiency and effectiveness related outputs that would drive and / or reinforce sustained competitive advantage. Therefore, while the role of DCs is endogenous to firms, the role of institutions is exogenous.

Commonalities between IT and DCT. Despite significant differences, IT and DCT share several commonalities that allow them to be combinable as seen in Table 4. Some of these commonalities such as end goals of stability, predictability, and long term survival are shared by most management principles and theories. Nevertheless, stemming from different world views on management,

IT and DCT surprisingly have notable aspects in common. Some of these common aspects are important and have important implications on management and IB in terms of strategy making and defining the scope, structure, and activities of firms.

Table 4. Commonalities between Institutional and Dynamic Capabilities Theories

Commonalities	**Institutional theory and dynamic capabilities theory**
End goal	Stability, long term survival
View on other actors	Interconnectedness, interdependence, embeddedness
Function of firm	Value provision to pertinent entities
State of environment	Dynamic
Relationship with environment	Interactive

First, performance and competitive advantage, albeit critical, are not the ultimate goals of firms, but serve towards the long term survival (Child 1972; Christensen, Suarez, & Utterback 1998; Helfat & Winter 2011). Views posed by IT and DCT are not exceptions to this rule. Though means to meet this end may be different (legitimacy for IT and value creation for DCT), both theories assume that firms seek stability, predictability, and long term survival even in dynamic environments (Oliver 1997; Teece 2007).

IT's and DCT's views on other actors and entities surrounding the firm are also quite similar. Especially following evidence by studies adopting by network theory (Borgatti & Halgin 2011; Johanson & Vahlne 2009) and the relational fraction of RBT labeled as relational-view (Dyer & Singh 1998), both IT and DCT recognizes the critical role of interconnectedness, interdependence, embeddedness, and relatedness to other entities and relevant stakeholders (Peng et al. 2005; Teece & Pisano 1994). IT acknowledges relationships with institutions to obtain legitimacy and institutional capital (Bresser & Millonig 2003; Oliver 1997; Peng et al. 2005). In turn, acknowledges connections and relationships with other business actors to have access to necessary yet not owned resources and to learning opportunities and be able to collaborate and share when necessary (Dyer & Singh 1998; Teece 2007; Teece & Pisano 1994).

In the essence of the firm's existence is its value provision function (Woodruff 1997). This can be value provision to customer's from marketing perspective and value provisions to stakeholders from strategy perspective. IT and DCT argue for value provision to somewhat similar actors (DCT to ultimately stakeholders and IT to stakeholders through related institutional entities), and they both view the function of the firm as a value provider. This is noteworthy, because such complying views on the function of the firm are conducive to the easier integration of the two theories.

The last two commonalities between IT and DCT relate to the environment. Yet, before getting into discussion about the environment, the concept requires a definition geared towards this dissertation in order to avoid confusion, since especially IT is essentially about institutional environment. In simple terms, environment is defined here as any entity or factor external to the focal actor. It is not confined to institutional environment and includes economic environment, socio-political environment, cultural environment, and market environment including competitors, suppliers, and customers.

Both IT and DCT are increasingly converging in terms of their perception of environment. In the current era, environment is viewed as unprecedentedly dynamic (Cavusgil & Cavusgil 2012), and both IT and DCT recognize this fact. In that regard, DCT pays higher attribute to environment and perceive it as more dynamic than RBT does (Teece et al. 1997). Likewise, though the role of environment is perceived as equally important in both strands of IT, recent theorizations in IT views environment as more dynamic and diverse, rather than static and uniform, unlike the early new institutionalism has suggested so (Peng et al. 2009; Scott 2008). For instance, some institutions may "deinstitutionalize" i.e. may weaken or disappear (Dacin, Goodstein, & Scott 2002).

Last but not least, thanks to recent developments and maturation of IT as well as increased recognition of environment in DCT, both theories are also increasingly converging in terms the their views on the firm's relationship with the environment. DCT has recently started to pay even more attention to environment and undoubtedly suggests that firms may have enough strength to shape their environment through their DCs, rather than obeying what environment imposes on them (Augier & Teece 2009; Katkalo et al. 2010). Indeed, Teece (2007) suggest that the enterprise and its environment frequently co-evolve. Likewise, IT has abandoned the conventional view of its roots as institutional environment being contexts imposing requirements and/or constraints on organizations and firms and actors being solely compliers to their institutional environments. It has adopted a more interactive view as the relationship between

firms their environment are perceived as being more bilateral and reciprocal (Peng et al. 2009; Scott 2008), rather than a determinant, top-down perspective. Such understanding in IT is even more prevalent in IB studies. It is strongly argued that internationalization brings forth the power of firms as institutional change agents, especially if they are skillful in using persuasive language or rhetoric and who are sensitive to contradictions and voids (Kostova et al. 2008).

2.3.2 The importance of synthesizing the two theoretical lenses

When synthesizing IT and DCT for a specific phenomenon like international performance, understanding the core complementarities between them may be a good way to start with. The essence of arguing for synthesis of two theories stem from the argument that the choice between conformance-enhancing and performance-enhancing templates for firms is a false dichotomy and managers are unlikely to select templates merely on either account of their social acceptability or rational behavior (Heugens & Lander 2009). Based on the discussion on differences and commonalities of the two theories, one can argue that these two theories actually complement each other almost on all aspects that they differ. Still, in a nutshell, IT and DCT complement each other especially in terms of dependencies and sources of strategic decisions and activities. According to DCT, firms are dependent on resources and capabilities; and according to IT, firms are dependent on institutions. Taking a complementary and integrative view on these two contentions, the portfolio of dependencies may be enlarged and diversified, and thus, absolute dependency on one factor may be alleviated. Likewise, intuitive and habitual decision making style asserted by IT and systematic decision making style asserted by DCT complement each other towards a more comprehensive decision making. Furthermore, the sources of firm activities and structure are relatively external according to IT and relatively internal according to DCT which together constitute a more complete picture of firm behavior and structure.

Several previous studies integrated institutional and capabilities perspectives into their studies (e.g., Wan 2005; Yiu, Bruton, & Lu 2005). The importance of institutional context was underlined by marketing scholars suggesting a closer look at the role of contexts (Cavusgil & Cavusgil 2012). Likewise, Teece & Pisano (1994), who are champions of DCT, suggest focusing on the specifics of developing firm capabilities renewed to respond to shifts in business environment. There is no doubt that institutional context plays a significant role in how and what DCs are developed and the relationship between DCs and

performance. Previous conceptual studies integrating IT and RBT argue that firms focusing on both institutional capital and resource capital will have advantage over the ones focusing on either of them (Oliver 1997), and that dynamic interplay between micro-level entities and macro-level institutions can better be explained by synthesis of the two theories (Rupidara & McGraw 2011). Likewise, past studies reveal that the integration of the two theories in IB in terms of various aspects of internationalization such as in export (Gao et al. 2009), international performance (Lu et al. 2009), international market growth (Ahn & York 2011), and entry strategies (Meyer et al. 2009) bears a fruitful avenue to pursue a research on internationalization.

Though the synthesis of IT and DCT may require effort, its benefits are evident. First, such synthesis allows reconciliation of the differences between IT and DCT and culmination of complementarities. Second, it explains firm heterogeneity and sustainable advantage that incorporate the institutional context of capability development and utilization (Oliver 1997). Third, it fosters likelihood of examining the interaction between micro and macro factors simultaneously. The synthesis of IT and DCT may also be relevant to explain phenomena in uncertain institutional contexts, as the uncertainties in the institutional context mean that many existing capabilities could become quickly nonoperational. Such turbulent and dynamic settings that define the majority of globe today entail an integrative look incorporating both lenses to account for contingencies and reach to a more complete understanding of drivers of international performance.

Moreover, especially in emerging markets, the interaction between IT and DCT is very important, because firms that previously have been under heavy influence of institutional environment face the need of developing DCs to compete locally in transitory business environment and globally in developed market environments. The synthesis of IT and DCT may also be very relevant explain phenomena in a market economy with an unstable institutional context, as the radical change in the institutional context may mean that many existing capabilities become defunct quickly. A dynamic capability driving competitive advantage in one context or time may not be useful in the other, and this contention entails integrative look.

Conversely, oftentimes, a single adoption of either theory brings about caveats that their differences reveal. For instance, DCT often does not explain beyond firm or individual capabilities and has been not developed enough to allow for various contingencies and boundary conditions (Barreto 2010). Likewise, IT provides relatively weak explanations to within country variation of firm behavior and performance, especially if the country is relatively homogenous. Thus, the synthesis of recent IT and DCT rectifies the overly passive and conforming

depiction of firms by earlier IT and unrealistically potent depiction of firms by DCT. The synthesis pulls both theories closer to better and more accurate depiction of reality and significantly increases their explanatory power.

Nevertheless, there are cases that may favor single adoption of either IT or DCT. For instance, in developed markets, firm specific effects are more critical in explaining the variation in foreign subsidiary performance (consistent with DCT), and in emerging markets, country effects, which are proxies for institutional differences, are more salient (supportive of IT) (Makino, Isobe, & Chan 2004). There are certainly many phenomena that would favor the adoption of a single theory such as exclusive examination of specific capabilities where spurious effects are unwanted and vice versa for institutional variables. Similarly, in general, when parsimony and depth is preferred over sophistication and breadth, adopting one theoretical lens may be preferable over synthesis, although it could still be possible to be parsimonious with the synthesis of two theoretical lenses.

After illustrating the benefits and examples of synthesizing IT and DCT, a next step to briefly scrutinize is the question of how. One convenient answer to this question would be to follow recent seminal conceptual works that suggest DCT (or its cousin RBT) and IT are the two pods of strategy tripod (Hoskisson et al. 2000; Meyer & Peng 2005; Peng et al. 2009), and several empirical studies that adopt IT and RBT in combination. Likewise, in the pursuit of the two theories' synthesis, one way to look at the institutions is that though they are macro-level entities, they are constructed by micro-level entities i.e. organizations and individuals, and the capabilities and activities of firms may in turn change institutions (Kondra & Hinings 1998).

2.4 An Integrative Approach to International Performance

The primary focus of the following attempt to synthesize IT and DCT is on the interplay between IT and DCT and their integrative explanatory role in international performance. At general level, a cyclical link between Institutional factors and DCs is suggested in postulates 1A and 1B and further relevant details on the possible link between IT and DCT in postulate 2 that are all assumed as a argumentatively developed truths, rather than hypotheses to be tested, (Nyberg & Ployhart 2013) in order to utilize some of them as a ground to the following hypotheses in the Chapter 4 of the dissertation.

Institutions and firms co-exist and co-evolve (Cantwell, Dunning, & Lundan 2009), which is also valid for firms' DCs (Augier & Teece 2008). Institutions (and their enforcement mechanisms) set the 'rules of the game', which firms must

follow (Dunning & Lundan 2010), including in their pursuit of capability building and leveraging. Hence, institutional factors define a frame in which firms may enjoy pursing their own objectives through DCs that they develop and exploit. In turn, though institutions often are pervasive entities, they are enacted and constructed by individuals and organizations. Hence, enterprises with strong DCs not only adapt to institutional and business environment, but also play an important role in shaping them i.e., alternating their frame, through innovation and collaboration with other enterprises, entities, and institutions (Teece 2007). This argument is also acknowledged by Durand (2012, p. 298) in his discussion of institutions in relation to firms:

> "(Firms and other organizations) fashion and embody institutions, are bounded and emancipated by institutions, work to maintain and erode institutions, perform institutional functions and convey institutional logics."

While DCs explain how firms differentiate, institutional factors explain semi-flexible boundaries of differentiator actions and subsequently how and why firms homogenize. Thus, DCs and institutional factors feed each other and simultaneously explain firm behavior via two contrasting forces -one pushing toward equilibrium, and the other pushing away from it. Institutional factors impose what DCs are desired and conducive to performance within a given institutional environment. Nevertheless, capabilities and activities of firms may in turn change institutions and their perception toward manifested capabilities (Kondra & Hinings 1998). Thus, DCs and institutional factors constantly and cyclically shape each other, meaning that both institutions and DCs must be incorporated into each other's analysis to arrive a fuller understanding of the other.

The common argument that institutions influences the way in which firms are structured and managed is applied (Meyer and Rowan 1977) to DCs realm within the contexts of both home and host institutions (Choi et al. in press; Nguyen, Le, & Bryant 2013). Institutions constitute notable share of contexts in which an entity, explores, develops, manages, and leverages its resources and capabilities. In fact, Teece (2009) acknowledged that differences in local product markets, local factor markets, and institutions play an important role in shaping competitive capabilities. They are a key driving force underpinning the content and pattern of the exploration and exploitation of resources and capabilities (Dunning & Lundan 2010) and reducing uncertainty that could surround capability development activities (Beckert 1999). For example, both the creation

and effective use of firm R&D fundamentally depends on institutional infrastructure (Dunning & Lundan 2010).

Institutions may have constraining or jeopardizing influence on DCs. Development, deployment, and utilization of DCs may be hampered in closed economies (Teece 2007) with weak or restrictive institutions. Sensing, seizing, and reconfiguring activities, given their unorthodox and innovative nature, can be perceived as deviations from norms in contexts where social institutions pose greater monitoring and sanctioning constraints (Taras, Kirkman, & Steel 2010). Thus, firms cannot be able to freely practice entrepreneurial activities in some institutional settings. Likewise, countries with "extractive" or weak institutions, even if they do not impose restrictions, face higher volatility that hampers firms' capabilities and performance (Acemoglu et al. 2003).

Conversely, institutions can play a facilitating role to DCs by providing structure and coordinated setting, in which development, configuration, and utilization of DCs are supported. For instance, American pharmaceutical firms are more innovative than their Japanese counterparts, due to higher institutional conduciveness to drug innovations in US compared to Japan (Peng et al. 2009). Likewise, reformative institutional change in Korea allowed local firms to develop and leverage superior innovative capabilities partially via increased possibility in R&D investments (Choi et al. in press). Thus, it could be safely argued that firms in different institutional frameworks develop different capabilities shaped by their institutional frame (Whitley 2003).

Postulate 1A: *Institutions define the frame and provide semi-flexible structures in which dynamic capabilities are developed, deployed, and exploited.*

On the other side of the coin, institutions are not omnipotent, impervious, and adamant forces. The influence of DCs, given their entrepreneurial and formative nature (Teece 2007), often extends beyond the operant entities of these capabilities to business ecosystems including institutions. In fact, DCs' operant influence on intangible assets, resources, and capabilities enables them to be distinctive and exceptional and to alternate, erode, and/or re-create otherwise perseverant institutional frameworks (Durand 2012). A nascent research stream on institutional entrepreneurship, referring to deploying the resources to create, empower, and alternate institutions, is emerging to address the changing view on institutions and entrepreneurs (Greenwood & Suddaby 2006), including in international arena (Szyliowicz & Galvin 2010).

An initial role of DCs in influencing institutional factors could be co-opting and shaping values and criteria. Nevertheless, more ample impact of DCs is revealed

in erosion and (re)formation of institutions (Durand 2012; Greenwood & Suddaby 2006). For instance, DCs are found to play a pivotal role in breaking socio-institutional inertia (Pihkala et al. 2007). Likewise, in uncertain or unfavorable institutional situations, entrepreneurial firms' DCs enable them to be creatively destructive (destroying established taken-for-granted rules and re-establishing new ones) to create stable and favorable institutional fields (Beckert 1999) by envisioning alternative modes of getting things done. Thus, DCs are not only influential to the self, but also play a role in shaping institutions as entities exogenous to the self.

Postulate 1B: *Dynamic capabilities enable agents to change institutions (formation, maintenance, alternation, erosion, reformation) in the long run.*

Moving toward more specific arguments about the relationship between institutions and DCs and focusing on host institutions, it is viable to argue that the part of their impact may not be immediately visible to foreign firms expanding into them. It takes time for internationalizing firms to embed in and relate themselves to a host setting. However, in these contexts, institutions reveal their primary impact on contingent bases. Contextual institutional conditions influence which resources and capabilities provide competitive advantage (Peng and Meyer 2005). Thus, DCs, though important, are only part of the key success factors for succeeding in doing business in various institutional settings and their impact can also be contingent upon host institutions.

Host institutions may reveal their contingent impact on international performance in various ways. Institutional distance, for instance, plays an important role in long-term performance of multinational firms (Chao & Kumar 2010). Likewise, proxies such as rule of law, political stability and freedom, and intellectual property rights (Meyer & Peng 2005) that predict institutional development may play a definitive role in determining what DCs are conducive to international performance in what countries. For instance, TeliaSonera's failure in Uzbekistan could largely be attributed to Uzbekistan's institutional failures that has driven the firm to bribe local officials (Ewing 2013), despite the firm's probable capabilities that make it largest mobile operator in Nordic countries. Furthermore, beyond formal factors, informal factors such as socio-cognitive and cultural forces also play a key role in which firms may successfully maneuver in host contexts (Taras et al. 2010). Consequently, institutional factors are likely to have alterative effects on the effectiveness of DCs in various host contexts.

Postulate 2: *Host institutional factors moderate the relationship between dynamic capabilities and international performance.*

2.5 Summary and Conclusions of the Chapter

This chapter provides a review of IT and DCT as theories, their roots, evolution, key variables of interests, and relationship with IB research. Then, international performance is concisely explicated. Initial brief review of the theories leads to comparative analysis of IT and DCT, which reveals that they have both noteworthy differences as well as similarities. Following this comparative analysis of distinctions and overlaps between IT and DCT, the two theories is synthesized to offer postulates to be utilized as base arguments for the 4th Chapter of the dissertation. There are several key implications that could be drawn this chapter and that needs to be considered for further studies on international performance adopting IT and/or DCT as theoretical lenses.

Despite their increasing similarities, IT and DCT are both represented by different world views that have distinct perceptions of business phenomena. Therefore, IT and DCT have differing implications on firm scope, behavior, and performance. If any reconciliation of two theories can be reached at the current phase of their evolution, it could be that they complement each other in terms of their predictive and explanatory foci. In short, it is possible to contend that institutions, as mechanisms that designate patterns of proper social arrangements and behaviors, define the overall, perseverant but quasi-flexible frame that firms as social entities have room to maneuver and perform. In turn, DCs allow firms to effectively maneuver within the frame to obtain desired outcomes and embody, change, erode, or recreate the frame in the long run. Yet, viewed together, their explanations of relevant issues are not contradictory but complementary. As a result, the true influence of either institutional factors or DCs on international performance cannot be accurately and deeply understood without accounting for the other. Accordingly, a synthesis of IT and DCT allows us to examine how the key sources of firm behavior and structure (institutions and dynamic capabilities) are intertwined.

The aim of this chapter was to establish and explicate the theoretical ground of the whole dissertation at the overall level without delving into details and specifics. Hence, the firm as the main unit of analysis in the dissertation was viewed from an overall and extrinsic perspective. Furthermore, the extant literature was reviewed integratively and analyzed to develop overall postulates that establish the ground for the specific hypothesis on interactive influence of relevant DCS and institutional factors on the international performance of EMFs in 4th Chapter. These postulates suggest that though their key influences are translated as constraints on human and firm behavior, institutions are not completely rigid and adamant forces and are subject to change by the very

constituents (people) that formed them at the first place. In turn, although DCs have limits to their utility and the reach of their potential benefits (Peteraf et al. 2013) partially shaped and confined by institutions, they can play a visible role in changing institutions. The core premise of these postulates supports the notion that structure vs. agency debate is futile and both play an interactive role in management phenomena (Heugens & Lander 2009). Furthermore, sufficient evidence in the literature exhibits that the influence of institutional factors and DCs on international performance is multifaceted as demonstrated in postulate 2. In particular, although all postulates implicitly inform the prospective hypotheses in the 4th chapter, postulate 2 assumes the most explicit role in informing the detailed framework. Most of the dissertation's focus is on homegrown DCs of EMFs and the influence on host country institutional factors on the linkage between those DCs stemming from particular domains and EMFs' international performance. Consequently, the basic argument of the interaction between institutions and DCs and their context-bounded joint role in international performance is leveraged as a ground in the 4th Chapter for elaborating further in the development of specific testable hypothesis.

However, despite examining managerial phenomena at the macro and overall level may offer valuable insights, institutional forces and capabilities cannot be fully understood without accounting for the organizational environment and the practices of individuals within the organizations that enact institutions via their capabilities (Jarzabkowski et al. 2013). Therefore, a fuller understanding of the linkage between DCs and international performance of EMFs entails a closer look to the organizational phenomena, marketing and supply chain capabilities of organizations, and the relationships between these capabilities prior to linking them to international performance. Consequently, meso (the firm and its DCs) and macro (the firm's institutional environment) views of international performance of EMFs need to be complemented with micro (activity and capability interactions between the firm employees from different units) view of the firm. However, because of the deficiency of theoretical development on this scrutinized phenomenon (Esper at al. 2010), theoretical arguments on the potential linkage between marketing and supply chain capabilities were discounted in this chapter to be empirically explored in the following chapter and were then incorporated to the main phase of the study.

3 PRELIMINARY QUALITATIVE STUDY

This chapter regresses from the focus on international performance and explores the links between key marketing and supply chain capabilities, whose roles in international performance of emerging markets firms are studied in the dissertation. This exploration is pursued to offer an empirical account to interplay between marketing and SCM functions in terms of key capabilities stemming from these core functions of the firm. Thus, this chapter serves toward two purposes: 1) the identification of key marketing and supply chain capabilities of emerging market firms in Turkish context, and 2) the exploration of the linkages between marketing and supply chain capabilities. The chapter paves the way for developing part of the hypotheses at the 4th chapter by providing qualitative evidence on the nature of marketing and supply chain capabilities of Turkish firms and the interplay between them.

3.1 Introduction

For many practitioners, the key challenge is to identify, develop, explore the relationships between their firm's core capabilities, and reconfigure them promptly in order to create value and gain and maintain a competitive edge (Prahalad & Hamel 1990; Prašnikar et al. 2008). In turn, demand creation and demand fulfillment activities constitutes two primary sets of processes through which the firm creates value (Porter 1998). Because these activities are often highly interactive and interdependent on each other, they entail a holistic and systematic approach to their management. Therefore, integrative approaches to marketing and supply chain management (SCM) have been increasingly prominent in marketing and SCM literatures (e.g., Esper et al. 2010; Hilletofth, Ericsson, & Christopher 2009; Jüttner et al. 2007; Jüttner, Godsell, & Christopher 2006). Nevertheless, despite the awareness of benefits of integration, most firms still tend to adopt *either* demand-focused *or* supply-focused strategies (Esper et al. 2010; Stank et al. 2012). Likewise, supply and demand sides within firms still seem to be disconnected from each other (Jüttner et al. 2007). Such discrepancy between the theory and practice begs the question of "*Why do many firms continue to focus their attention on excelling at either supply or demand activities but rarely both?*"

The idea behind integrative approaches to supply and demand activities is quite deep-rooted in the literature (Anderson 1982; Vollmann et al. 1995). In fact, the diagnosis of problems with unintegrated conventional approaches has long been made by business guru Peter Drucker as the "great divide", which refers to the

disconnection between demand creation and fulfillment (Drucker 1973). However, empirical advancements drawing on this idea are still underdeveloped. In particular, though notable theoretical and empirical advancements have been made on demand chain management (DCM), as a dynamic, integrative, and responsive business model targeting the divide between supply and demand activities, there is virtually no empirical or theoretical research on how marketing and supply chain *capabilities* interact with each other (Esper et al. 2010). It is an important gap to address, because, capability interrelationships cannot be omitted from marketing and SCM domains and the way they work together that represent intertwined and interdependent activities (Porter 1998). Furthermore, in particular to this dissertation, it is necessary to know how EMFs bundle their MCs and SCCs and how these capabilities interact with each other, before investigating whether these capabilities are conducive to their international performance. Thus, DCM approach entails a new perspective that accounts for capability interrelationships at the interface between marketing and SCM, as the understanding of firm performance is incomplete without injecting capability view into the systems of organizational structures and processes and priorities that underpin the utility of capabilities (Christensen & Overdorf 2000).

The overall purpose of this chapter is to offer an exploration of the nature of relationships between marketing capabilities (MCs) and supply chain capabilities (SCCs) within firms. DCM model, which was developed earlier by marketing and SCM scholars to offer an integrative framework aiming at the efficient and effective management of activities at the interface of marketing and SCM domains (Heikkilä 2002; Jüttner et al. 2007), is utilized in this chapter as an angle to facilitate the research pursuit. Because the phenomena investigated remains largely underexplored and entails complex social processes involving people and their behaviors, this purpose is addressed via a qualitative research method. The specific research question of this chapter is the following*: How do firms' marketing and supply chain capabilities support and erode each other?* Furthermore, as an auxiliary purpose, this study seeks to identify key MCs and SCCS that are primary importance to Turkish firms. In doing this, findings were also used to explore local marketing and SCM managers' understanding of capability terminology, concepts, and tools and relationships among these capabilities.

Answering this research question will shed some light on the management of capabilities distributed across internal networks of firms. By addressing these research questions, it is also intended to illustrate underlying elements that influence DCM as a promising business model (Jüttner et al. 2007) that describes

an effective and efficient design or architecture of the value creation, delivery, and capture mechanisms it employs (Teece 2010). In this chapter, DCM model is viewed as a platform that MCs and SCCs interact, and building the study on this premise. In particular, the following key contribution to marketing and SCM theory and practice is aimed in this chapter: revealing the complicated and multifaceted nature of relationships between marketing and supply chain capabilities to shed some light on capability configuration inquiries.

3.2 Demand Chain Management Approach

Thinking supply-focused and demand-focused strategies as a trade-off to each other creates isolation of demand and supply processes; and the resulting mismatch between supply and demand impairs firm and supply chain performance (Esper et al. 2010; Jüttner, Christopher, & Godsell 2010). Instead, synergistic leverage of both marketing strengths (creation of value through exchange process) and SCM strengths (efficient matching of supply with demand) can create and maintain competitive advantage and concomitant superior performance (Esper et al. 2010; Jüttner et al. 2007). An illustration of this position is Apple Inc., which owes much of its success and outstanding performance to its successfully integrated strategy of demand management, supply management, and product management (Gartner 2011).

Demand chain management (DCM) is a holistic and integrative model of organizational design and strategy that includes elements of content, structure, and governance of an activity system to create and capture relevant value without efficiency-effectiveness tradeoff. It could be viewed as an one of the possible overarching systems that governs firms' processes, "the patterns of interaction, coordination, communication, and decision making employees use to transform resources into products and services of greater worth" (Christensen & Overdorf 2000). DCM addresses discrepancies and conflicts between demand creation (historic domain of marketing) and demand fulfilment (assumed domain of SCM) activities (Jüttner et al. 2006), marketing and SCM functions, and efficiency and effectiveness oriented strategies. DCM highlights potential strategic gains from avoiding caveats linked with trade-offs between marketing and SCM, adopting a more holistic and integrative business strategy, and aligning processes, resources, cross-functional relationships, and tactics around this strategy. DCM weaves interdependent activities together and builds synergies between demand creation and fulfillment processes that lead to competitive advantage by both marketing and SCM differentiation (Hilletofth et al. 2009). As argued by Jüttner et al. (2007), DCM can be viewed as a relevant business model, because it emphasizes

a system-level, holistic approach to explaining how firms "do business" and seeks to explain how value is created, not just how it is captured (Zott, Amit, & Massa 2011).Thus, DCM emerges as a dynamic business model, a structural template describing the organization of firms' transactions with its constituents (Zott & Amit 2008), primarily addressing demand and supply activities. However, for all advantages DCM offer, it cannot be implemented, executed, and leveraged without necessary capabilities manifested at individual and firm levels. Therefore, it is imperative to advance understanding of relevant capabilities and their interactions with each other with regard to DCM.

3.2.1 Marketing and supply chain capabilities

As a key constituent of capabilities of firms*, marketing capabilities* (MCs) are defined as processes and capabilities designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands (Day 1994; O'Cass & Weerawardena 2010). Marketing capabilities are essential to firms, because these capabilities allow firms to capitalize on demand creation activities that constitutes key source of competitive advantage and survival in the long run. A dynamic capability fits to the marketing domain if it qualifies the following: strong marketing influence on it, knowledge as a fundamental element in its development, its functioning as a tool for market knowledge absorbing and disseminating, and its relevance to inter-functional coordination (Barrales-Molina et al. 2014).

In turn, *supply chain capabilities* (SCCs) refer to the ability of an organization to identify, utilize, and assimilate both internal and external resources/information to facilitate the entire supply chain activities (Wu et al. 2006). While SCCs are usually developed through joint efforts of both upstream and downstream supply chain members, they can then be exploited either by the whole supply chain or by each actor in these networks. Because SCM extends beyond firm boundaries (Mentzer, Stank, & Esper 2008), it is highly likely that SCCs need to have an interorganizational stance to fit into SCM domain (Defee & Fugate 2010).

By their nature, it is clear that MCs and SCCs play a central role in DCM. MCs and SCCs are likely to be pivotal in achieving and executing DCM as desired and exhibit complex relationships among them within DCM model. However, although DCM cites capabilities as elements to consider in these models (Jüttner et al. 2007), capabilities are not given a salient role in DCM research they deserve. Instead, DCM and MCs and SCCs are intertwined and DCM provides a

relevant platform for effective manifestation of MCs ad SCCs and their interactions. This position is also supported in the literature as Barney and Felin (2013) suggest strong linkage between organizational design and capabilities. In fact, the way a firm runs has imperative influence on the way capabilities manifested and leveraged as was illustrated in "Digital's Dilemma" case in the paper by Christensen and Overdorf (2000).

3.2.2 Interplay between marketing and supply chain capabilities

Similar to interactions between demand and supply activities as well as marketing and SCM functions and processes, the interaction between MCs and SCCs is expected to be complicated and multifaceted. Therefore, intertwined and intricate dynamics between marketing and SCM can also be reflected in the realm of DCs, and it can be challenging to offer overarching proposition concerning the relationship between MCs and SCCs. Nonetheless, theory suggests that, as interconnected, operant resources (Madhavaram & Hunt 2008), most capabilities work better in tandem than in isolation. It was also found that many firm capabilities often exhibit complementarity in their development or application (Dierickx & Cool 1989; Teece 1986). Furthermore, Teece (2009) argues that dynamic orchestration and simultaneous development of skills and capabilities create success, and, once apart, individual capabilities are less productive. It has been suggested that SCM can leverage marketing capabilities (Morash & Lynch 2002) to facilitate marketing strategy in global supply chain contexts (Martin & Grbac 2003). Moreover, supply chain competences are viewed as important supporters of marketing competences in previous theoretical works on DCM (Jüttner et al. 2007). It was argued that marketing alone cannot function effectively without the facilitating role of supply chain activities and capabilities (Mentzer & Williams 2001). In summary, the indirect argument for the complementarity between and combining marketing and SCM strengths for simultaneous development and deployment of MCs and SCCs is compelling (Jüttner et al. 2007). Nevertheless, these arguments are mostly theoretical and there is virtually no empirical evidence on the in depth nature of the relationships between MCs and SCCs, a void that is aimed to be addressed below.

3.3 Qualitative Research Method

3.3.1 Research approach

The purpose of this phase of the study was to identify key MCs and SCCs for EMFs and improve the understanding of capability relationships between marketing and SCM functions. This purpose entails conducting an exploratory study, and particularly following an in-depth qualitative research methodology to generate a theoretical framework and propositions. Besides, socially complex nature of the investigated phenomenon, inseparability between the phenomena to be studied (MCs and SCCs) their organizational context, and the scarcity of theoretical knowledge about the nature of interrelations between MCs and SCC entail adoption of an explorative qualitative research design via the principle of systematic combining (Dubois & Gadde 2002). The core premise of this approach is the systematic combining of conventional inductive and deductive approaches in seeking knowledge through continuous movement between an empirical world and a model world (Dubois & Gadde 2002).

Systematic combining suggests that researchers neither need to strictly stick to their earlier theoretical frame nor start with a "blank slate" in order to identify interesting and realistic insights, especially when data offer novel and somewhat unanticipated insights. Hence, though a priori framework was not developed, the data and the extant theory were systematically combined, letting them evolve simultaneously (instead of progressing in a linear style) to achieve a relevant and rigorously validated framework (Piekkari, Plakoyiannaki, & Welch 2010). The preliminary objective was juxtaposed and cross-fertilized, drawing on extant theory with the data that offered further and interesting insights.

3.3.2 Sampling

The unit of analysis in this phase of study was the relationships between activities and capabilities of marketing and SCM units of firms. By their nature, demand and supply activities, as commonly understood (Esper et al. 2010), occur most intensively within firms whose primary activities are linked to processing and provision of tangible products as value offerings to their customers. Thus, purposeful selection was used to choose a relevant sample of firms that were in product related industries, i.e., production, retail, or logistics industries, to be able to draw meaningful inferences from participants' inputs (Eisenhardt 1989; Miles & Huberman 1994; Yin 2009). The sample base consisted of 14 firms of different

sizes and 8 product related industries located in four major industrial cities (namely, Istanbul, Kocaeli, Bursa, and Ankara) in Turkey.

The main source of data was face-to-face, dyadic (one manager representing marketing function and the other representing SCM function as two functions responsible for corresponding activities of demand creation and fulfilment respectively), and semi-structured in-depth interviews. 25 in-depth interviews were conducted with 26 managers (one interview was conducted together with two managers simultaneously) between March 2013 and July 2013 to discover the nature of relationships between marketing and SCM units in terms of activities, people, and capabilities. Interviews were dyadic to capture insights from both corresponding functions, as the nature of inquiry calls for such data collection (Kenny, Kashy, & Cook 2006), and they lasted about 45 minutes in average. Of the 25 interviews, 22 interviews were recorded and transcribed. In these three instances where interviews were not recorded detailed notes were taken on site to enable thorough analysis of the data. Interviews were supplemented with company documents, website resources, and in some cases observations made during site visits, all of which revealed complementary and interesting insights, developing "converging lines of inquiry" (Yin 2009).

Table 5. Participant Firm Characteristics and Participant Positions

Company	**Industry**	**Size**	**Participant Pseudonym and Position**
Log	Logistics	Large	Ali- Operations Development Specialist
〃	〃	〃	Adem- Distribution Sales Director
Chem	Chemicals	Medium	Zara- Marketing Director
〃	〃	〃	Zuhal- Procurement Manager
RawChem	Chemicals	Medium	Can- Logistics Director
〃	〃	〃	Cenk- Sales Operations Manager
ComTech	Electronics	Small	Tuba- Marketing Director
〃	〃	〃	Tülin- SCM/Operations Director
Chique	Clothing & Merchandising	Medium	Ege- SCM Director
〃	〃	〃	Ese- Export Marketing Manager
Sanguine	Clothing & Merchandising	Large	Secil- SCM Specialist
〃	〃	〃	Sevil- Export Manager
Crunch	Food & Beverage	Small	Hakan- CEO - SCM/Operations
〃	〃	〃	Hasan - Deputy CEO – Marketing
NJuice	Food & Beverage	Medium	Pelin- Logistics Director
〃	〃	〃	Peri- Marketing Manager
LConfect	Food & Beverage	Large	Kaya- Assistant CEO
VMine	Mining	Large	Özge- Export Marketing Manager
〃	〃	〃	Özgür- Foreign Logistics Manager
RootSteel	Metal	Large	Levent- Procurement Director
FlexiComp	Automotive	Medium	Onur- Procurement Manager
〃	〃	〃	Oya- Marketing & Sales Director
IntBdn	Automotive	Large	Melik- Procurement Engineer
〃	〃	〃	Mikail- International Marketing Manager
CycleComp	Automotive	Medium	Nihan- Sales Manager
〃	〃	〃	Niran- SCM Director

Table 5 shows participant characteristics (pseudonyms for firm and manager names were used to protect their confidentiality). The inclusion of different industries enabled us to achieve relatively more generalizable results and identify potential differences. There were some natural differences across firms especially in terms of prioritized capabilities, the perception of marketing function, activity types, and organizational structures. Nevertheless, there were also pervasive similarities especially in terms of relationships between MCs and SCCs, supply-demand divide, and subtle struggle between marketing and SCM units.

Furthermore, differences were not disruptive to the common theme of findings. Interviewees typically represented two medium to executive level managers (one for marketing or marketing related functions and the other for SCM or SCM related functions) for each selected firm. The managers' responses to the common interview questions were largely consistent within each firm, which fostered the accuracy of findings (Ghauri 2004). In two instances, only one manager was able to participate to the study, but in both instances the managers interviewed were competent in representing both marketing and SCM sides (assistant CEO at LConfect has holistic responsibilities, and procurement director at RootSteel has had a long experience as a marketing manager in the same firm). Interview questions were open-ended and loosely followed the interview protocol presented in Appendix 1. All interviews were discovery-oriented to allow sensitivity and structure-flexibility balance and facilitate innovative, candid, and insightful findings from the participants (Wilkinson & Young 2004). Establishing the fine balance between breadth and depth with the number of interviews was a priority to achieve right quantity and quality of data (Easton 1995). Data collection was continued until theoretical saturation was reached, and clear and consistent themes emerged at 25th interview.

3.3.3 Analysis

The data analysis started immediately after the first round of data collection in March and April 2013, to allow interactive relationship between data and the researchers, let data shape the focus of following data collection, and increase the authenticity of the findings (Eriksson & Kovalainen 2008; Ghauri 2004; Vaara 1999). Data analysis consisted of a number of iterative steps (Corbin & Strauss 2008). First, based on a careful reading of a wide range of interview data and company documentation, initial open coding (creating provisional categories and first-order codes) was carried out on transcribed documents of the interviews collected in first round. During this phase, different pieces and aspects of the data were constantly compared to identify similarities and differences among them,

and preliminary themes started to emerge from the data and allowed to juxtapose early insights with extant theory. After data collection was finalized, all documents, codes, and memos, from open coding process were uploaded to Nvivo. This program enabled developing broad categories (Sinkovics, Penz, & Ghauri 2005) and continuing further analysis with axial coding (integrating first-order codes and creating theoretical categories) and selective coding (delimiting theory by aggregating theoretical dimensions) (Corbin & Strauss 2008; Pratt, Rockmann, & Kaufmann 2006). Eventually, the analysis of codes, memos, and resulting categories led to the emergence of the proposed framework.

3.3.4 Trustworthiness

While validity is the main norm to check the quality of a research in quantitative studies, trustworthiness (Flint, Woodruff, & Gardial 2002) is more preferred in qualitative studies in qualitative studies. The key set of criteria to asses trustworthiness of a research as provided by, social sciences research focused primarily in marketing is given as: credibility, transferability, dependability, confirmability, and integrity (Wallendorf & Belk 1989). Because what these criteria refer to is highly available in the literature, only what was done to meet these criteria is succinctly explained.

The researcher (1) followed a continuous, iterative process to combine literature findings with interview findings (*credibility*), (2) used theoretical and diverse sampling (*transferability*), (3) ensured that both the researchers and the informants were active participants in the research process and knowledge was built collaboratively (*confirmability*), (4) firmly followed guidelines for data collection and interpretation provided in the literature and asked participants to reflect on their experiences covering from most recent to past experiences (*dependability*), (5) and assured participants of anonymity and that interviews were professional, friendly (*integrity*).

3.4 Findings

3.4.1 Key marketing and supply chain capabilities revealed from the findings

One of the sub-purposes of the qualitative phase of the research was to identify key MCs and SCCs that are possessed by or are important to Turkish EMFs. In other words, this phase also followed the aim of identifying which firm capabilities pivotal and which ones are peripheral to gain and sustain a competitive advantage from marketing and SCM angles. Following this purpose,

scholarly articles within marketing, SCM, and similar fields that at least partially focus on marketing and SCM topics (including procurement, logistics, and operations) were reviewed before launching the empirical part of the qualitative study. The aim of this review process was to prepare a preliminary list of possible specific MCs and SCCs that could be utilized during the interviews with the research participants. The key criterion for an article to be included in this brief review was that the heading of the article contains the key words "capability" and/or "capabilities". This process yielded about 300 scholarly articles published in peer-reviewed high quality academic journals fitting to this criterion at the time of search (Febraury 2013). Quick overview of these articles and key variables of interest in these articles revealed a long list of studied MCs and SCCs, some of which were redundant or ancillary. Thus, eliminating similar yet redundant concepts, overly broad (such as "marketing capability" (Nath, Nachiappan, & Ramanathan 2010)) or overly specific (such as "pre-sale customer service capability" (Defee & Fugate 2010)) capabilities resulted in 38 different MCs and SCCs, corresponding to 19 capabilities for each domain as shown in Table 6.

The potential MCs and SCCs listed in Table 6 were presented to research participants only after asking about MCs and SCCs within their own practical and cognitive worlds. After discussing about the role and nature of several (typically between two and ten) MCs and/or SCCs with the research participants, the role of these capabilities in participants' firms, and the relationships among them, the list was provided to gain further insights into MCs and SCCs that could have slipped from the participants' mind. Following this procedure yielded comprehensive view of potential MCs and SCCs that Turkish EMFs deployed and utilized. Nevertheless, further data analysis initiated with open coding resulted in select set of MCs and SCCs that came forward as key MCs and SCCs to be further examined in the quantitative phase.

Table 6. List of Potential Marketing and Supply Chain Capabilities Presented To the Research Participants

Marketing Capabilities	Supply Chain Capabilities
Absorptive Capacity	Agility
Adaptive Capability	Boundary-spanning Capability
Branding Capability	Coordination/Collaboration Capability
Channel Management Capability	Distribution Capability
Communication Capability	Environmental Management Capability
Customer Relationship Management Capability	Integration Capability
Customer Service Capability	Inventory/Warehouse Management Capability
Innovativeness	Network Orchestration Capability
Knowledge Management Capability	Quality Management Capability
Learning Capability	Reliability
Market Expansion Ability	Relational Capability
Market Implementation Capability	Resilience
Market Intelligence Capability	Responsiveness
Market Planning Capability	Risk Mitigation Capability
Pricing Capability	Sourcing Capability
Product Design Capability	Supplier Chain Alignment Capability
Product Development Capability	Supply Chain Learning Capability
Public Relations Capability	Supplier Development Capability
R&D Management Capability	Supplier Selection and Evaluation Capability
Social Responsibility Capability	Supplier Utilization Capability

Within the realm of marketing, the primary capability that were mentioned most often and in most central way was *innovativeness* and pertinent concepts such as "product development capability" and "R&D capability" that were deeply and closely tied to innovativeness according to research participants. The second key marketing capability that was frequently highlighted by marketing managers was *absorptive capacity* in a broad sense with the inclusion of market intelligence capability and few other proxies that indicate absorptive capacity. The conceptualization of these capabilities is articulated in the 4th chapter, using insights from both the theory and empirical findings from the qualitative study. *Adaptive capability,* referring to the ability to respond appropriately to market requirements (without the consideration of "speed" or "quickness") (Gligor 2013), and *branding capability,* referring to the capacity to perform relevant

branding activities, were highlighted more compared to other MCs in the list according to participants' perspectives. However, these two MCs fell significantly behind innovativeness and absorptive capacity in terms of frequency of referrals and their perceived importance to the marketing function of the participant firms. All these four MCs were perceived to be important capabilities to realize firms' goals particularly linked to marketing. Yet, innovativeness and absorptive capacity clearly stood out among all MCs examined during the qualitative research period.

When it comes to SCM, *supply chain agility* (SCA) overwhelmingly dominated other SCCs in terms of its perceived presence, relevance, utility, and importance to Turkish EMFs. All participants acknowledged that given the markets they operate in, it was imperative for them and their supply chains to be alert and agile in a way that can allow these firms to strategically respond and, if necessary, adapt to dynamic environment in a most smooth, decisive, and nimble way possible. "Otherwise, it is not possible to survive", several participants stated or implied. Moreover, *relational capability* with regard to management and utilization of relationships with supply chain partners (including customers) were perceived to be highly critical, given the highly networked Turkish business environment. Though relational capability of marketing and sales people were also cited along with relational capability of buyers and supply chain managers, this capability were most often mentioned within the context of business-to-business management of business activities and exchanges, which typically fits to domain of SCM (Mentzer et al. 2008). Like innovativeness and absorptive capacity, these two SCCs are elaborated further in the 4th chapter through the joint utilization of theory and insights from this qualitative study. *Reliability,* referring to the ability to meet promises as a supplier, and *sourcing capability,* referring to the ability to effectively execute and secure the sourcing strategy of the firm, were other emphasized SCCs, though they fell behind SCA and relational capability in terms of their perceived relevance to SCM strategy and activities. Hence, the further analysis of SCCs concentrates particularly on SCA and RC.

The abductive process that was mentioned above and illustrated in Figure 1 was also present during discovery and exploration of these MCs and SCCs in the qualitative phase of the research. Drawing on the review of the extant literature, the researcher of this dissertation, expected that SCA and innovativeness to be important for Turkish EMFs before launching the qualitative study. Nevertheless, absorptive capacity, relational capability and other secondary four MCs and SCCs emerged free of priori expectations. Furthermore, it was revealed that understanding of some of these concepts were slightly different in managers'

perspective than some research in the field suggests so. Thus, the research findings from the qualitative phase are incorporated into conceptualization of selected MCs and SCCs in the 4th chapter, along with the relationships between them as hybrid hypotheses. Nevertheless, it should be noted that these findings do not imply that these MCs and SCCs are always imperative and only imperative capabilities for all EMFs across the globe. Instead, the findings highlight that given the institutional environment of Turkey, these four capabilities emerges as central DCs that Turkish firms deploy and leverage within the domains of marketing and SCM functions.

Each one of these four capabilities exhibits attributes of being a dynamic capability as discussed in the 2nd chapter. Innovativeness and absorptive capacity primarily commands other resources and capabilities, primarily from marketing domain. Likewise, SCA commands internal and external resources of the firm to attain performance goals in a dynamic business environment, and relational capability enable firms to capitalize primarily on external resources by facilitating access to and leverage of supply chain partner's capabilities for synergistic use. Consequently, these four marketing and SCM rooted DCs, which are identified as a result of the auxiliary purpose of the qualitative study, and their potentially contingent roles in international performance are explored in the rest of the dissertation. Following the identification of relevant MCs and SCCs for the rest of the research, the focus of the findings section returns to the main goal of the qualitative study: exploring the relationships between MCs and SCCs.

3.4.2 Relationships between marketing and supply chain capabilities

Following the main purpose of this phase of the research, the exploration of the potential relationship between MCs and SCCs revealed interesting findings. First, all participants cited interaction between MCs and SCCs at varying degree of intensity and nature. Participants' perceptions of the concept "capability" were sometimes referred to strength or competence and sometimes to processes or routines, all of which are consistent with various influential definitions of DCs (Barreto 2010). References to relationships between MCs and SCCs were both made in the discussions of capability interplays and cross-functional interactions. In majority of the cases, participants stated that many MCs and SCCs were supportive of each other. Most participants mentioned that capabilities developed and deployed by the corresponding unit were highly conducive to the deployment and utilization of capabilities grown in home unit. However, the number of instances where MCs and SCCs (especially certain types of them) were viewed as hindering to each other was not negligible. Therefore, although it is safe to come to a conclusion that MCs and SCCs are generally supportive to each other,

especially at the deployment and utilization phases, this relationship is by no means universal and plain. Instead, the findings reveal that bundling of different capabilities may have complicated and case-specific implications for the firms that intend to implement and leverage integrative strategies to marketing and SCM.

Of the 26 participants, 24 stated that MCs and SCCs were supportive of each other one way or another. Three major directions of support were: SCCs to MCs, MCs to SCCs, and reciprocal, completing the cycle. Starting with SCCs positive impact on the deployment and utilization of MCs, which was most often mentioned, SCM managers as well as some marketing managers were confident in their firm's SCCs and the value that these SCCs add to their organizations. For instance, Levent from *RootSteel* mentioned that SCM unit's sourcing capability supported their marketing unit's customer service capability. Their ability to find, bring in, and employ diverse set of suppliers for required inputs enabled them to offer better customer service to their business-to-business (BTB) customers, because through sourcing capability they were able to meet customer requirements. Mikail from *IntBdn* acknowledged that their procurement unit's relational capability in terms of managing and leveraging relationships with key OEM suppliers enabled them to improve their pricing capability by allowing marketing unit to offer more dynamic and competitive prices to their customers. Secil from *Sanguine*, Kaya from *LConfect*, and Adem from *Log* noted that their reliability and agility as a supplier had a positive influence on their marketing's branding capability. Through delivery, product, and service reliability as a customer they improved their reputation in the market; and through quick, flexible, and smooth responses to changing customer requirements they cemented their image of being a responsive and competent supplier. These contentions are also in line with the assertion of Can from *RawChem* who argued that their distribution capability allowed marketing unit to manage their firm's channel more effectively. This approach that was evident in several firms could be seen as a reflection of supply chain and production orientation of many emerging market firms as supported in the literature (Buckley 2009a).

Nonetheless, several participants also argued that MCs supported SCCs. One of the most apparent benefits of MCs to SCCs was manifested as supporting role of branding capability in sourcing capability of the participant firms. Ege from *Chique* stated, *"The key marketing capability that benefits us [SCM unit] is branding capability. Branding capability improves our sourcing capability by enabling us finding competitive suppliers and by giving an upper hand in negotiations, because suppliers want to work with a strong brand and use this as*

a reference to their other potential customers." This argument was also shared by Zuhal from *Chem* and few other participants. Hence, it was evident that the outcomes of branding capability of the marketing unit could promote disposition and fulfilment of sourcing capability as many suppliers tend to work with reputable partners in business markets in order to leverage their customer's brand for finding new customers. Furthermore, both Secil from *Sanguine* and Kaya from *LConfect* suggested that absorptive capacity of their marketing units helped SCM units to improve their operational effectiveness and supplier development capability in order to leverage suppliers according to market needs. In fact, their ability to absorb and manage market knowledge were translated at better abilities in developing their suppliers, because in order to "give" to a partner, they first need to "take in" relevant knowledge, which is in line with the core premise of diffusion of innovations principle (Rogers 1995). Likewise, Tuba from *ComTech* argued that absorptive capacity of marketing unit contributed to SCM unit's responsiveness to market requirements through dissemination of relevant market knowledge between marketing and SCM units. These findings suggest that, though not as prevalent as SCCs contribution to MCs, MCs can have important contributions to deployment and utilization of some SCCs.

On the other hand, there was also clear evidence that in some cases supportive and complementary relationships between MCs and SCCs was more bidirectional than unidirectional. For instance, Ese from *Chique* argued that collaboration capability of SCM unit with the firm's supply chain partners and customer service capability of marketing unit reciprocally fed each other. Since both marketing and SCM representatives may be in contact with the supply chain partners in a market where suppliers can also be customers, effectively manifested collaborative capability of SCM unit directly translated as increased customer service capability of marketing unit to the same supply chain partner. In turn, customer service capability of marketing unit improved the ability of SCM representatives to collaborate with same partners for their supply needs. Likewise, Hakan from *Crunch* suggested that relational capability of employees working in SCM operations fostered the manifestation of learning capability of marketing employees, and in turn their learning capability enabled SCM to find better supply chain partners and learn more from them. Using the benefits of referrals, suppliers who are happy with the quality of relationship they have with *Crunch* were more willing to provide first hand and tacit insights about the markets and product characteristics. In turn, these insights were utilized by SCM employees to find and benefit from new suppliers, in a market where some suppliers are more powerful than customers.

These findings are, by and large, in concord with the literature. Theory suggests that most capabilities are interconnected and are operant on resources (Madhavaram & Hunt 2008), and thus, they work better jointly than separately. Teece (2009) argues that dynamic orchestration and simultaneous utilization of skills and capabilities lead to performance, and, without unison, individual capabilities are no longer productive. The findings provide specified, detailed, and contextualized evidence to these overall theoretical statements about potential capability complementarities and synergies. The findings indicate that the synergy and complementarity between MCs and SCCs of product related firms are more evident at different stages of evolution and manifestation of capabilities emanating from marketing and SCM functions. Therefore, the overall relationship between MCs and SCCs is argued to be mutually supportive and complementary.

Proposition 1: *In general terms, there are synergistic relationships between MCs and SCCs; that is most marketing and supply chain capabilities can be deployed, manifested, and leveraged better in tandem than alone.*

Probing further into capability interrelationships. Following the overall proposition on the interaction between MCs and SCCs, the specifics of mainly positive mutual relationship between MCs and SCCs are probed further by explicating the findings to shed more light on the nature of the revealed relationships. When collecting and analyzing data, it was observed that MCs and SCCs of participant firms could be roughly categorized into two groups: whether they are efficiency- or effectiveness-oriented, i.e., whether their focus and main contributions are directed toward efficiency or effectiveness of the firm. It is recognize that efficiency and effectiveness are not the only means to perform and sustain competitive advantage (Fugate, Mentzer, & Stank 2010). Nonetheless, the two dimensions have been prevalent means to deconstruct performance (Mentzer & Konrad 1991), as one (efficiency) simply refers to "doing things right", and the other (effectiveness) to "doing the right things" (Peter Drucker). Consequently, in this study, the relationships between MCs and SCCs along these two dimensions are elaborated.

Efficiency-oriented SCCs refer here to a type of SCCs that are deployed to improve outputs to inputs ratio of supply chain activities. Frequently mentioned examples of efficiency-oriented SCCs by the participants were sourcing capability and inventory management capability. Alternatively, effectiveness-oriented SCCs refer here to capabilities that serve to enhance the extent to which SCM goals are accomplished. Emanating from SCM units, these capabilities appeared to be essential to the effectiveness of participants firms, though the commonly perceived role of SCM function suggests the otherwise in theory

(Esper et al. 2010). Because effectiveness-oriented SCCs highlights sustained goal attainment at the strategic level, they are closer to be characterized as dynamic capabilities (DCs) (Teece 2014). Effectiveness oriented SCCs also appeared to be more operant on other capabilities and resources, which is also in line with the conceptualization of DCs (Ambrosini & Bowman 2009). Often mentioned examples of effectiveness-oriented SCCs were SCA and relational capability (RC), leading to their inclusion as two relevant SCCs in the theoretical framework developed in the 4th chapter.

In turn, efficiency-oriented MCs refer here to types of MCs that serve toward improving the ratio of resources utilized against the results derived from marketing activities (Mentzer & Konrad 1991). Often cited examples of efficiency-oriented MCs in the data were market planning capability and CRM capability with regard to the information management of customer database, which were perceived to be less strategic than effectiveness-oriented MCs. Finally, effectiveness-oriented MCs refer here to a relatively more strategic type of MCs that, like SCCs, target increase in goal attainment, especially with regard to marketing strategy and activities. Similar to their counterparts in SCM units, effectiveness-oriented MCs appeared to be more strategic and operant on ordinary capabilities and resources of participant firms. Participant marketing professionals pointed out innovativeness and absorptive capacity (AC) (or similar terms that refer to it) as most frequently utilized and/or desired MCs. Hence, innovativeness and AC are deemed proper to add as relevant MCs to the framework presented in the 4th chapter.

Following a deeper analysis of the data, the relationships between MCs and SCCs were found to be not simple and universal, but in fact exhibit varying specific patterns especially with regard to different capability types. First and foremost, the findings reveal that not all capabilities of marketing and SCM units are complementary or mutually supportive, but some capabilities are incompatible and even detrimental to each other. Still, the presentation of the findings is initiated with positive relationships focusing on capabilities that are complementary in use and generate synergy effects when deployed, manifested, and utilized in tandem.

When it comes to relationship between effectiveness-oriented SCCs and effectiveness-oriented MCs, these types of capabilities were mutually supportive and/or complementary and slightly stronger in terms of the positive influence of effectiveness-oriented SCCs on effectiveness-oriented MCs nonetheless. There were not sufficient direct cues to explicate the reasons behind such relative imbalance in supportive role. Nonetheless, it is possible that Turkish context as an

emerging market (Buckley 2009a) and the fact that the key function of traditional SCM activities is to provide a proper ground for better value creation to marketing (Porter 1998) may play a role in such slight imbalance in the strength of reciprocal support by respective capabilities.

In particular, agility, relational capability, and collaboration capability of SCM units of the participant firms were found to be primary contributors to the deployment and utilization of key effectiveness-oriented MCs such as absorptive capacity, innovativeness, and branding capability. It appears that employees working in marketing units of participant firms were often able to leverage advantages created by the capabilities of SCM professionals in their organizations. For instance, Özge from *VMine* acknowledged that speed, flexibility, and responsiveness of SCM operations provided by agility of their SCM related units made noteworthy contributions to the manifestation and realization of their branding capability, since such a background made brand building and management activities a lot easier. Likewise, Mikail from *IntBdn* argued that their marketing unit utilized relational capability of employees from their SCM unit when expanding into new international markets, which indicates fostering market expansion ability. They could benefit from the firm's suppliers located in the target market to gather market and potential customer information as well as technologies that could enhance the attractiveness of the firm's products. On the other side of the coin, Secil from Sanguine argued that marketing unit's absorptive capacity in terms of market intelligence fostered the responsiveness of the SCM unit, through increased supply chain visibility. Acquired and assimilated market knowledge by marketing unit was readily diffused to SCM unit. Then, collaboratively transformed knowledge was exploited by SCM unit to respond swiftly and resolutely to these changes and opportunities, given the systematically processed and ready to exploit knowledge at hand. Thus, a mutually supportive and complementary relationship is proposed between effectiveness-oriented SCCs and effectiveness-oriented MCs, slightly stronger when it comes to the impact of effectiveness-oriented SCCs on effectiveness-oriented MCs.

Proposition 2A: *Effectiveness-oriented supply chain capabilities are likely to foster the deployment, manifestation, and utilization of effectiveness-oriented marketing capabilities.*

Proposition 2B: *Effectiveness-oriented marketing capabilities are likely to modestly foster the deployment, manifestation, and utilization of effectiveness-oriented supply chain capabilities.*

A similar relationship that was found between effectiveness-oriented MCs and SCCs was also found between efficiency-oriented MCs and SCCs. Although efficiency-oriented capabilities were cited less frequently by participants as important and desirable capabilities compared to effectiveness-oriented capabilities, it was evident that these capabilities were essential to run marketing and SCM activities competently and efficiently. Examples of efficiency-oriented SCCs that support other efficiency-oriented MCs in their deployment, manifestation, and utilization were found to be distribution capability and inventory management capability supporting and complementing channel management capability and customer service capability. Likewise, CRM capability of marketing units in terms of efficient management of customer knowledge database was argued to foster inventory management capabilities in *Log* and responsiveness in *NJuice*. Because marketing employees in *Njuice* were competent in the management of their customer database, they could provide needed support to make the firm's inventories leaner, despite dynamic market environment. Thus, drawing on the findings, the argument states that efficiency-oriented MCs and SCCs foster each other when they are deployed, manifested, and leveraged for serving their purposes. However, possibly due to the nature for production or product related firms from emerging markets as argued by Buckley (2009), efficiency-oriented SCCs appeared to have slightly stronger presence in terms of their contributions to MCs of similar nature.

Proposition 3A: *Efficiency-oriented supply chain capabilities are likely to foster the deployment, manifestation, and utilization of efficiency-oriented marketing capabilities.*

Proposition 3B: *Efficiency-oriented marketing capabilities are likely to modestly foster the deployment, manifestation, and utilization of efficiency-oriented supply chain capabilities.*

However, it was also evident that not all capabilities within the domains of marketing and SCM were complementary or mutually supportive. In fact, some managers complained that some capabilities and strengths of the other unit actually harmed their certain routines or caused additional difficulties. The primary incompatibility between capabilities was between effectiveness-oriented MCS and efficiency-oriented SCCs. To start with the impact of effectiveness-oriented MCS on efficiency-oriented SCCs, the most intriguing complain that some SCM professionals asserted was about innovativeness. Several managers including Niran from *CycleComp,* Zara and Zuhal from *Chem*, Melik from *IntBdn*, and Kaya from *LConfec*t linked innovativeness with adventurism and argued that it often resulted in wastes and disruptions in SCM activities, hurting

their inventory management and distribution capabilities. Likewise, Özge from *VMine* argued that market expansion ability resulted in hindering distribution capability and reliability as well as relational capability of their SCM units. She claimed that it became daunting to manage increasing complexity in a large firm that had already complex operations in several continents, and they faced the danger of losing touch with their key customers, which was also shared by Ese from *Chique*. Furthermore, Can from *RawChem* and Melik from *IntBdn* argued that adaptive capability of their marketing units increased the cost of doing business for SCM units and raised challenges to their distribution capability.

It was also observed that some efficiency-oriented SCCs hamper the consequences of effectiveness-oriented MCs deployed to achieve desired marketing goals. For example, Tuba from *ComTech* claimed that quality management capability of the firm's SCM unit hampered marketing unit's adaptive capability, because SCM unit made the whole system slower and more conscientious by focusing on increased quality, and marketing could not meet some requirements of the customers due to time limits. A similar comment was also shared by Tülin from the same firm with the addition of the jeopardizing effect of SCM planning on adaptive capability of marketing unit. Likewise, Melik from *IntBdn* suggested that their unit was good at supplier selection and evaluation, and this capability hurt adaptive capability and customer service capability of the marketing unit as SCM unit might disqualify certain suppliers producing some components that their customers required. In short, it was surprising yet insightful to discover that some capabilities may be corrosive to each other, though common wisdom suggests that any positively perceived capability should be good for the possessor and operator of such capability.

Proposition 4A: *Effectiveness-oriented marketing capabilities are likely to erode the extent and the utility of efficiency-oriented supply chain capabilities.*

Proposition 4B: *Efficiency-oriented supply chain capabilities are likely to modestly erode the extent and the utility of effectiveness-oriented marketing capabilities.*

There was no enough evidence of a linkage between effectiveness-oriented SCCs and efficiency-oriented MCs, possibly due to the notion that demand creation activities usually favors effectiveness, while demand fulfillment activities often favors efficiency (Esper et al. 2010). Therefore, the researcher abstains from posing a specific proposition about it and leaves this issue to future research.

3.5 Summary and Conclusions

In this chapter, relative findings and methodology of the qualitative phase of the research was reported. A systematic approach, combining deductive and inductive elements of research approaches, was followed throughout the complete study and resulted in interesting findings. The findings provide evidence for multifaceted interactions between different types of MCs and SCCs. The findings demonstrate the importance of internal alignment between organizational structure and DCs, in addition to well-documented role of the external fit of DCs with competitive intensity (Wilden et al. 2013).

Following a funneling style of presenting the findings, empirical evidence was first utilized to offer the broad proposition 1. Then, further insights into the complex and multifaceted nature of the interactions between MCs and SCCs were gained through propositions 2A, 2B, 3A, 3B, 4A, and 4B, following a loose categorization of MCs and SCCs into efficiency- and effectiveness-oriented ones for the sake of simplicity and explication. These propositions were later channeled to the section on the incorporation of the findings to the rest of the research through 4 hypotheses to be tested in the 6th chapter. This funneling style is a result of intentional effort to start with broader themes, then to delve details, and then again to finish with a warp of core premises that could be witnessed in each section as well as in the complete dissertation.

The findings of this phase of the research reveal that although overall relationship between MCs and SCCs are positive and synergistic, some types of MCs and SCCs are incompatible to each other and should be treated cautiously. In particular, while MCs and SCCs of similar nature and the one aiming serve to similar goals have positive influence on each other, the ones with conflicting nature and goals may deteriorate each other's utility to firms.

Furthermore, SCA and RC were found to be most frequently cited and/or desired SCCs, and AC and innovativeness were revealed to be most frequently cited and/or desired MCs, by the managers from respective functions. In line with this finding, potential relationships between these capabilities were examined to be incorporated to the main theoretical framework of the research. This effort resulted in developing 4 hypotheses that suggest balanced relationship between these four MCs and SCCs. In specific, it was revealed and supported by the extant theory that both AC and innovativeness within marketing domains may have positive influence on SCA, as a highly regarded SCC. Furthermore, RC, as an overarching SCC that underpins the core function of SCM, appeared to be quite fruitful to the specific MCs. It was discovered that RC can play a positive role in

fostering both innovativeness and AC. Nevertheless, these four hypotheses are abductive (deductive and inductive) arguments to be tested in the 6th chapter with a relatively larger and more representative sample base.

This chapter contributes to the research on DCs by highlighting key DCs primarily emanating from marketing and SCM and by exploring the interactions between them. Consequently, this chapter helps bridging the divide between marketing and international business and provides an empirical and contextualized account of the interaction between DCs emanating from pivotal firm functions.

4 CONCEPTUALIZATION AND HYPOTHESIS DEVELOPMENT

This chapter defines the key variables of interest and puts forth theory driven hypotheses about the nexus of relationships among them, some of which are grounded in empirical findings built on the results of the qualitative study presented in the 3rd chapter. Key marketing and supply chain capabilities that emerged from the early literature review and qualitative study are defined and conceptualized, followed by definitions and conceptualizations of relevant institutional factors. Partially drawing on the theoretical basis developed in the 2nd chapter, several hypotheses that link focal marketing and supply chain capabilities to each other and international performance of emerging market firms are developed. Furthermore, hypotheses on the role of relevant institutional factors are incorporated to the over model. A research model is presented at the end of the chapter.

4.1 Conceptualization of Key Variables

4.1.1 Supply chain capabilities.

Supply chain management (SCM) is a management and integration of business activities across corporate functions and firms (Cooper, Lambert, & Pagh 1997; Mentzer et al. 2008). It has emerged as an important factor in the competitive success of MNEs (Christopher, Peck, & Towill 2006), and capabilities emanating from and deployed by supply chains and their member firms are becoming increasingly important to compete globally (Teece 2009). Furthermore, increasingly popular concepts of global value chains (Gereffi, Humphrey, & Sturgeon 2005) and the global factory (Buckley 2009a) underline that it is the coordination and organization of globally dispersed production, distribution, and service systems, rather than isolated singular processes at one location, that increasingly creates genuine competitive differentiation in a highly interdependent and interconnected business world. Likewise, the control of global distribution systems is argued to be a key in sustaining competitive advantage over new entrants (Buckley 2009a). Therefore, it is self-evident that effective SCM can provide MNEs with distinct competitive rents over their competitors in global marketplace.

As briefly mentioned in the chapter 3, supply chain capabilities (SCCs) are the capabilities developed jointly in supply chains, potentially under pioneering and orchestration of a supply chain leader such as Apple Inc., to be deployed and

utilized by supply chain members. Thus, unlike other types of capabilities, their development and exploitation venues are different from each other. While they are usually developed at supply chain level as a result of joint effort of both upstream and downstream supply chain members, they can then be exploited by individual actors in these networks (Yusuf et al. 2004). Therefore, from a conceptual and methodological standpoint, SCCs are considered to be organizational-level capabilities (rather than higher-level capabilities), because they are simple accumulation of firm capabilities in supply chains (Gligor, Holcomb, & Stank 2013; Ponomarov 2012). Similar logic is observed in professional supply chain rankings, where each supply chain is named after its leader-firm (Gartner 2011), or extant research that examines key SCCs such as SCA (e.g., Braunscheidel & Suresh 2009; Liu et al. 2013) and supply chain resilience (e.g., Khan, Christopher, & Creazza 2012; Schmitt & Singh 2012) at the firm level. Furthermore, some SCCs could also be developed primarily in-house, albeit with the support of other supply chain members, to be applied in management of firms' supply chains. This position is also consistent with the view of SCM as a business model and a function (Simchi-Levi, Kaminsky, & Simchi-Levi 2009), rather than a colossal system that no single actor can truly manage singlehandedly. Conceptualizations of the two key SCCs identified, namely *supply chain agility* and *relational capability*, rest on these premises.

Supply chain agility. Supply chain agility (SCA) was the first supply chain capability derived from the qualitative study and literature reviews as pivotal to emerging market firms (EMFs) and their supply chains. The concept of SCA has originated from manufacturing and was popularized in early 90s (Goldman & Preiss 1991). Nonetheless, the concept of agility itself has its roots in sport sciences (Sheppard & Young 2006). Afterwards, it was applied to business context to enhance the understanding of business behavior in response to increasing dynamism in the global business environment. Therefore, the concept of agility and its application on supply chain context as SCA has gained momentum in various disciplines of management research including information technology (Sambamurthy, Bharadwaj, & Grover 2003), strategic management (Shewchuk 1998) and operations management (Narasimhan, Swink, & Kim 2006; Zhang & Sharifi 2000). Furthermore, the role of agility as a dynamic capability for international activities and involvement has recently been recognized in IB research (Teece 20104). Thus, understanding the concept of SCA is important to explore its role in international performance of EMFs.

Supply chain agility is defined as "the firm's ability to stay alert and quickly and easily adjust strategies, tactics, and operations within its supply chain to

cognizantly respond or adapt to changes, opportunities or threats in its environment" (Gligor 2013) in this study. Supply chains are usually complex entities, consisting of many actors with different characteristics and goals; however, they still need to have the capability of quickly and effectively responding drastically changing environmental realities and volatile customer demand (Christopher 2000). The corresponding capability for this matter is SCA as an externally focused capability that is derived from flexibilities, alertness, and nimbleness of supply chain members (Swafford, Ghosh, & Murthy 2006). SCA is a strategic ability to adapt and accommodate quickly unplanned and sudden changes in opportunities and pressures stemming from a rapidly changing and continuously fragmenting global market environment (Tsourveloudis & Valavanis 2002). SCA requires continuous alignment and realignment of specific tangible and intangible assets and competences to serve volatile market requirements and survive in dynamic environment, all of which are key features of DCs (Teece 2007).

Agility is not in conflict with the internal alignment of activities for being lean under normal situations and could be viewed as an ambidextrous capability (Gibson & Birkinshaw 2004). It is about being efficient yet alert in normal situations and being nimble and flexible during drastic changes. SCA is a cumulative and holistic capability rather than characteristics of a single actor in a supply chain, yet it can be leveraged by actors in the supply chain (e.g., Braunscheidel & Suresh 2009; Swafford et al. 2006). Being complex systems, supply chains may face the threat of being clumsy and numb. Thus, to be reliable in an uncertain, complex, and changing environments, firms' supply chains must be agile (Prater et al. 2001). This perspective to SCA is also relevant to IB, as no firm is free of its supply chain network, and supply chains become more critical to manage as firms grow in global markets.

According to another definition, SCA also refers to capability and readiness to proactively or reactively embrace and respond to changes flexibly and in a swift manner via high quality relationships with the environment (Conboy & Fitzgerald 2004). Agile supply chains are capable of meeting technological and market challenges, interorganizational learning, and dealing with amplified complexity (Plonka 1997). SCA is multidimensional and finds its application in various contexts (Gligor 2013). Among other possible dimensions, alertness, flexibility, responsiveness, and speed (as depicted in Figure 2) are found to be the most relevant and critical to SCA and are discussed further below.

First, alertness refers to be being constantly aware of the environment and being prepared to take necessary proactive and reactive steps to effectively face the

challenges and opportunities that unpredictable environment presents. Alertness allows alleviating the waste of resources when facing sudden and drastic positive or negative change (Pettit, Fiksel, & Croxton 2010) and facilitates identifying and leveraging opportunities (Gaglio & Katz 2001). Alertness dimension of SCA is critical for SCA to be manifested and realized, because alertness allows firms to continuously sense changing opportunities and needs and allows quick and smooth deployment of resources and process in the wake of sudden changes. Besides, alertness increases supply chain visibility, which is pivotal for effective management of product and information flows within large and complex supply chains surrounded by uncertainty (Braunscheidel & Suresh 2009). Thus, it could be argued that alertness is a key prerequisite for agility of supply chains and firms in supply chains.

Second, firms with agile supply chains are flexible to meet changing customer preferences, and face volatile supply-demand markets (Prater et al. 2001; Swafford et al. 2006). Flexibility, refers to the extent to which firms are willing to adjust their behavior to cope with changing circumstances (Ayers, Dahlstrom, & Skinner 1997). Strategic flexibility is particularly important for firms facing significant political and economic changes, an uncertain institutional environment, and poorly developed markets (Uhlenbruck et al. 2003). Consequently, firms' ability to respond to environmental changes is contingent upon their flexibility (Swafford et al. 2006). Indeed, the degree of flexibility sets the limits of potential range of agility of firms in supply chains, and in turn whole supply chains. Hence, flexibility as an internally oriented competence (Swafford et al. 2006) plays a pivotal role in the range and extent of potential SCA.

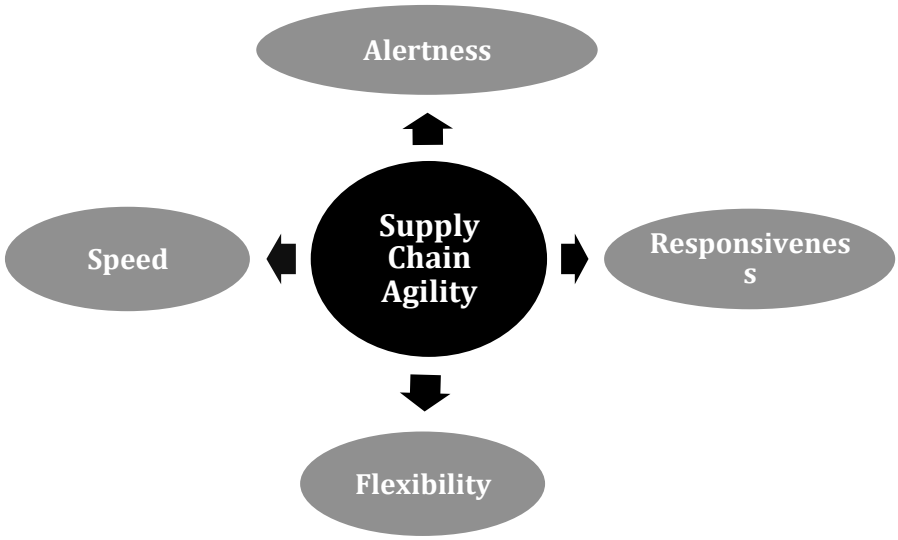

Figure 2. Conceptual Dimensions of Supply Chain Agility

Third, firms with agile supply chains are quick at making resolute decisions and taking actions (Conboy & Fitzgerald 2004; Li et al. 2008). Speed, as a dimension of agility, is not about hectic or feverish tempo but about being nimble and acting with quick easy grace whenever necessary. Thus, speed refers to the timeliness of making a decision or performing an activity in response to changing environment (Milgate 2001). Though speed alone cannot define agility, it enables firms to meet the realities of dynamic business environment in a timely manner. In fact, in most conceptualizations of SCA, speed has been at the core of characterizing what agile supply chains are (Gligor 2013). Thus, speed is at the very center of SCA, and without speed, most supply chains cannot move beyond being flexible to external realities at the expense of clumsiness.

Finally, firms with agile supply chains are responsive, i.e. respond effectively and properly, to any symptom they may face in their environment (Christopher 2000). Hence, responsiveness refers to an ability to react to environmental changes, threats and opportunities as they arise (Yeniyurt, Cavusgil, & Hult 2005). Responsiveness is especially critical for agility in meeting market and customer requirements (Swafford et al. 2006). Nevertheless, responsiveness includes responding to market requirements (even if negatively) according to firm strategy and does not mean that firms have to conform to all requests they receive from their customers and other external stakeholders. Consequently, all these distinctive behavioral attributes characterize the nature of SCA and constitute the primary dimensions of SCA as an important capability.

Relational Capability. The second focal supply chain capability is relational capability (RC). A supply chain is typically viewed as a network of actors that transform raw materials and inputs into distributed products and services (Ketchen & Giunipero 2004). Two key functions of networks are the social access to resources and flow or distribution of information (Borgatti & Halgin 2011). Firms' ability to identify, develop, and utilize in combination specialized and co-specialized assets built or bought is an important dynamic capability, but it is not always present in enterprise settings (Teece 2009). Thus, firms as network members acquire necessary resources via network membership, and networks function as channels for knowledge and idea flow. Nevertheless, access to needed resources and information entails forming relationships with supply chain partners (Dyer & Singh 1998) and developing relational capabilities to leverage these relationships. Furthermore, interorganizational relationships are at the center of SCM, as SCM is defined as a management and integration of business activities across corporate functions and firms in interorganizational networks (Cooper et al. 1997; Mentzer et al. 2008). Consequently, RC emerges as a key dynamic capability to examine and understand within SCM domain.

Stemming from the social capital theory, *relational capability* is defined as the firm's capability to create, manage, and leverage the overall structure of and relationships in its network over time (Capaldo 2007; McGrath & O'Toole 2013). RC lies at the core of interorganizational and network phenomena, extends beyond routines and activities, and include emotions and attitudes of managers towards their exchange partners (Mitrega et al. 2012). Firms' ability to identify needs and opportunities to "invest" in co-specialized assets evolved within its network is fundamental to DCs (Teece 2009). Thus, RC is a pivotal dynamic capability to manage the firm's network, which compromises its supply chain (Wathne & Heide 2004), and deduct relational rents from its key interfirm relationships. At the supply chain level, for the combined efforts of multiple supply chain members to be successful, effective inter-organizational management is required (Gligor & Holcomb 2012a), and RC plays a key role in the management of interorganizational relationships. The microfoundations of RC are grounded in the capabilities of firms' boundary-spanning employees such as purchasing and sales agents (Zhang, Viswanathan, & Henke 2011). RC is developed and utilized primarily at a personal level (Renouard 2011), and thus, is highly inimitable. Nonetheless, a judicious strategy is required for RC to be deployed, manifested, and leveraged at the firm level (Capaldo 2007).

Evolving understanding of RC emanates from multiple perspectives, including relationship marketing perspective of marketing (Dwyer, Schurr, & Oh 1987), relational view of strategy (Dyer & Singh 1998), and boundary spanning perspective of logistics and operations management (Zhang et al. 2011). Thus, RC can be viewed as a dynamic and operant supply chain capability, being strongly pertinent to core premise of SCM: upstream and downstream interactions spanning across firm boundaries. The core utility of RC is its enabling role in accessing and leveraging resources and capabilities embedded in firms' internal and external networks that spans across their boundaries (Borgatti & Halgin 2011; Capaldo 2007). Thus, it is a key specific dynamic capability, just like product development is (Helfat & Peteraf 2009). It is the capacity of an organization to purposefully create, extend, and modify its resource base that expands beyond its boundaries. It particularly commands potential resources and capabilities that emanate from entities external to the focal organization. Accordingly, RC is a capability that enables firm to develop and make use of its social capital (Nahapiet & Ghoshal 1998).

In this research, RC is conceptualized as a broad capability that encompasses pertinent relationship and network related capabilities such as network(ing) capability (McGrath & O'Toole 2013; Mitrega et al. 2012; Mort & Weerawardena

2006; Walter, Auer, & Ritter 2006) and relationship management capability (Jarratt 2004; Jarratt 2008). Furthermore, given its relevance to social capital theory, RC can be one of the key concepts that links emergent SCM field with more established fields of strategic management and IB (Hitt 2011). In particular, IB and SCM can reciprocally utilize insights from accumulated knowledge developed within these fields to understand and explain "network" phenomenon in international settings (Johanson & Vahlne 2009).

RC encompasses three process-like dimensions that are reflected by the manifestation of RC as a dynamic capability. These dimensions are establishment, governance, and leverage of interorganizational relationships as depicted in Figure 3 (Cousins et al. 2006; Kale, Singh, & Perlmutter 2000; Lado, Paulraj, & Chen 2011). The first dimension of establishment refers to the ability of finding, selecting, and evaluating potential business partners and initiating and establishing business relationships with those relevant to serve a particular purpose of establishing a particular relationship. The second dimension of governance refers to the ability of effectively managing interorganizational relationships within their life span including termination. The third dimension of leverage refers to the ability of deriving benefits from particular business relationships as well as the whole relevant network accumulated through social capital and relational rents emanating from focal relationships. Accordingly, these three dimensions cyclically feed and complement each other in the pursuit of seeking competitive advantage from firms' interorganizational relationships.

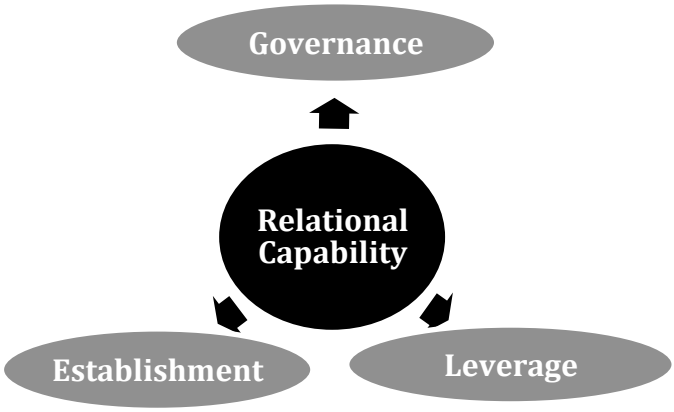

Figure 3. Conceptual Dimensions of Relational Capability

Though firms increasingly need network relationships to expand and grow abroad, it takes significant time, cost, and effort to build relationships (Johanson & Vahlne 2009). Similarly, management and maintenance, i.e. governance, of relationships are highly dynamic and challenging (Autry & Golicic 2010; Wathne

& Heide 2004). Thus, RC arises as a distinctive supply chain capability that would be critical to expand international markets and manage global business activities.

4.1.2 Marketing capabilities

The core premise of research on marketing is the study of firms' value creation function (Woodruff 1997). In turn, it has been increasingly evident that resources and capabilities play a pivotal role in marketing (Kozlenkova, Samaha, & Palmatier 2014). Resources and capabilities are argued to be key enablers of firms' value creation function (Kozlenkova et al. 2014). Some capabilities pertinent to marketing domain are ordinary or operational (Wilden & Gudergan 2014), Nonetheless, some capabilities that are highly relevant to marketing can be labeled as dynamic, given their strategic importance and operant role in other capabilities (Barrales-Molina et al. 2014). In this vein, understanding of specific dynamic MCs is imperative to advance the knowledge on some IB phenomena. However, while MCs have a more significant place in IB research compared to SCCs (e.g., Zou, Fang, & Zhao 2003), there is still a significant opportunities for further advancement within the realm of MCs in IB. Two relevant marketing capabilities are identified here for further discussion based on the same processes and reasons provided in the selection of SCCs.

Innovativeness. *Innovativeness* refers to openness and capacity to introduce innovation in the organization (Hult et al. 2004; Hurley & Hult 1998). Openness and capacity to innovate, as two core dimensions of innovativeness, are vital and complementarity to each other for innovativeness to be realized, because innovation cannot be manifested without both of these two qualities (Hurley & Hult 1998). In fact, a key attribute of innovativeness that demarcates it from ordinary capability to innovate (Sok & O'Cass 2011) is that it encompasses willingness and strategic orientation toward innovation, which engenders the construct to be more comprehensive and strategic in nature.

A key component in the success of firms is the extent of their innovative capability (Hult et al. 2004). Innovativeness provides firms with opportunities to regenerate their products, processes, and structures to better respond and adapt to their business environment and differentiate in their markets. It implies receptivity to change and willingness to face new challenges. Innovativeness is considered a crucial dynamic capability (Azadegan & Dooley 2010) as suggested in previous seminal studies (Christensen et al. 1998; Luo & Bhattacharya 2006) and could be leveraged to succeed in the dynamic global business environment.

Innovativeness is a central concept to marketing (Hult et al. 2004; Hurley & Hult 1998). Oftentimes innovation is championed and/or coordinated by marketing function (Chandrashekaran et al. 1999; Griffin et al. 2013). In line with the core premise of marketing, innovativeness enables firms to create value through management, product, service, process, and technology innovations orchestrated toward achieving superior market position (Deshpandé & Farley 2004). Innovativeness unlocks innovation opportunities far beyond product innovation and includes reinventing business processes and building entirely new markets that meet untapped customer demand (Teece 2007). Thus, innovativeness is a central dynamic capability driven and orchestrated primarily by firms' marketing function at the strategic level to compete in dynamic environments.

Though overarching concept of innovativeness is immensely broad, in this study, innovativeness is considered at the firm level in the context of marketing - international performance interfaces. Innovative firms are creative, responsive, and open to market and customer requirements. Firms' innovative capabilities can respond to market uncertainties and complexities successfully via tailoring their products and services or launching totally new portfolio to match distinctive demand patterns (Pearson 1991). Innovativeness is a prerequisite for firm survival let alone market expansion and international performance. Hence, innovativeness is suggested to be critical for international performance (Cassiman & Golovko 2010; Knight & Cavusgil 2004).

Absorptive capacity. Flint (2004) suggests that both the challenge and requirement of understanding customer value grows exponentially following global expansion. Firms willing to expand to global markets often suffer from the lack of necessary information about the market characteristics, institutional environment, and customer value perceptions (Barkema, Bell, & Pennings 1996). Hence, acquiring necessary market information is critical to make proper decisions about global markets and achieve competitive advantage through providing superior customers value. The capability that enables to do this is *absorptive capacity* (AC), and it refers to a set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability (Zahra & George 2002).

AC has four complementary dimensions that facilitate its understanding, as shown in Figure 4. The first dimension, acquisition refers to firm's capability to identify and acquire externally generated knowledge that is critical to its activities (Zahra & George 2002). Acquisition is a prerequisite capability for initiating manifestation of AC to achieve desired outcomes. The second dimension, assimilation refers to the firm's routines and processes as manifestations of

capabilities that allow the firm to analyze, process, interpret, and understand the information obtained from exogenous sources (Szulanski 1996; Zahra & George 2002). Assimilation is a central process where external information is processed to be relevant knowledge. The third dimension, transformation refers to firm's capability to develop and refine the routines that facilitate combining existing knowledge and the newly acquired and assimilated knowledge in a transformative manner (Zahra & George 2002). Transformation is a stage where the realization of absorbed external knowledge commences within the firm boundaries. The last dimension, exploitation refers to firms' ability to refine, extend, and leverage existing competencies or to create new ones by incorporating acquired and transformed knowledge into its activities (Cohen & Levinthal 1990; Zahra & George 2002). Exploitation comprises the final stage of manifesting and realizing AC for firm purposes, and it is the stage where the firm reaps the benefits of AC.

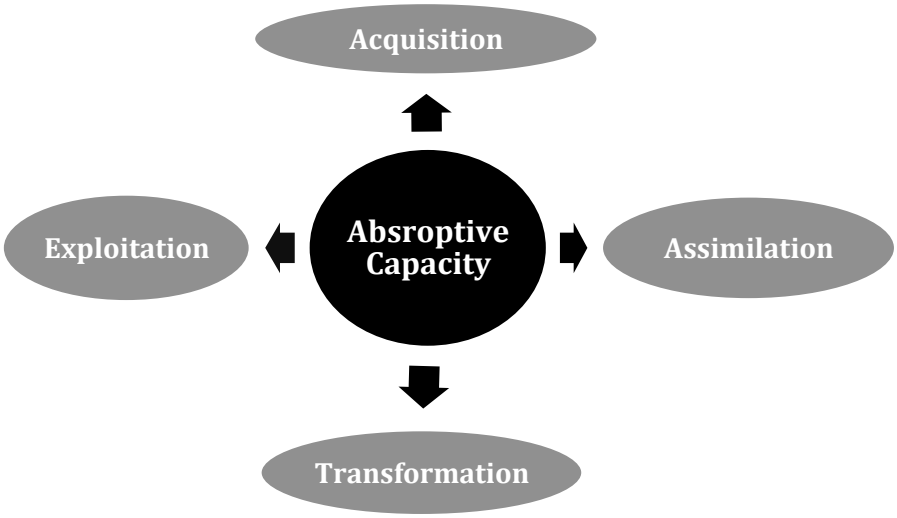

Figure 4. Conceptual Dimensions of Absorptive Capacity

Though AC primarily draws on organizational learning framework (Crossan, Lane, & White 1999; Sinkula 1994), it is viewed as an important dynamic marketing capability (Barrales-Molina et al. 2014). It is accepted as a critical aspect of a firm's ability to develop innovative customer solutions (Rindfleisch & Moorman 2003). AC is also closely linked to strategically evaluating and leveraging market-related information (Weiss & Heide 1993). To identify and shape opportunities, firms must continuously scan, search, and explore across technologies and markets, because integrating internal and external know-how is particularly essential to success when "systems" and "networks" are present at the global stage (Teece 2007). Therefore, AC and its key dimensions constitute

important parts of the microfoundations of DCs (Teece 2009) and allow firms to leverage external knowledge as a competitive tool.

4.1.3 Institutional variables

Incorporating institutional variables into management research may first appear to be not sufficiently interesting, as influence of institutions are often subtle and firms may not significantly influence institutions singlehandedly (DiMaggio & Powell 1983; Scott 1987). However, it can still be relevant to research, as including relevant institutional factors may result in advanced knowledge on how to respond to relevant institutional factors that influence their behavior, structure, and performance (Wright et al. 2005) and define strategy in response to these factors (Oliver 1991). Furthermore, as discussed in 2nd chapter, institutions and firms co-exist and co-evolve (Cantwell et al. 2009). It is increasingly evident that both institutions and firms exert cyclical and important influences on each other (Augier & Teece 2008; Cantwell et al. 2009; Dunning & Lundan 2010). Thus, the inclusion of relevant institutional variables into the current research and the examination of their influence on the relationship between MCs and SCCs and international performance of EMFs are believed to enrich the study and its potential contribution to research and management practice.

Drawing on the literature, it is revealed that institutional distance (e.g., Xu & Shenkar 2002), institutional development (e.g. Bevan et al. 2004), and institutional uncertainty (Brunetti & Weder 1998) are important factors that can influence investment decisions, capability use, and international performance of EMFs. These three factors cover a significant share in explanation of formal institutions, especially in IB field (Jormanainen & Koveshnikov 2012). While one reference point (country, region, etc.) is used to measure institutional development, and institutional uncertainty, relative difference between two reference points are used to measure institutional distance. Furthermore, while some dimensions of institutional development and institutional uncertainty may share a reverse correlation, all three factors are distinctive; and best efforts are made to keep delineation among them within this research.

When studying the influence of institutional factors, the dissertation mainly draws on economics rooted new institutional economics and sociology rooted neo-institutional theory to study external effects that may influence the relationship between capabilities and international performance. This integrative approach followed in theoretical sections of the dissertation is also continued in the empirical sections. Insight from both new institutional economics and neo-

institutional theory are utilized to conceptualize, operationalize, and measure relevant variables.

Institutional development. Economic, political, and social institutions determine the nature and structure of business activities in a country (Chan et al. 2008). Hence, the nature of institutions exerts pivotal influence on the firm behavior and performance. Yet, like many other socioeconomic entities, institutions vary in terms of the level of development. *Institutional development,* a concept that captures this phenomenon, is defined for this research as the extent to which the economic, political, and social institutions in a host country are developed and are favorable for foreign affiliates (Chan et al. 2008). It is a multidimensional concept that captures all aspects of institutions including economic conditions, legislative institutions, and social values (Wu 2013). Beyond stability and predictability, institutional development indicates the extent of institutions' conduciveness to smooth and effective business activities. Conventional view of institutions highlights restricting and structuring nature of institutions that lead to isomorphism and equilibrium at the expense of efficiency and effectiveness (DiMaggio & Powell 1983). However, institutional development underlines the extent to which various institutions are conducive to efficient and effective management of business and economic activities (Schwab et al. 2013).

Countries differ distinctly in terms of their institutional environments and the extent to which their institutions are developed (Chan et al. 2008). Proxies such as rule of law and ease of doing business that predict institutional development vary significantly over different countries. As primary settings for macro-level institutions, some countries possess socioeconomic, political, and normative institutions that lay facilitating ground and structure for effective and efficient management, while other countries do not. Particularly, many emerging markets are identified with weak, volatile, extractive, and restrictive institutions (Acemoglu et al. 2003). All these factors are typically sign of the lack of sufficient institutional development (Schwab et al. 2012). On the other hand, many developed countries offer favorable institutional structures and mechanisms that provide a dynamic and equitable yet flexible and accountable order for social behavior including business activities (Peng 2003).

Institutional development is a vital concept to account for when studying institutions (Tihanyi & Roath 2002; Wu 2013). The level of development of focal institutions primarily signal to what extent these institutions can exhibit their potentially positive influence on business activities. Furthermore, the level of institutional development in home and host contexts also has important implications on firm behavior and performance (Schwab et al. 2013; Wu 2013),

which makes the concept of institutional development highly relevant to IB research (Gelbuda, Meyer, & Delios 2008).

Institutional uncertainty. The key implication of uncertainty is that it clouds judgment and often engenders environment unfavorable to business. Though one of the key functions of institutions is to alleviate uncertainty and give meaning to social behavior (Scott 1994), it is possible that some institutions cannot provide this function and be a source of turbulence and opaqueness instead. In light of this notion, *institutional uncertainty* refers to volatility and ambiguity in the nature and behavior of political and socio-economical entities surrounding business actors (Brunetti & Weder 1998; Carson et al. 2006). Institutional uncertainty stems mainly from failure of institutions in developing meaningful behavioral boundaries and standards such as professionalization, industry boundaries, and business practice standards (Glückler & Armbrüster 2003). Thus, institutional uncertainty implies that social entities including firms cannot rely on institutions in their decision making and forecasting future, because institutions exhibit weak, unaccountable, and volatile attributes. Two of the key aspects of institutional uncertainty at macro level are macroeconomic volatility (e.g., terms of trade, inflation, and exchange rates) and political uncertainty (e.g., government unpredictability, unstable incentive frameworks, social unrest, and unpredictability of property rights) (Brunetti & Weder 1998). Moreover, the lack of institutionalization, i.e., the lack of formal and informal institutional standards, may also indicate higher levels of institutional uncertainty (Phillips, Tracey, & Karra 2009).

The role of uncertainty has been extensively recognized and investigated in business research (e.g., Brouthers, Brouthers, & Werner 2002; Henisz & Delios 2001; Patel 2011; Rivoli & Salorio 1996). Uncertainty is a key feature of the influence of external environment on firm behavior. Likewise, institutional uncertainty constitutes an important aspect of institutions and their role in firm behavior, structure, and performance (Goodrick & Salancik 1996). For example, institutional uncertainty plays a pivotal role in the nature of contractual arrangements among firms in China (Luo 2005). Therefore, examining the role of institutional uncertainty in the relationship between DCs and international performance can provide valuable insights into the contingencies and boundary conditions for the impact of DCs.

Many studies adopting IT use uncertainty (e.g., Henisz & Delios 2001) and environmental uncertainty (e.g., Brouthers et al. 2002) interchangeably, however this research follows "institutional uncertainty" concept to be more focused and stay intact with the other institutional factors. Political and economic uncertainty

dimensions of institutional uncertainty are of primary interest in this research, and societal uncertainty dimension is left out for the sake of parsimony and research focus.

Institutional distance. Zaheer, Schomaker, and Nachum (2012) argue that international management is essentially a management of distance, given the fact that coordination and management of business activities across borders constitutes the core premise of international management. Thus, it is self-evident that distance, and in particular institutional distance, matters to international business and management. *Institutional distance* is defined here as the extent of similarity or difference between a host country and a home country in its institutional context (Kostova 1996). In order to account for wider range of characteristics when conceptualizing institutional distance, it could be decomposed into regulative, normative, and cognitive dimensions of institutions (Xu & Shenkar 2002). Rather than focusing on a single institutional factor, institutional distance covers a comprehensive and complementary view of institutions that could be overlooked by institutional factors that adopt one reference point. In fact, institutional distance allows researchers to consider the whole range of country options, providing a yardstick by which many alternatives of institutional contexts can be measured and compared (Zaheer et al. 2012). Furthermore, institutional distance concept provides insights beyond a highly popular concept of cultural distance, because it captures formal and informal, or in other words, regulative, normative and cognitive (Kostova & Zaheer 1999), institutions in articulating, disseminating, and arbitrating cultural and social cues (Xu & Shenkar 2002). Accordingly, it is widely adopted in the IB literature (Zaheer et al. 2012), as it is a parsimonious yet inclusive and powerful indicator of institutional factors of two countries or regions in relation to each other.

Institutional distance concept becomes more relevant in international environments. International and internationalizing firms are particularly subject to the influence of institutional distance, since they share many interfaces simultaneously with multiple institutional environments (Xu & Shenkar 2002). In particular, EMFs face broader range and different kinds of institutional distances when they operate in other emerging and developed markets (Gölgeci & Arslan 2014). For instance, likely low levels of institutionalization in EMFs' home countries and multilevel manifestations (e.g., at organizational level) of institutional influences increase institutional distance between their home countries and more institutionalized host countries (Phillips et al. 2009). In such cases, the likely outcome could be refraining from investing in institutionally distant markets, because requirements of those markets with different institutional

rules and norms often conflicts with those of the home country (Xu & Shenkar 2002). Nevertheless, the influence of institutional distance is likely to extend beyond strategic decisions and activities pertaining to international management (Xu & Shenkar 2002; Yang, Su, & Fam 2012). It is likely to encompass the influence of different types and extents of institutional distances between home and host countries on the functioning and value of various DCs. Subsequently, this concept is included in this research in order to reveal the influence of various institutional factors on DCs – international performance of EMFs relationship above and beyond other included key factors of institutional development and institutional uncertainty.

4.2 Hypotheses Drawing on Qualitative Study Findings and Theory

The propositions in the 3rd chapter are put forth in this study in order to provide a basis for the incorporation of the key findings into the second and main phase of the research, rather than to test within the current research. Following the these propositions, the attention is turned to incorporating the findings of the qualitative study into the main research, by delving further into the relationships between relevant MCs and SCCs that stood out from the other capabilities during the analysis of the findings. Consequently, the findings from the qualitative study are leveraged, in tandem with supporting theoretical arguments, for posing more specific hypotheses to be tested in the quantitative phase. This approach (generating hypotheses based on evidence from a qualitative study and extant theory), though unconventional, has been applied in previous rigorous and influential management research applying mixed-methods approach (e.g., Currall et al. 1999; Dyer & Chu 2000; Ho, Ang, & Straub 2003).

As shown in the 3rd chapter, SCA and RC appeared to be among the most important and utilized SCCs for Turkish firms participating to the qualitative phase of the research. Likewise, innovativeness and AC were both mentioned by marketing managers notably more often than many other MCs. Consequently, the potential relationships among these concepts were explored further within the data and theory.

In line with the overall purpose of the qualitative phase of the research and this chapter, the following empirical and theoretical evidence on hypotheses focuses only on the relationships between capabilities from two different functional domains, namely marketing and SCM. Thus, evidence on the potential linkages between the capabilities emanating from the same domains is omitted in this

chapter to allow for parsimonious and focused attention on what was stated in the section on the purpose of the study.

Starting with the influence of MCs on SCCs, the findings on the suggested impacts of AC and innovativeness on SCA are offered with the support of the extant literature. A closer look at the definitions of AC and SCA reveals that these two DCs share some common ground. Both capabilities entail certain degree of awareness to the firm's environment and changes in its environment as well as requirements that the environment imposes on the firm. However, their domain, nature, and scope are different. In previous studies, it was argued that AC and agility differ from each other because, AC predominantly denotes firms' ability to manage knowledge (i.e., by acquiring, assimilating, transforming, and exploiting it), whereas agility refers primarily to firms' ability to manage change (i.e., by sensing and responding to it) (Overby, Bharadwaj, & Sambamurthy 2006). Consequently, agility is primarily about applying to episodic events precipitated by environmental change, whereas absorptive capacity operates on a more continuous basis to foster the firm's competitive advantage (Overby et al. 2006). This distinction highlights that AC and SCA are different concepts.

Nonetheless, empirical evidence from the research participants indicates that AC can play a visible role in fostering SCA, in a way that is similar to the one explain in proposition 2B. For instance, Secil from *Sanguine* stated that their firm's ability to collect and process market intelligence boosted speed and smoothness of their local and foreign supply chain operations. Likewise, Tuba from *ComTech* argued that their marketing unit's AC contributed to SCM unit's responsiveness, which is argued to be a dimension of SCA (Gligor 2013; Gligor et al. 2013). A set of theoretical arguments and previous findings also support the evidence found on the positive link between AC and SCA (Liu et al. 2013). For instance, previous research argues that firm's agility is influenced by the level of knowledge range and abundance the firm can obtain (Sambamurthy et al. 2003). Furthermore, Liu et al. (2013) argue that a firm with high absorptive capacity is adept at sensing market changes and learning from experiences, which are directly linked to alertness and accessibility dimensions of SCA (Gligor 2013; Gligor et al. 2013). Consequently, it is evident that firm's AC particularly in dynamic times and environments, which are typically identified with emerging markets, may exhibit positive influence on SCA through multiple means and dimensions.

Hypothesis 1: *Absorptive capacity of emerging market firms is positively associated with their supply chain agility.*

Furthermore, innovativeness as a dynamic capability emanating mainly from marketing unit was found to exhibit positive influence on the agility of Turkish firms' supply chain members and activities, in line with the arguments presented in proposition 2B. For example, Zuhal from *Chem* stated that for their firm, innovativeness entailed moving beyond the routines, and because moving beyond the routine facilitated explorative activities in their supply chain, their firm's and supply chain's agility is boosted by the opportunities stemming from such explorative activities. Similarly, Ali from *Log* suggested a positive link between the innovativeness of their marketing and sales unit and responsiveness of their SCM and operations unit to the fast changing market realities, as process and management innovations increased their speed and operational smoothness. Probing into the literature, Golgeci and Ponomarov (2013) found that firm innovativeness can be utilized to respond to sudden and significant changes in the firms' markets and supply chains. Furthermore, Jain, Benyoucef, and Deshmukh (2008) put forth innovativeness as a criteria to attain SCA, given the notion that innovativeness is required to adopt effective and nimble practices as a response to environmental change. Therefore, innovativeness is posited to have positive influence on SCA in this research.

Hypothesis 2: *Innovativeness of emerging market firms is positively associated with their supply chain agility.*

On the other side of the coin, there is also evidence that allows building on the above relatively broader propositions suggesting a positive influence of certain types of SCCs on certain types of MCs and probe what selected SCC(s) appears to foster respective MC(s). Looking from this perspective, it was interesting to discover how RC of employees in Turkish firms with regard to their business relationships with their firms' supply chain partners nurture their AC and innovativeness across functional units. This specific finding is consistent with the general findings that laid the ground for developing proposition 2A.

First, consistent with common wisdom, interviewees directly or indirectly implied that how their firms manage the boundary spanning activities with their supply chain partners has a notable implications for what they can learn from these partners and from the environment at large. In fact, Hakan from *Crunch* suggested that relational capability of their firm's employees working in SCM operations fostered learning capability of their marketing employees, an indirect linkage that would not be visible at first sight. Moreover, both Melik and Mikail from *IntBdn* stated that they have a competitive supplier base, and utilizing this supplier base as a market learning tool entails skilled set of procumbent specialist to managers who are good at managing business relationships fruitfully. Furthermore, Özgür

from *VMine* stated that their firm received significant benefits from sales and supply chain specialists working abroad concerning market intelligence and market learning, because these employees were able to communicate and extract relevant market and technological knowledge from the firm's suppliers abroad. The direct and empirical evidence on the potential linkage between RC and AC is rather weak in the extant theory. Nevertheless, the influential relational-view proposes that interorganizational relationships can be leveraged to achieve and sustain competitive advantage in a highly and increasingly interconnected world (Dyer & Singh 1998). The kernel of this central proposition of the relational-view implies that firms with higher relational capability are likely to be better at acquiring and processing market and technological knowledge from their business networks (Lane & Lubatkin 1998). In fact, the whole notion of supply chain learning points out RC as an important prerequisite for effective learning experience from supply chain members (Gölgeci & Arslan 2014).

Hypothesis 3: *Relational capability of emerging market firms is positively associated with their absorptive capacity.*

Second, one of the core utility of relational capability is the management of diversity and external ties to leverage for increased innovation performance (Capaldo 2007). This notion was also supported by the participants of the qualitative research. Onur from *Flexicomp* said that their firm involves suppliers in product innovation activities, and thanks to good relations with involved suppliers, they receive valuable insights from their suppliers concerning product innovation. Furthermore, Hakan from *Crunch* and Levent from *RootSteel* stated that they communicate with their customers concerning the type of products that markets may welcome and direct their product innovation activities accordingly. These statements underpin the idea that as sound relational capability is a prerequisite for working business relationships, high quality and working interorganizational relationships can provide a meaningful inputs to innovation effectiveness, especially concerning with regard to market success of such innovations. The extant theory provides some support for this finding. Waltera, Auerb, and Ritter (2006) argue that entrepreneurial firms with high network capability, which is conceptualized similarly to RC in the study, are more likely to be more innovative. Since innovation involves complexities and large resources, the locus of innovation is more likely to be in networks than in individual firms or individual employees (Håkansson 1989). In fact, one of the key sources of advantage in networks is argued to be increased innovativeness (Greve, Rowley, & Shipilov 2013) due to increased possibility of having access to new and original ideas and other sources of innovation such as technology from

network partners, so long as the focal actors has the ability to manage and leverage its networks relationships. Consequently, both the findings and the literature indicates that RC is one of the potential enablers of higher innovativeness, especially in networked and marketing intensive contexts, because such capability may allow firms to have access and utilize innovative ideas and may motivate them to conduct collaborative innovation activities.

Hypothesis 4: *Relational capability of emerging market firms is positively associated with their innovativeness.*

4.3 Hypotheses Drawing on Theory

Global value chains and global factory. Unprecedented economic, social, technological, and political changes in the past decades have engendered the birth and rise of global value chains (GVCs) (Gereffi et al. 2005). Furthermore, technological advancements and financial pressure has enabled and driven firms to modularize their production and outsource non-core elements in their system. Consequently, the global value chain concept, where production, transformation, and distribution of products, services, and information are managed across borders, has gained increasing popularity as a way to analyze the international expansion and geographical fragmentation of contemporary supply chains and value creation and capture therein (Gereffi & Lee 2012). Through conducive transportation and communication tools, the management of their GVCs enabled multinational enterprises (MNEs) to leverage their specialization and modularization opportunities, ownership and location advantages, and distribution networks and market reach possibilities for increased global market share and supply dominance.

GVCs also allow and facilitate "global factory" phenomenon by enabling slicing the activities of firms more finely and in finding optimum locations for each closely defined activity and managing control matrices that run from wholly owned units through market relationships such as subcontracting (Buckley & Ghauri 2004). The global factory as a new flexible structure of many MNEs was emerged primarily out of increased uncertainty in the external environment and in governing strategies (Buckley 2009b). It is based on two key decisions by MNEs: internalization / externalization control choice and a location decision (Buckley 2009b). Its adoption was facilitated by management learning and improved techniques of managing through contracts (Buckley 2009b). The key implication of the global factory for EMFs is the fact that, for better or worse, it has enabled new opportunities for new countries to enter international business and improve their certain capabilities (Buckley 2009a).

Though emerging markets have benefited to some extent from the emergence of GVCs by integrating to global economy more tightly, local firms operating in emerging markets also face challenges of being part of global factories that favor MNEs (Buckley 2009a). This challenges is manifested through subtle or overt pressure on EMFs to focus on upstream (production-SCM related) capabilities at the expense of MCs and abstain from initiating their own internationalization processes independently (Buckley 2009b). Therefore, global factory system emerges as one of the key implications of GVCs and is of primary relevance to EMFs in their pursuit of global presence and performance. Many EMFs are part of global factory systems. Though global factories provide EMFs with survival possibilities, stimulate certain capabilities, and enable "getting-by" level of performance, they limit long-term international performance of EMFs by placing constraints on the development of their strategic capabilities and exploitation and financial independence (Buckley 2009a). In turn, supply chain management and GVCs are inextricably intertwined (Gereffi & Lee 2012) and supply chain management is a key element in governing GVCs that leads to increased relevance of supply chain management for IB research. Consequently, studying EMFs and their efforts to succeed in international marketplace through realities of GVCs and global factory systems highlights marketing and SCM functions and offers promising and accurate base to understand the role of EMFs' dynamic MCs and SCCs in their international performance.

4.3.1 Direct effects

Supply chain agility and international performance. Contemporary business ecosystems present increasing challenges to efficient and effective management because of hypercompetitive (D'Aveni 1994) and high-velocity environments (Bourgeois III & Eisenhardt 1988). These environments are typically associated with frequent occurrence of major, discrete environmental shifts in competitive, technological, social, and regulatory domains (Barreto 2010). Likewise, emerging markets that comprise local settings to EMFs are typically identified with intensive economic activity and high growth (Grewal & Tansuhaj 2001). Yet, emerging markets are also characterized by several serious institutional challenges and shortcomings. For instance, due to lack of substantial middle class and rapid social changes, their economies are often volatile (Raven, McCullough, & Tansuhaj 1994). The imperative enabler of performance in such highly volatile and dynamic environments is the firm's fit with the environment (Miles & Snow 1984). Therefore, local conditions in emerging markets and global market realities often entail EMFs to be agile and have agile supply chains, as agility is

primary enabler of environmental fitness (Blome, Schoenherr, & Rexhausen 2013).

DCs consist of "difficult-to-replicate enterprise capabilities required to adapt to changing customer and technological opportunities" (Teece 2007, p. 1319-1320). Hence, SCA can be viewed as a key dynamic capability that facilitates resource and capability exploitation to achieve quick and effective adaptation to environmental changes. In fast changing and unpredictable environments, being rigid and unfavorable to change may have detrimental effects on firm performance. Instead the possession and leverage of DCs enabling for example the speedy reconfiguration of a firm's supply chain, promise to hold great potential in such environment (Blome et al. 2013). In fact, Buckley and Ghauri (2004) argue that firms with a strong manufacturing culture, and a commitment to a fixed location, may be outcompeted by more agile firms.

Moving beyond the national boundaries, the environments in which MNEs operate are likely to be more diverse than domestic environments (Teece 2009). Once firms step into global markets they face challenges unmatched with what they face in local markets; and they need DCs (Jantunen et al. 2005) and rely on supply chains (Defee & Fugate 2010) to perform and survive in global markets. Coupled with increased volatility and dynamism, such diversity in international environments is likely to impose higher challenges to internationalizing and international EMFs. In turn, successful EMFs accept and swiftly adapt to institutional, cultural, and market heterogeneity while simultaneously trying to capture advantages associated with leveraging advantages in certain assets or processes (Teece 2009). As stated above, the nature of DCs makes them vital for successfully operating and competing in complex, dynamic, and turbulent global markets (Cavusgil & Cavusgil 2012; Teece 2007). Supply chain context is one of the key domains to leverage DCs in global arena (Defee & Fugate 2010; Weigelt 2013). Thus, capabilities developed in supply chain domains may have a positive impact on survival of supply chains and their members, especially when supply chains become more complex due to international expansion (Fynes et al. 2004). SCCs enable firms to have access to capabilities that they cannot singlehandedly develop and serve as a buffer in adverse situations that are becoming common in global arena.

In particular, SCA emerges as a one of the key DCs of proactive nature to develop and leverage in global business environment and consistently provide customers value, which is critical for international performance (Christopher 2000). Yet, unlike some conceptualization of SCA, SCA does not facilitate effective value provision at the expense of efficiency (Lee 2004). Instead firms with SCA are

both efficient and effective (Lee 2004). Nonetheless, Christopher (2000) argues that firms often cannot single-handedly meet challenges attached to volatile global markets and may instead leverage their supply chains to establish and utilize agility throughout the network. As a dynamic capability enabling the effective match of resources to market changes (Blome et al. 2013), SCA is particularly vital to respond to changing market and environmental requirements (such as product and service characteristics, delivery times, and regulations) quickly and effectively, which has become a norm to succeed in global competition (Prater et al. 2001). Furthermore, SCA could be a valuable dynamic capability to effectively respond to external supply disruptions (Blome et al. 2013). Being alert to such changes and disruptions and having visibility thought the complete supply chain to communicate such changes to supply chains members timely and effectively enable firms to foster in a global business environment by differentiating from the competitors (Cavusgil & Cavusgil 2012; Christopher 2000). Hence, it is evident that the proactive leverage of SCA positively influences international performance of supply chains.

Hypothesis 5: *Supply chain agility is positively associated with international performance of emerging market firms.*

Relational capability and international performance. Many studies have emphasized that it is not only firms but networks amongst them that are important (Teece 2009). In particular, institutions in emerging markets are still predominantly governed by faith-based, rather than logic-based, social and political institutions (Sheth 2011). This fact puts relationships with other social, economic, and political at the center of firm strategy and behavior. Restrictive laws, extractive institutions, institutional estrangement (Acemoglu et al. 2003), red-tape, corruption, and difficulties in accessing market information in these economies may promote the importance of social and interorganizational relationships in achieving and sustaining competitive advantage (Peng et al. 2009; Yang & Wang 2011). Furthermore, a typical EMF could be aware of the fact that many resources and capabilities cannot be created in isolation from its supply chain members (Gligor 2013). In short, the core premises of network theory (Borgatti & Halgin 2011; Johanson & Vahlne 2009) and relational-view (Dyer & Singh 1998) suggest that firms can utilize their relationships with other social and economic entities to achieve and sustain competitive advantage. This notion finds a stronger application in emerging markets settings, as network connections and relationships are repeatedly found to be crucial value-adding resources leading to better firm performance in emerging markets (Wright et al. 2005).

Capaldo (2007) argues that one of the sore utility of RC is that it provides fertile ground for leading firms to gain competitive advantages. This ground is nourished by leveraging network and supply chain members and their innovative insight to achieve greater innovative outputs in environments where innovations are rare and valuable (Buckley 2009a). Beyond innovative insights, interorganizational relationships enable firms to access and align critical resources and capabilities such as complementary assets, intellectual property, and scarce talent, all of which makes such relationships pivotal in rapidly changing environments (Teece 2009). Furthermore, a certain degree of interorganizational management is required in order to achieve success in collective supply chain activities (Gligor & Holcomb 2012a). In turn, it is RC that enables firms to establish, govern, and leverage interfirm relationships in networks and supply chains (Capaldo 2007) and achieve strategic fit with their global supply chain partners (Griffith & Myers 2004).

Strong existing evidence on the role of RC in achieving and sustaining firm performance can be extended to international contexts. Firms need interorganizational linkages abroad just as they do in home country, and this can also be applied to EMFs. In fact, the role of RC can be even more critical for EMFs, as they tend to deal with greater challenges abroad including in developed markets (Gölgeci & Arslan 2014). Likewise, Kotabe, Jiang, and Murray (2011) found that EMFs' new product market performance is contingent upon their leverage of managerial ties with government officials and foreign MNC partners. Furthermore, network capability, as a specific form of RC, is found to be pivotal for entrepreneurial firms in international markets (McGrath & O'Toole 2013), as it enables identification and exploitation of market opportunities and facilitates knowledge-intensive product development and international market performance (Mort & Weerawardena 2006). Consequently, it is conceivable that EMFs can gain benefits from their RC in international markets to foster their presence and performance abroad.

Hypothesis 6: *Relational capability is positively associated with international performance of emerging market firms.*

Innovativeness and international performance. Innovation is a central theme in business and management research. Among other theoretical streams, DCT also acknowledges the importance of innovation and asserts that superior performance requires "the creation of new products and processes and the implementation of new organizational forms and business models" (Teece 2007, p. 1346). Furthermore, among other business fields, marketing pays a strong attention on innovation and innovativeness as a key capability linked to innovation (e.g., Boso et al. 2013; Chandy & Tellis 1998; Han, Kim, & Srivastava 1998; Hult et al. 2004; Hurley & Hult 1998; Kim, Cavusgil, & Calantone 2006;

O'Cass & Ngo 2011; Roy, Sivakumar, & Wilkinson 2004; Rubera & Kirca 2012; Sok & O'Cass 2011; Weerawardena & Mavondo 2011). In many studies in marketing, innovation is viewed as a pivotal factor for realizing the definition of marketing as a value creating function (e.g., Chandy & Tellis 1998; Hurley & Hult 1998; Matthyssens, Vandenbempt, & Berghman 2006; O'Cass & Ngo 2011; Weerawardena & Mavondo 2011).

The link between innovativeness and firm performance has been largely established (Hult et al. 2004; Rubera & Kirca 2012; Santos-Vijande, González-Mieres, & López-Sánchez 2013; Tsai & Yang 2013), though contingencies and boundary conditions to this linkage have also been recognized (Rubera & Kirca 2012; Santos-Vijande et al. 2013; Tsai & Yang 2014). Research in marketing and relevant fields has found that various forms of innovativeness lead to various performance outcomes including market position, firm value, and financial position in various circumstances such as in intensive advertising and presence in low-tech industries (Rubera & Kirca 2012).

In this research, general findings on the innovativeness-firm performance link are extended to the specific case of international performance of EMFs. First, because most emerging markets are less technology intensive than developed markets (Buckley 2009a), it is likely that innovativeness will have higher differentiating influence on the international performance of EMFs. Second, a recent research has found that there is a strong contingent relationship between innovativeness and export performance (Boso et al. 2013), particularly in competitive and dynamic markets. Beyond export performance, innovativeness can plausibly contribute to the whole range (potentially including both efficiency and effectiveness dimensions) of international performance of EMFs. Innovative firms from emerging markets are more likely to find and adapt new means of achieving greater success in unfamiliar waters of international markets and meeting international competitive standards (Özçelik & Taymaz 2004). Therefore, this research argues for a positive link between innovativeness and international performance of EMFs.

Hypothesis 7: *Innovativeness is positively associated with international performance of emerging market firms.*

Absorptive capacity and international performance. AC represents a major knowledge management related research stream in business, management, and in marketing (e.g., Chen, Lin, & Chang 2009; Matthyssens, Pauwels, & Vandenbempt 2005; Narasimhan, Rajiv, & Dutta 2006; Xiong & Bharadwaj 2011; Yeoh 2009). It is a relevant dynamic capability for both for business-to-customer and business-to-business markets (Matthyssens et al. 2005). Furthermore, the role of AC extends beyond innovation and organizational learning frameworks and is relevant to management of various forms of market knowledge (Barrales-Molina et al. 2014). When firms expand into foreign markets the amount of knowledge that has to be managed increases exponentially

(Cavusgil 1998; Fletcher & Harris 2012). Such growth in the extent of knowledge to be handled represents a formidable challenge to many firms. Thus, effective management of market and external knowledge is pivotal for survival in the age of information (Fugate, Stank, & Mentzer 2009; Kiessling et al. 2009).

In its essence, AC is a dynamic capability that enables effective and efficient management of relevant external knowledge and meet the need of managerial learning (Zahra & George 2002). Such knowledge could relate to institutions (Lu, Tsang, & Peng 2008), markets (Malhotra, Gosain, & El Sawy 2005), or technology (Bruton, Dess, & Janney 2007). AC facilitates effective recognition, acquisition, assimilation, transformation, and exploitation of such various external knowledge sources to obtain strategic advantage over the firm's competitors (Chen et al. 2009). Thus, though primary effect of AC on firm performance is typically mediated by innovation (Kostopoulos et al. 2011), it is also possible that AC drive firm performance directly or through other means such as knowledge transfer (Chang, Gong, & Peng 2012; Tsai 2001), social capital (Xiong & Bharadwaj 2011), and interorganizational learning and supplier leverage (Yeoh 2009). In short, AC can have extensive and substantial benefits to firms in their pursuit of performance in various circumstances.

In particular, given their social, economic, and institutional contexts, EMFs typically face a high need of learning to succeed at home and abroad (Hitt et al. 2000; Zahra, Ireland, & Hitt 2000). For example, because of the market and institutional complexities faced abroad (Hoskisson et al. 2013), the possession and utilization of market and institutional knowledge can form the cornerstone for firms', including EMFs, global success (Johanson & Vahlne 2009). In these circumstances, AC emerges as a fundamental dynamic capability that EMFs can possess and deploy to learn about the realities of their present or prospective host markets and innovate accordingly (Chang et al. 2013). Likewise, they can leverage their existing AC to innovate and utilize network resources to successfully maneuver in foreign markets and better adapt to the institutional and market requirements of host countries. Furthermore, EMFs can convey advantages they have at home in terms of conduciveness of their AC to their value creation activities to foreign markets served. Consequently, from innovation (Kostopoulos et al. 2011) through social capital (Xiong & Bharadwaj 2011) to supply chain learning (Malhotra et al. 2005), AC is likely to offer distinctive benefits to EMFs in their international activities.

Hypothesis 8: *Absorptive capacity is positively associated with international performance of emerging market firms.*

4.3.2 Moderation effects

Institutional development. Institutional development is pivotal for overall performance of local or foreign firms operating in a given country (Schwab et al.

2013). The effective organization of society—especially the institutional, political, and legal systems—are key ingredients of firm success (Teece 2009). On the contrary, poorer performance in a country is more or less attributable to weaker institutional development (Meyer & Peng 2005). For instance, Russia has a large, skilled, and well-educated pool of human capital (Algieri 2006). However, few firms from the country succeed in global arena, due to weak institutions identified with political instability, corruption, and ineffective incentive systems (Algieri 2006). Despite their evident potential and capabilities, human capital -which has direct and important implications for organizational performance (Luthans & Youssef 2004)- present in such settings often stay dormant, due to being curbed by institutional constraints and dysfunctionalities. On the contrary, firms from South Korea, which has strong and visible institutional influence (Hoskisson et al. 2013), are provided with strong government support and pro-market reforms. Such institutional influence enabled Korean firms to be protected at home and achieve economies of efficiency and invest heavily abroad at relatively low cost (Hoskisson et al. 2013), which largely explains their current success. Thus, institutionally developed economies are likely to offer distinctive benefits to their local firms as well as foreign investors such as EMFs in terms of acquiring and developing DCs in a favorable setting (Wright et al. 2005).

Same arguments about the role of institutional development in firm performance could be also be sustained from the reverse angle: performance of foreign firms operating in a country. Absent the appropriate legal systems, clear and enforceable property rights, competitive markets, and mechanisms for good governance, the benefits of a market economy cannot be fully realized (Teece 2009). Thus, it is evident that institutional development is highly conducive to capability deployment and utilization. In fact, Teece (2007) argues that DCs function remarkably better in developed market economies with business friendly institutional settings. On the other hand, there may be bright sides of the lack of institutional development as well. Learning on how to tackle institutional voids may provide EMFs with a robust growth opportunities and resilience. For instance, being forged to cope with restrictive regulatory regimes in domestic economies may have hardened and endowed Indian and Chinese firms with a resilience that proves a comparative advantage in alien markets with weak legal institutions and insecure property rights (Athreye & Kapur 2009). Accordingly, EMFs may have a competitive advantage in entering country environments with underdeveloped institutions and economic resources (Wright et al. 2005).

Following the overall argument posed by Teece (2007; 2009) on the value and functioning of DCs in relation to institutional development, it is argued in this research that institutional development of host countries provide a conducive environment for effective deployment and utilization of MCs and SCCs of EMFs. First of all, countries with developed and free institutions are better places to innovate and leverage innovations (Barbosa & Faria 2011; Hoskisson et al. 2013; Taras et al. 2010). EMFs innovating at home can find a good place to leverage their innovations in institutional developed countries. Likewise, many EMFs may invest in institutionally developed countries to boost their innovativeness and leverage this capability to achieve greater performance abroad (Kumar, Mudambi, & Gray 2013; Luo & Tung 2007). Thus, institutional development is likely to strengthen the link between innovativeness and international performance of EMFs. Second, the nature of AC entails free and facilitated flow of relevant information. In countries with restricted, unreliable, or inconsistent access to knowledge the deployment and exploitation of AC could be curtailed (Luo & Tung 2007). Likewise, institutional context is argued to have influence on the nature of knowledge sharing and learning in transnational settings (Clark & Geppert 2006). Therefore, it is plausible to argue that institutional development influences how AC is deployed and utilized in the pursuit of international success by EMFs.

Drawing on the importance of institutional development for doing business, the role of institutional development could be extended to the link between SCCs and international performance of EMFs. First, SCA as an important supply chain capability to be leveraged in foreign markets can have interesting and multifaceted interaction with institutional development. Given the notion that SCA is primarily relevant to performance in volatile, unpredictable, and fast changing environments (Christopher 2000), it can be conceivable to expect that SCA's influence on international performance of EMFs will be stronger in institutionally less developed countries. Nevertheless, it is also plausible that certain degrees and forms of (the lack of) institutional development can hamper deployment and manifestation of agility as a capability (Tai, Wang, & Lee 2013), rendering the relationship between SCA and international performance weaker. Second, institutions can also play a definitive role in how supply chain relationships are developed, governed, and utilized (Abdi & Aulakh 2012). Given higher legal protections, rule and enforcement of law, business friendly policies (Hoskisson et al. 2013; Wright et al. 2005) supply chain relationships could be easier to establish, govern, and leverage in institutionally developed countries (Deakin & Wilkinson 1995). Hence, RC could be better deployed and manifested in institutionally developed countries. On the other hand, the differential role of RC on international performance can be higher in many institutionally less

developed emerging markets, because of the faith-based (Sheth 2011), relationship intensive (Yang & Wang 2011), and trust focused (Johanson 2008) nature of the value exchange in these countries.

Consequently, evidence found in the extant theory for the possible moderation effect of institutional development on the relationship between focal SCCs and international performance of EMFs is counterbalancing to other and does not lead to well-grounded and conclusive directional hypotheses. Thus, instead of proposing two alternative hypotheses for each SCC, no hypotheses are put forth in this research as a result of inconclusive evidence on the role of institutional development in the links between SCCs and international performance.

Hypothesis 9A: *Institutional development of host countries positively moderates the relationship between innovativeness and international performance of emerging market firms.*

Hypothesis 9B: *Institutional development of host countries positively moderates the relationship between absorptive capacity and international performance of emerging market firms.*

Institutional uncertainty. Although uncertainty may offer opportunities to some business entities (Johansen 2011), the dominant view of uncertainty is that it curbs business activities as well as efficiency and effectiveness of managerial efforts (Brunetti & Weder 1998). In the macro institutional context, uncertainty is viewed as an external force that influences the firm behavior and structure (Brunetti & Weder 1998; Carson et al. 2006). Katz and Kahn (1978) argue that "any organized activity, in order to persist, must have some degree of predictability." Viewing DCs as routines and processes (Eisenhardt & Martin 2000), common wisdom suggest that development and deployment of DCs can be curtailed in uncertain institutional settings. Likewise, deploying and manifesting a capability requires increased efforts in institutionally uncertain environments due to greater information processing requirements in high uncertainty environments (Koufteros, Vonderembse, & Doll 2002). Nevertheless, institutional uncertainty may not be always a bad thing. For instance, in some cases institutional uncertainty provides more room for discretion, unleashing higher influence of organizational factors on firm behavior (Goodrick & Salancik 1996).

Starting with SCA, the findings of the previous research on the role of SCA (Braunscheidel 2005; Gligor & Holcomb 2012a) indicates that firms with SCA are likely to maneuver better in institutional uncertain environments (Prater et al. 2001). In fact, the nature of uncertainty itself may require a firm to be able to

respond more rapidly to unforeseen change in order to survive (DeSarbo et al. 2005), and SCA can function as an effective enabler of successful response to institutional uncertainty. Likewise, the importance of interorganizational relationships in uncertain environments increases, due to their cushioning function in volatile and ambiguous settings (Fynes et al. 2004; Wong, Boon-itt, & Wong 2011; Yang & Wang 2011). Accordingly, RC can have stronger influence on international performance in institutionally uncertain environments, as it can unleash the real value of supply chain relationships in challenging and ambiguous circumstances. For example, supply chain learning boosted by higher RC can lead to better responses to institutional uncertainty by EMFs.

On the other hand, the picture may not be same in terms of the influence of institutional uncertainty on the linkage between MCs and international performance of EMFs. Recent research suggests that the role of marketing and MCs are typically downplayed in favor of technological capabilities in uncertain environments (DeSarbo et al. 2005). First, because uncertainty is unaccountable and uncontrollable and uncertainty clouds judgment and obscure meaning and the utility of firms' innovative behavior (Carson et al. 2006). Given volatility and ambiguity in the nature and behavior of the firm's external environment (Carson et al. 2006), firms are less likely to adopt unorthodox decisions and make less future investments on innovation. Thus, the assumed positive impact of innovativeness on international performance of EMFs may become obfuscated under high institutional uncertainty conditions. Second, in the presence of high uncertainty, the value of prior learning in organizational memory declines (Koufteros et al. 2002). Therefore, EMFs' AC that is developed and tailored in their home countries may become relatively less relevant in institutional uncertain environments. Although the importance of tacit knowledge and unique insights typically increases in parallel to uncertainty (Carrillo & Gaimon 2004), the role of AC in obtaining and leveraging such knowledge can be undermined when institutions pose uncertainty over the value and reliability of market knowledge. Therefore, institutional uncertainty of host countries is likely to pose a negative influence on the functioning of AC in international markets.

Hypothesis 10A: *Institutional uncertainty of host countries positively moderates the relationship between supply chain agility and international performance of emerging market firms.*

Hypothesis 10B: *Institutional uncertainty of host countries positively moderates the relationship between relational capability and international performance of emerging market firms.*

Hypothesis 10C: *Institutional uncertainty of host countries negatively moderates the relationship between innovativeness and international performance of emerging market firms.*

Hypothesis 10D: *Institutional uncertainty of host countries negatively moderates the relationship between absorptive capacity and international performance of emerging market firms.*

Institutional distance. Institutional distance is typically perceived as a burden against the effectiveness of business activities abroad (Chao & Kumar 2010). The differences between regulative, normative, and cognitive environments of home and host countries can have unique influences on business behavior and outcomes (Xu & Shenkar 2002). Institutional distance curbs knowledge internalization and transfer across borders, casts integration-responsiveness balance with regard to institutional demands a daunting task, inflate agency costs, increases cost of human resources and legitimacy in the host country environments, and impede capability development and utilization across borders (Chao & Kumar 2010). Likewise, different paths to performance can weigh differently in institutionally different countries (Peng et al. 2009), casting the value of homemade business models and capabilities for performance vary significantly across various institutional settings.

For example, in countries like the USA and the UK institutions are well developed and relatively stable, implying that competitive advantages are mostly based on how well firms can maximize the benefits provided by those countries' institutional context and higher possibility of differentiation (Wan 2005). Institutional forces in institutionally developed and stable countries often becomes less influential in explaining performance than in unstable, transitioning, and/or uncertain countries (Peng et al. 2008). In turn, emerging markets are typically characterized by strong institutional influence on firm structure, activities, and performance (Hoskisson et al. 2013). Oftentimes, their societies are tighter, imposing greater sanctioning on potentially deviant and innovative firm behavior (Taras et al. 2010). Such differences in the institutional contexts of countries may have significant impact on the linkage between DCs and international performance.

Starting with SCCs, institutional distance is likely to exhibit intriguing interplay with both SCA and RC. Distance is often associated with ambiguity, obstacles, and unpredictability (Xu & Shenkar 2002; Yang et al. 2012). In turn, one of the fundamental characteristics of agile firms and supply chains is their ability to maneuver quickly and with easy grace in unfamiliar, challenging, and turbulent

settings (Prater et al. 2001; Swafford et al. 2006). Therefore, it is plausible to expect that SCA could be more pivotal to international performance in institutionally distant countries, where the ambiguity, obstacles, and unpredictability in host countries could be countervailed through swift responses enabled by SCA. In a similar vein, distance can also denote divisions and detachments between the institutions of home and host countries. It implies that there is a disconnection between the institutions of home and host countries with regard to core institutional logics and prevailing paradigms. In particular, relationships among partners from institutionally distant environments are subject to governance difficulties, owing to the paucity of shared cognitive, normative, and regulatory frameworks and institutional logics (Abdi & Aulakh 2012). On the other hand, firms with RC can leverage these parities and disconnections as opportunities for achieving competitive advantage and performance through differentiation. Their ability to initiate, manage, and utilize relationships with various actors is likely to be more pivotal in facing challenges attached to operating in institutionally distant settings. Consequently, institutional distance is likely to strengthen, not weaken, the influence of RC on international performance.

When it comes to MCs, the overall picture could be more blurry. Although both innovativeness and AC are typically linked to increased performance both at home and abroad, their influence is likely to vary across different institutional settings with changing market mechanisms and sophistication (Hoskisson et al. 2013; Wright et al. 2005). In other words, dynamic MCs are more likely to be conducive to performance in institutional settings where market mechanisms work properly and are conducive to business (Teece 2007). This notion entails bringing direction to institutional distance (Zaheer et al. 2012) particularly when examining the interplay between institutional distance and MCs. In particular, the distance between the home and host country could be either upwards or downwards in reference to home country institutions, and this may have differing implications for the influence of key MCs on international performance. Put differently, regulative, normative, and cognitive scores of host countries could be both higher and lower with regard to a specific home country. Especially emerging markets tend to score in the middle range in many of these aspects of institutions (Hoskisson et al. 2013; Wright et al. 2005), and same "absolute" value of difference between an emerging market and less developed economy versus between an emerging market and developed market may have differing implications for the linkage between MCs and international performance. For example, AC of an EMF is likely to function differently in less developed countries versus in more developed countries, even if the distances are same. Consequently, the influence of institutional distance on the relationship between

MCs and international performance of EMFs is likely to be inconclusive due to counterbalancing influences of different types of institutional distance with different directions (Zaheer et al. 2012).

Subsequently, there is no sufficient and consistent evidence found in the extant theory for the possible moderation effect of institutional distance on the relationship between focal MCs and international performance of EMFs. Thus, due to counterbalancing arguments and the lack of well-grounded and convincing directional evidence, no hypotheses are put forth in this research on the role of institutional distance in the relationships between MCs and international performance.

Hypothesis 11A: *Institutional distance of host countries positively moderates the relationship between supply chain agility and international performance of emerging market firms.*

Hypothesis 11B: *Institutional distance of host countries positively moderates the relationship between relational capability and international performance of emerging market firms.*

Figure 5 depicts the nexus of relationships among focal concepts discussed above. Following the extant theory and practical insights gained from the qualitative study, MCs and SCCs are argued to be selectively associated with each other and inclusively with international performance of EMFs. Finally, the key institutional characteristics of host countries are argued to moderate the relationships between the relevant MCs and SCCs and international performance of EMFs.

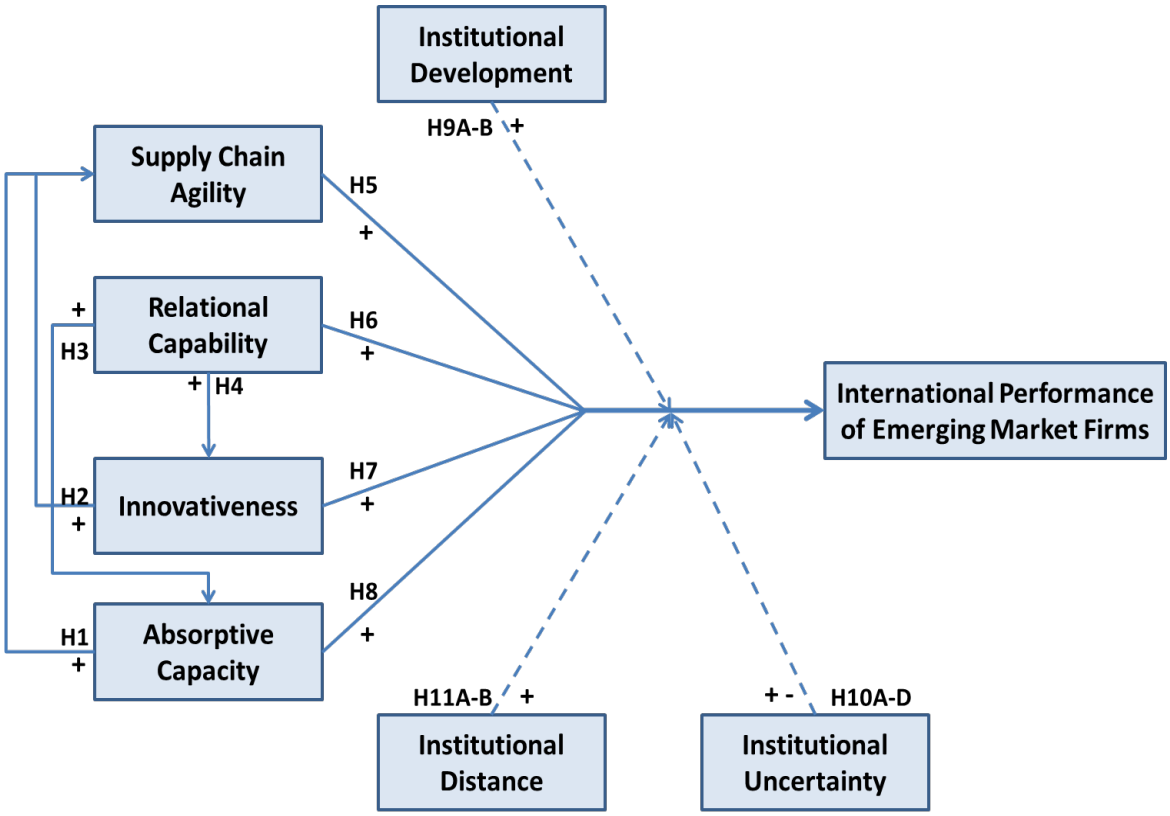

Figure 5. Theoretical Framework

5 RESEARCH METHODOLOGY

Chapter 5 reports the details of the procedures used for testing the hypotheses developed in the previous chapter. First, the method choice for data collection and analysis is briefly described and justified. Second, research design is discussed by elaborating on sample base and survey development and data collection procedures. Then, operationalization of the relevant variables is discussed including presentation of validation and scale purification efforts. Fourth, a structural equation model is formulated in terms of measurement model based on the hypothesized relationships among the constructs of interest.

5.1 Structural Equation Modeling

A mixed-methods approach was employed to answer the three interrelated research questions and meet the purpose of this research. This chapter seeks to provide a quantitative research based account to primarily 2nd and 3rd research questions and partially to 1st research question by adopting a structural equation modeling (SEM) approach as its mean for data analysis. SEM is a statistical methodology that adopts a hypothesis-testing approach to multivariate analysis of a theory (Ullman & Bentler 2003). It allows for modeling and causal testing of the structure of the hypothesized relationships and addressing the various validity issues such as providing estimates of measurement errors in the process of theory building. SEM is an increasingly popular tool used to not only predict but also explain phenomena in various business and management fields including international business and strategy (Cheung & Lau 2008; Shook et al. 2004).

There are several advantages of SEM that lead to the adoption of this methodological toll in this research. First, unlike a conventional multiple regression analysis technique, SEM allows modeling complex theoretical structures including mediating, moderating, and control variables. In fact, SEM is sufficiently complicated to handle multi-level analysis as well if needed so (Bauer 2003; Rabe-Hesketh, Skrondal, & Pickles 2004). SEM also allows integration of both theoretical constructs as latent variables and correlations between different exogenous variables. Furthermore, causal effects and correlations among various endogenous variables can be incorporated in SEM in order to account for them. This results in possibility of testing all hypothesized relationships concurrently while indirect and direct effects on the endogenous variables could be detached. Likewise, SEM increases the chances of parameter estimates being closer to population values (Bandalos & Finney 2001). Moreover, the model fit could be evaluated in SEM via various statistical tests and proper goodness-of-fit criteria

available within the tool. Also, measurement errors could be evaluated separately from other sources of errors that could support validation efforts for the model. Finally, SEM allows modelling of both observed and latent variables in a single model that could be pivotal for conducting multi-disciplinary research with different research traditions. Consequently, SEM approach was adopted in this research to leverage the advantages of SEM technique to arrive potentially more valid and insightful results. In particular, SEM allowed the assessment of multiple paths among MCs and SCCs leading to international performance.

5.2 Research Design

This dissertation employed both surveying techniques and secondary data collection, as both data collection method may be employed jointly in a single study as a complementary data resources to enhance the validity of results (Fugate et al. 2010). Survey section of the data collection process covered perceptual measures of MCs, SCCs, and international performance. Secondary data section of the data collection processes included incorporation of archival data as proxies to measure three relevant institutional factors from various extensively used secondary data sources. Because the survey section entailed primary data collection, the main focus of the research design efforts was paid on survey development.

5.2.1 Survey development

The main quantitative phase of the research involves empirical testing of two relevant MCs, two relevant SCCs, three institutional factors, and international performance altogether. Institutional variables used in the model were country-level data that were gathered from secondary sources of archival data. Their collection process is discussed in the section on operationalizations. Nonetheless, because MCs, SCCs, and international performance entail firm-level perceptual primary data collection, this phase of the study involved the design, development, and validation of questionnaire. As a result, several steps such as development of new and adaption of existing survey items and scales, establishment of face and content validity of these measures via q-sorting, and actual design of survey on paper form were conducted to ensure satisfactory level of sophistication and rigor in the, pre-data-analysis, actual data collection phase. In this pursuit, design and development of measurement items and questionnaire followed common instructions provided in the literature (Dillman 2007; Hinkin 1998).

Development and validity establishment of measurement items. Extant literature was screened carefully before attempting to develop and cause the proliferation of new measurement items needlessly. Consequently, measurement items for supply chain agility (SCA), innovativeness (INV), absorptive capacity (AC), and international performance (IPR) were extracted from the extant literature and adapted in the survey, taking into consideration contextual factors and validity issues. Final adapted measures of these variables are explained further in the operationalization of variables section. Nonetheless, because the literature lacked commonly agreed and research oriented measure of relational capability (RC), necessary steps were taken to develop a measure of RC following its conceptualization, factors linked to research context, and similar measures used in the literature (Mitrega et al. 2012). Consequently, 12 initially developed items on RC was reviewed and refined, along with adapted items for the other variables, following the procedure articulated below.

Initial development of survey items was conducted in English, in order to be able to check their face and content validity through external academic experts. Accordingly, survey design and measurement item development and adaption followed an iterative process. The first draft of measurement items were reviewed altogether by several academics from Europe and North America to allow for tandem revision of measurement items and content and face validity. This initial review resulted in revising the definitional issues with the concepts and sources of some items.

Q-sorting. A method called q-sorting was adopted to foster face, content, and construct validity of all items before launching primary data collection (Moore & Benbasat 1991; Straub, Boudreau, & Gefen 2004). To conduct q-sorting, several statements each representing measurement items of the selected variables were allocated in a word document randomly. In particular, 10 items for SCA, 12 items for RC, 5 items for innovativeness, 12 items for AC, 5 items for international performance, and 12 additional items representing 2 other variables not used in this dissertation were included. Several academics and business professionals were contacted to participate to allocation of these randomly ordered statements on each given variable. Though these prospective participants had relevant academic or managerial experience, they were assured to be not familiar with the concepts used in q-sorting to avoid potential biases. Moreover, the participants were not given any instructions beyond the basic procedure of q-sorting.

Seven participants, of which five from academia and two from business practice, joined to the q-sorting procedure. Their allocation of 56 randomly ordered statements on 7 variables resulted in average raw agreement score of 0.78. This

score is higher than the minimum suggested threshold of inter-rater reliability score (Miles & Huberman 1994; Straub et al. 2004).

The q-sorting procedure was useful for an additional purpose of spotting items with poor potential loadings and confusing statements in advanced. In particular, two items for SCA, two items for RC, and three items for AC were eliminated due to repeated apparent confusion of raters on these statements. This process led to 8 items for SCA, 10 items for RC, 5 items for innovativeness, 9 items of AC, and 5 items for international performance, which have shown significantly higher inter-rater agreement and consistency and providing initial support for face, content, and construct validity. Yet, following a suggestion of an expert scholar, three more items to international performance variable was added afterwards to enhance its comprehensiveness by capturing more aspects of international performance and foster its reliability.

Survey design followed these processes for development and adaption of measurement items. When developing the survey, necessary steps are taken into consideration to assure high response rate, survey clarity and flow, and reduced measurement error (Dillman 2007). Furthermore, the questions were prepared in a way to be sufficiently specific to convey uniform meaning to all respondents, but not too long and biased (Converse & Presser 1986; Payne 1951).

During the survey development process, two renowned researchers who are expert on survey data collection and scholarly research in Turkish context were continuously consulted to improve clarity and ease of following of the survey, ensure that questions and instructions in the survey were clear and intelligible, and assure that survey is not long to create fatigue in prospective participants. Furthermore, 7-point Likert scale is often deemed proper for measuring attitudes, beliefs, and opinions and increasing item reliability in the extant literature (DeVellis 2011). Thus, 7-point Likert scale with three anchor statements of "definitely disagree", "neutral", and "definitely agree" for *SCA, RC, innovativeness*, and *AC* and "definitely dissatisfied", "neutral", and "definitely satisfied" for *international performance* was used in the questionnaire, so as to allow wider spread of answers and higher variation.

During the survey development procedure, it was decided that the survey was going to be paper based, given the tendency of Turkish managers and decision makers to fill paper based surveys brought in person more willingly and conscientiously than online surveys. This technique is deemed suitable when collecting data via surveys in some emerging countries like Turkey where personal interaction are pivotal for effective information exchange (Hofstede 1980). Finally, after the measurement items were settled and survey design was

completed, the survey was translated into Turkish and back translated into English by two researchers highly competent in both languages. Comparison of the original version and back-translated version by the expert academicians revealed that there were no significant differences between the two versions and the original meaning and content of the measurement items were kept.

Pretesting. To verify whether the prospective research participants would understand the questions and statements as intended, pre-testing was executed with three academicians and two practitioners. The academicians examined the survey, whose design was preliminarily completed, and then provided feedback. Furthermore, two business owners representing their firms with international involvement examined the overall structure, longevity, clarity, and flow of the survey content. Their comments revealed that, with some minor improvement suggestions on design, understanding of survey questions and statements matched with the researcher's intended meaning. Consequently, following an iterative, interactive, and conscientious process of survey design and preemptive steps taken to increase content validity and measurement reliability, pretesting confirmed that the survey achieved a satisfactory level of maturity and clarity. Accordingly, the final version of the survey was deemed appropriate to be launched to the main sample.

5.2.2 Research procedures and data collection

Survey methodology (Kerlinger & Lee 2000) was employed as a part of overall methodology to gather the necessary data on firm-level primary data so as to test several of this dissertation's hypotheses. Despite some negative perception against surveys, the method remains to be one of the most common and efficient means of conducting empirical research (Gilbert 2001). Survey data collection is deemed suitable for the purpose of this research, since surveys bring about data that are easily quantifiable, proper for statistical testing for significance of results, reduce the degree of bias or variability caused by potential use multiple interviewers (Boyd & Westfall 1955). Furthermore, as in the case of this research, most questions in surveys are perceptual; and perceptual approaches enable research to achieve a relatively high level of validity because researchers can pose questions addressing directly the underlying nature of and capture internal psychological processes salient to focal construct(s) (Lyon, Lumpkin, & Dess 2000). Moreover, survey data collection is appropriate for gathering a large number of responses in a relatively cost-effective manner, and provides a means for simultaneously reaching respondents who are dispersed across a country or countries (Kanuk & Berenson 1975). Finally, survey data are typically quick to

collect (Kannan, Chang, & Whinston 1998) and often more convenient and are easier to analyze (Evans & Mathur 2005).

In order to be included in the research and analysis, potential participant firms needed to possess following criteria: 1) product and product related (such as retail) industries where product transformation and flow constitute a major focus and central business activity within the firm, 2) international presence through export and/or various international operations, 3) Turkish owned or joint ventures with substantial embeddedness to Turkish business ecosystem and culture. Furthermore, intentional efforts were made to ensure variety in firm size to foster external validity. Only those potential participants who met these criteria were asked to participate in the research, and the participants that did not meet these criteria were eliminated during data screening process.

Because this research was primarily interested in the capabilities residing mainly in marketing and SCM functions, targeted respondents were those high and mid-level managers within Turkish firms that have responsibilities within these functions and/or responsibilities that enable them to have accurate understanding and complete view of the functioning of and processes in marketing and SCM units. The unit of analysis was the respondents' perception of MCs and SCCs within their firm and of their firm's performance. Thus, each variable of interest was assessed by measuring and analyzing the participants' perceptual evaluations.

In particular, the participants were mid- and top-level professionals and executives because they are believed to have a higher degree of knowledge of both marketing and SCM functions within their firm and regarding marketing and SCM related capabilities that reside in these units. In line with the suggestions given by Dillman (2007) and Kerlinger and Lee (2000), respondents were pre-qualified in order to fit these criteria. Accordingly, research participants were chosen on the basis of their responsibilities, holistic understanding of core corporate functions and processes, and functional expertise. Likewise, questions were directed at their firm capabilities and behavior rather than their individual behaviors and capabilities. Given the requirements of the nature of research inquiry and to alleviate common method bias (Chang, Van Witteloostuijn, & Eden 2010; Craighead et al. 2011; Podsakoff et al. 2003) two respondents from each participant firms was required to be included in the final analysis. It is believed that gathering data from two managers from each firm can capture both potential differences in the perception of focal capabilities and international performance and provides an early remedy to the possibility of common method bias threats. Because marketing and SCM constitute two different core functions and domains within firms, cross-checking potential differentiations in the

perception of the extent of MCs and SCCs and their association with each other and relevant construct(s) could be necessary to foster confidence in the findings of this research. Thus, it is believed that using data collection through multiple informants contributes to research rigor and enables distinct and validated insights into the research phenomenon.

A range of firms from several product related industries located in Turkey was sampled so as to attain a sound level of external validity (Cook & Campbell 1979) and generalizability of the research findings. The sampling frame of the research was based on the website of TOBB (The Union of Chambers and Commodity Exchanges of Turkey at http://www.tobb.org.tr). TOBB offers an Industrial Database that includes more than 40,000 firms that are registered within any of 10 Chambers of Industry, 19 Chambers of Trade and 64 Chambers of Industry and Trade in Turkey. The contact information of these firms is available at the websites of these member chambers to TOBB. Following the elimination of the firms that do not meet the three selection criteria, 1000 firms were randomly sampled from this database. Two survey questionnaires were mailed to each firm with a cover letter introducing the research project and requesting that executive manager in charge of marketing and/or SCM functions, should fill it. After two waves of data collection and two reminders a total of 376 firms returned the questionnaires, of which 270 were filled by two respondent from each participant company and were usable (responses from 106 firms were excluded largely due to returning one survey rather than two surveys each firm and peripherally due to large missing data and as a result of outlier analysis). This number represents a raw response rate of 37.6 % and an effective response rate of 27.0 %, which was deemed satisfactory. At the end, 540 responses, representing marketing and SCM functions for 270 participating firms, were possible to be used in the later stages of data analysis. The consistency of answers on relevant variables was checked by comparing answers of two respondents for each firm. This process yielded high consistency and equivalence with regard to means and properties of relevant perceptual measures across two respondents within each firm.

Non-response bias. Non-response bias refers to the possibility that subjects who answer the survey differ from non-respondents (Darnall, Henriques, & Sadorsky 2008). In case of its presence and significance, it may pose a threat to the validity and generalizability of the findings. Nonetheless, two non-response bias evaluation techniques indicated that non-response bias was not likely to be a threat to the integrity of the data. First, relatively high response rate (27.0%) indicated that respondents were likely to constitute a reasonable level of representativeness of the total sample base utilized in this research and remedy

potential non-response bias (Rose, Sidle, & Griffith 2007). Second, for the complete survey that was collected within 6 months period (from November 2013 to May 2014), non-response bias was assessed by comparing responses of early and late respondent using an independent t-test (Rogelberg & Stanton 2007). The t-test did not reveal any significant differences in terms of respondents' demographic information such as annual sales volume, number of employees, and firm age. Furthermore, there were no significant differences between early and late respondents in terms of the means of the focal variables tested in this research. Therefore, it was concluded that early and late respondents did not differ from each other in terms of their demographic characteristics and responses to relevant questions.

5.3 Operationalization of Variables

Table 7 below shows the definition and operationalization of the key variables of interest of this research. The research model combines latent and observable constructs in a single framework. Accordingly, while MCs, SCCs, and international performance were measured perceptually, the measures of institutional variables were drawn from archival data. Thus, operationalizations of these variables are executed so as to match their measurement method, though operationalizations of all variables are based on their definitions. Details of the operationalization of each variable are discussed below.

Table 7. Operationalizations of Variables

Construct	Definition	Operationalization
Supply Chain Agility	Firm's ability to stay alert and quickly and easily adjust strategies, tactics, and operations within its supply chain to cognizantly respond or adapt to changes, opportunities or threats in its environment	Perception of the participant firm's supply chain's speed, flexibility, and ease in sensing and addressing environmental change
Relational Capability	The firm's capability to create, manage, and leverage the overall structure of and relationships in its network over time	Perception of the participant firm's ability to establish, manage, and leverage interorganizational relationships within its supply chain network
Innovativeness	Openness and capacity to introduce innovation in the organization	Perception of the participant firm's ability and propensity to innovate and accept innovations
Absorptive Capacity	A set of organizational routines and processes, by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability	Perception of the participant firm's competence in managing market knowledge through acquisition, assimilation, transformation, and exploitation of relevant knowledge
Institutional Development	The extent to which the economic, political, and social institutions in a host country are developed and are favorable for foreign affiliates	Weighted average of the composite scores of the level of institutional development, adapted mainly from Hermelo and Vassolo (2010), of two most important host countries as perceived by the participants
Institutional Uncertainty	Volatility and ambiguity in the nature and behavior of political and socio-economical entities surrounding business actors	Weighted average of the composite scores of the level of institutional uncertainty, adapted from Brunetti and Weder (1998), of two most important host countries as perceived by the participants
Institutional Distance	The extent of similarity or difference between a host country and a home country in its institutional context	Weighted average of regulative, normative, and cognitive distances between home country (Turkey) and two most important host countries as perceived by the participants
International Performance	The extent to which firm objectives are attained in foreign markets	Perception of the participant firm's international performance in terms of key market and financial metrics

For all constructs included in the survey, multiple-item perceptual measures were adopted to enhance reliability, reduce measurement error, allow for larger distinction among prospective research participants, and reduce the specificity linked with each item when multiple items are averaged (Churchill 1979). Anderson and Gerbing (1988) argue for inclusion of at least 3 to 5 items for each construct so as to effectively measure constructs and analyze them in SEM. Thus, both the adapted measures of SCA, RC, innovativeness, AC, and international performance and newly developed measure of RC included at least five items.

5.3.1 Perceptual measures

In this research perceptual measures refer to measurement of relevant variables (MCs, SCCs, and international performance) through the perceptions and own cognitive sensemaking of informed managers of the participant firms. It is argued that how managers perceive themselves and their environment is often more critical to organizational strategy than the reality (Boyd, Dess, & Rasheed 1993). Despite some limitations, the key advantage of perceptual measures is that they enable the researcher to depict a firm behavior and structure from the perspective of key informants (Boyd et al. 1993). The perceptual operationalizations of five constructs are explained below.

Supply chain agility. Supply chain agility is firm's ability to stay alert and quickly and easily adjust strategies, tactics, and operations within its supply chain to cognizantly respond or adapt to changes, opportunities or threats in its environment. It is operationalized as perception of the participant firm's supply chain's speed, flexibility, and ease in sensing and addressing environmental change. An early measure of SCA in this research was adapted from the recent research on the topic (Gligor & Holcomb 2012; Gligor et al. 2013).

Table 8. Measurement Items for Supply Chain Agility

Supply Chain Agility – adapted from Gligor and Holcomb (2012);Gligor et al. (2013)	**Definetely Disagree**			**Neutral**			**Definetely Agree**
1. Our firm can promptly identify emerging opportunities in its environment (SCA1)	1	2	3	4	5	6	7
2. Our firm can rapidly sense emerging threats in its environment (SCA2)	1	2	3	4	5	6	7
3. Our firm can easily see supply and demand movements in its supply chain (SCA3)	1	2	3	4	5	6	7
4. Our firm has access to accurate and useful market information from its supply chain partners (SCA4)	1	2	3	4	5	6	7
5. Our firm can reconfigure supply chain resources in a flexible manner to respond to strategic opportunities/challenges (SCA5)	1	2	3	4	5	6	7
6. Our firm can reconfigure supply chain resources in a flexible manner to respond to changes in its environment (SCA6)	1	2	3	4	5	6	7
7. Our firm can reconfigure supply chain resources quickly to respond to changes in its environment (SCA7)	1	2	3	4	5	6	7
8. Our firm can reconfigure supply chain resources quickly to respond to strategic opportunities/challenges (SCA8)	1	2	3	4	5	6	7

Because the latest version of the items were too long, redundant, and received mediocre confirmation, 10 relevant items were adapted selectively from both studies. Nevertheless, results of the q-sorting process revealed that "decisiveness" was not perceived to be a critical dimension of SCA. Likewise, some statements measuring SCA loaded onto AC construct. Consequently, one item depicting decisiveness and another item that often loaded on AC construct were omitted from the scale. The wording of the some of the remaining items was also modified following q-sorting process and feedback from expert panel. The final 8 items that were provided to research participants can be seen in Table 8.

Relational capability. Relational capability is the firm's capability to create, manage, and leverage the overall structure of and relationships in its network over time. It is operationalized as perception of the participant firm's ability to establish, manage, and leverage interorganizational relationships within its supply chain network. Hence, the concept captures the ability to manage and utilize interorganizational relationships stemming from supply chain networks as a strategic resource within the complete duration of such business relationships.

The methodology for developing measurement items for RC was primarily based on the guidelines provided by Churchill (1979), Anderson and Gerbing (1991), and Mentzer and Flint (1997).

Table 9. Measurement Items for Relational Capability

Relational Capability –newly developed drawing on Mitrega, et al. (2012) and qualitative study findings	**Definetely Disagree**			**Neutral**			**Definetely Agree**
1. Our firm can easily overcome difficulties in initiating business relationships with potential suppliers and customers (RC1)	1	2	3	4	5	6	7
2. Our firm is able to easily attract other firms to conduct business with us (RC2)	1	2	3	4	5	6	7
3. Our firm is good at evaluating and selecting firms before establishing a business relationship (RC3)	1	2	3	4	5	6	7
4. Our firm can comfortably establish business relationships with potential customers and suppliers (RC4)	1	2	3	4	5	6	7
5. Our firm can effectively manage diverse set of business relationships in its network (RC5)	1	2	3	4	5	6	7
6. Our firm can easily overcome potential conflicts and problems when doing business with its supply chain partners (RC6)	1	2	3	4	5	6	7
7. Our firm is successful in communicating and collaborating with its supply chain partners (RC7)	1	2	3	4	5	6	7
8. Our firm is always able to acquire the value from its supply chain relationships (RC8)	1	2	3	4	5	6	7
9.Our firm is successful at leveraging potential benefits from its suppliers and customers (RC9)	1	2	3	4	5	6	7
10.Our firm often utilizes ideas and inputs from its supply chain partners to become more innovative and successful (RC10)	1	2	3	4	5	6	7

Measurement items for RC tap the definition that was developed partly based on the actual terms used by those interviewed during the qualitative phase of the research. Therefore, 12 initial measurement items drew both on the insights gained during the qualitative research process and the extant literature on relational and networking capabilities, the work of Mitrega et al. (2012) being the most extensively used one. Nevertheless, q-sorting process revealed that an item on utilizing learning opportunities from supply chain partners was often confused

with AC. Likewise, some q-sorting participants and expert commentators commented that an item on the termination of business relationships appeared to be incongruous with the rest of the items tapping RC. Subsequently, those two statements were removed from the RC scale and the final version of the 10 items can be seen in Table 9.

Innovativeness. Innovativeness denotes openness and capacity to introduce innovation in the organization. It is operationalized as the perception of the participant firm's ability and propensity to innovate and accept innovations in the research. Unlike SCCs, different perceptual measures of innovativeness are abundant, particularly in marketing and management literature. Nonetheless, because innovativeness is viewed as a marketing capability in this research, measurement items tapping innovativeness were adapted from seminal research on innovativeness in marketing and business marketing (Hult et al. 2004; Hurley & Hult 1998; Tsai & Yang 2012). Possibly due to their long established history as a repeatedly validated measure of innovativeness and relatively open and plain statements, all five measurement items of innovativeness survived q-sorting process and feedback from expert of the subject matter. The final version of the five items tapping innovativeness can be seen below in Table 10.

Table 10. Measurement Items for Innovativeness

Innovatviness – adapted from Hult et al. (2004); Hurley & Hult (1998); Tsai & Yang (2012)	**Definetely Disagree**			**Neutral**			**Definetely Agree**
1. Innovation, based on research results, is readily accepted in our firm (INV1)	1	2	3	4	5	6	7
2. In our firm, management actively seeks innovative ideas (INV2)	1	2	3	4	5	6	7
3. In our firm, innovation is readily accepted in management (INV3)	1	2	3	4	5	6	7
4. Our firm encourages and supports innovative activities (INV4)	1	2	3	4	5	6	7
5. Employees' new ideas are encouraged in our firm (INV5)	1	2	3	4	5	6	7

Absorptive capacity. Absorptive capacity is viewed in this research as a set of organizational routines and processes, by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability. It is operationalized as the perception of the participant firm's competence in managing market knowledge through acquisition, assimilation, transformation, and exploitation of relevant knowledge. Accordingly, though AC concept has

various primary and secondary measures used in management and marketing literature. Specific emphasis during literature screening and adaption process was made to fit the measurements of the concept to AC as a marketing capability. One of the most recent, well-cited, comprehensive, and proper perceptual measure of AC was developed by Flatten et al. (2011). This measure captures both potential and realized AC as conceptualized by Zahra and George (2002) and followed by this research. Consequently, 12 measurement items were adapted from the scale development study by Flatten et al. (2011) with a focus on the management of market knowledge and tested in q-sorting process. Q-sorting process revealed that the most participants did not view management support to cross-functional meeting and support as well as the development of prototypes as aspects of AC. Accordingly, these three items were removed from the scale and phrasing of the some of the remaining items were slightly modified following the suggestions of academic and management experts of the subject matter. The final version of the 9 remaining items measuring AC can be seen below in Table 11.

Table 11. Measurement Items for Absorptive Capacity

Absorptive Capacity –adapted from Flatten et al. (2011)	**Definetely Disagree**			**Neutral**			**Definetely Agree**
1. The search for relevant information concerning our industry and market is every-day business in our firm (AC1)	1	2	3	4	5	6	7
2. Our management motivates the employees to use information sources within our industry (AC2)	1	2	3	4	5	6	7
3. Our management expects that the employees deal with information beyond our industry (AC3)	1	2	3	4	5	6	7
4. In our firm, ideas, concepts, and information are communicated smoothly across departments (AC4)	1	2	3	4	5	6	7
5. In our firm there is a quick information flow, e.g., if a business unit obtains important information it communicates this information promptly to all other business units or departments (AC5)	1	2	3	4	5	6	7
6. Our employees have the ability to structure and to use collected market knowledge (AC6)	1	2	3	4	5	6	7
7. Our employees are used to absorb new market knowledge as well as to prepare it for further purposes and to make it available (AC7)	1	2	3	4	5	6	7
8. Our management supports the implementation of marketing strategies based on acquired market knowledge (AC8)	1	2	3	4	5	6	7
9. Our firm regularly reconsiders technologies and routines and adapts them accordant to new market knowledge (AC9)	1	2	3	4	5	6	7

International performance. International performance is the extent to which firm objectives are attained in foreign markets. It is operationalized as the perception of the participant firm's international performance in terms of key market and financial metrics. The measure of international performance in this research was adapted from the recent research that examines international performance (Hult et al. 2008; Lu et al. 2009). All five items adapted from Hult et al. (2008) and Lu et al. (2009) exhibited good loadings on the variable during the q-sorting process. Nonetheless, as mentioned above three items (IPR2, IPR6, and IPR8) were added later to expand the coverage of the measure. The final version of the eight items tapping international performance in the survey sent to participants can be seen below in Table 12.

Table 12. Measurement Items for International Performance

International performance –adapted from Hult et al. (2008); Lu et al. (2009)	**Definetely Disagree**			**Neutral**			**Definetely Agree**
1. Growth in existing foreign markets (IPR1)	1	2	3	4	5	6	7
2. Expansion into new foreign markets (IPR2)	1	2	3	4	5	6	7
3. Market shares in foreign markets (IPR3)	1	2	3	4	5	6	7
4. Profitability from foreign expansion (IPR4)	1	2	3	4	5	6	7
5. Return on investment through foreign sales (IPR5)	1	2	3	4	5	6	7
6. Gaining new customers in existing foreign markets (IPR6)	1	2	3	4	5	6	7
7. Increase in sales with existing foreign customers (IPR7)	1	2	3	4	5	6	7
8. Increase in foreign customer satisfaction (IPR8)	1	2	3	4	5	6	7

5.3.2 Archival measures

In many ways, archival measures exhibit characteristics different from and complementary to perceptual measures. Archival measures are often collected on a very large scale by expert research institutions and possess high level of aggregation and rigor. Thus, they alleviate difficulties of collecting data by offering a convenient access particularly to measures of environmental phenomena and allow replication and comparison across studies makes the use of such data (Boyd et al. 1993).

Measurement and inclusion of three institutional variables were made possible through respondents' answer to the question on the most important two countries

for the participant firms' international activities. Most respondents reported wide range of international activities in large number of countries, which included broad range of geographical and institutional coverage. Accordingly, including the list of two most important countries to the questionnaire to incorporate institutional measures into the model was decided on the basis of having most reasonable tradeoff between parsimony and inclusiveness. Answers to this question provided relatively reliable source (the consistency of answers on two most important countries was checked by comparing answers of two participants, which yielded high consistency within each firm) for linking firm-level data on capabilities and international performance to archival data on country-level data institutional variables. Given the large diversity of host countries reported, institutional scores for 64 countries were calculated for each of the three focal variables. The final score of institutional distance and the other two institutional variables were calculated at the weighted average (60% for the score of the country that was perceived as most important and 40% for the score of the country that was perceived as second most important by the participants) of the overall scores of institutional distance, institutional development, and institutional uncertainty for each country.

Institutional distance. Institutional distance is the extent of similarity or difference between a host country and a home country in its institutional context. Various sources of archival data were used to operationalize and measure this concept through three dimensions of regulative distance, normative distance, and cognitive distance. The selection of these three dimensions over formal and informal institutional distance reflected intentional efforts to capture institutional distance from a broader and more reliable perspective (Zaheer et al. 2012) and gather archival data that have higher range of country coverage in order to correspond to the broad range and diversity of countries that the research participants reported.

Regulative distance refers to differences in the institutional environment across countries in their setting, monitoring, and enforcement of rules (Riaz, Glenn Rowe, & Beamish 2014). It captures the institutional difference between countries in terms of their political and regulative environments. Following Xu, Pan, and Beamish (2004), the average of the following six items (1- property rights, 2- intellectual property rights protection, 3- judicial independence, 4- burden of government regulation, 5- efficiency of legal framework, 6- transparency of government policymaking) obtained from *2013-2014 Global Competitiveness Report* by World Economic Forum (http://www.weforum.org/reports/global-competitiveness-report-2013-2014) was used for calculating regulative distance scores. Global Competitiveness Report is a widely used and reliable data source

for various research inquires in international business and strategic management field (e.g., Allred & Park 2007; Chao & Kumar 2010; Fogel 2006; Shaner & Maznevski 2011). Hence, it was deemed proper to gather and utilize data from this source.

Furthermore, normative distance, as a second dimension of institutional distance, refers to differences in the prescription of desirable goals and the acceptable means of attaining them (Riaz et al. 2014). Societies have different norms and different reward and sanction mechanisms linked to these norms; and normative distance captures these differences between countries. Following Xu et al. (2004), the average of the following four items (1- ethical behavior of firms, 2- strength of auditing and reporting standards, 3- efficacy of corporate boards, 4- quality of management schools) obtained from *2013-2014 Global Competitiveness Report* by World Economic Forum was used for calculating the scores for normative distance between Turkey and target host countries.

Finally, cognitive distance refers to the difference between countries in terms of their cognitive structures and social knowledge shared by the people in these countries (Fainshmidt, White III, & Cangioni 2014). This dimension of institutional distance captures the differences between countries in terms of their knowledge and learning related capabilities. Hence, following the conceptualization of Fainshmidt et al. (2014), the average of the normalized performance scores of a country on three pillars related to the knowledge economy: 1- innovation (total royalty payments and receipts, patent applications granted by US patent and trademark office, and scientific and technical journal articles), 2- the education and human resources (adult literacy rate, secondary enrollment, tertiary enrollment) and 3- information and communication technology (ICT) (telephone, computer and internet penetrations (per 1000 people)). The data source for cognitive distance was the World Bank's Knowledge for Development – Knowledge Economy Index (KEI), which could be accessed at http://info.worldbank.org/etools/kam2/KAM_page5.asp?tid=0&year=002&sortby=KI&sortorder=ASC&weighted=Y&cid1=140. This index has been consistently used by researchers in international economics and business fields (e.g., Adekola, Korsakiene, & Tvaronavičiene 2008; Sharma, Samuel, & Ng 2009), and was deemed proper for this research as well.

These three types of institutional distance were separately formulated as in the study by Kogut and Singh (1988);

$$D = \sqrt{\sum_i \frac{(I_{i,host} - I_{i,origin})^2}{V_i}}$$

Where "$I_{i,\ host}$ ($I_{i,\ origin}$) is the *i*th dimension of the index for the (host) target country (country of origin being Turkey) and V_i is the variance of *i*th dimension". Standardized values for each sub-index were used since scales were not the same across the three dimensions of institutional distance. Naturally, lower the score measure institutional distance, less the distance between Turkey's and selected country's regulative, normative, and cognitive institutions.

Institutional development. Institutional development refers to the extent to which the economic, political, and social institutions in a host country are developed and are favorable for foreign affiliates. Following the recently developed institutional development index provided by Hermelo and Vassolo (2010) and largely concurring with proxies used by Shaner and Maznevski (2011), 11 proxies were used to calculate a composite value for measure institutional development of important host countries stated by the research participants. Accordingly, institutional development scores for each country found in the survey data was calculated across three key pillars of institutional development: economic, political, and social institutional development. Nevertheless, *2013-2014 Global Competitiveness Report* by World Economic Forum was the main data source in this research rather than *World Competitiveness Yearbook* used by Hermelo and Vassolo (2010), because the number and extent of countries perceived as important by Turkish firms significantly exceeded the coverage of *World Competitiveness Yearbook* yet was largely met by the country coverage of *2013-2014 Global Competitiveness Report.*

The first pillar, economic institutional development refers to the extent of sophistication and conduciveness of economic mechanisms to business operations in a given country. In this research, three variables address economic development of institutions in a host country: (1) per capita gross domestic product, (2) distribution infrastructure, and (3) financial resources (Hermelo & Vassolo 2010). The data for per capita gross domestic product were primarily gathered from World Bank, and the variable was measured as log of constant dollars for a base year of 2013. The data for (2) distribution infrastructure and (3) financial resources were gathered from *2013-2014 Global Competitiveness Report* by World Economic Forum. The proxy for distribution infrastructure was "quality of overall infrastructure" and the proxy for financial resources was the average of "availability of financial services", "affordability of financial services", and "ease of access to loans", all of which varied between 1 and 7.

The second pillar, political institutional development denotes both maturity and business friendliness of policies and political environment in a country. Following Hermelo and Vassolo (2010), four variables are used to tap political institutional development: (4) intellectual property rights, (5) legal and regulatory framework, (6) bureaucracy quality, and (7) adaptability of government policies to changes in the context. The data for three of these four variables were obtained from *2013-2014 Global Competitiveness Report* by World Economic Forum. The proxy used for intellectual property rights was "intellectual property protection". The proxy for legal and regulatory framework was the average of "efficiency of legal framework in settling disputes" and "efficiency of legal framework in challenging regulations". The proxy for bureaucracy quality was "regulatory efficiency" obtained from *2014 Index of Economic Freedom* by Heritage Foundation (http://www.heritage.org/index/regulatory-efficiency). Index of Economic Freedom has been deemed useful data source on institutions and has been used extensively in studies in the field of international business and institutional economics (e.g., Ali 2003; Dawson 1998; DiRienzo et al. 2007). Finally, the proxy for adaptability of government policies to changes in the context was "burden of government regulation", which was reverse calculated by World Economic Forum.

The third pillar, social institutional development refers to the extent of fairness, security, and equitability of social institutions in a country. Three variables, namely: (8) justice, (9) personal security, and (10) bribing and corruption, captures social pillar of institutional development in this research. The measure for "civil liberties" was initially included in the score calculation, but later was removed on the basis that it reduced reliability of the score and did not load significantly onto intuitional development in factor analysis. The data for all these three variables were obtained from *2013-2014 Global Competitiveness Report.* The proxy used for justice was the average of "judicial independence" and "favoritism in decisions of government officials". The proxy used for personal security was the average of "organized crime", which was reverse calculated, "reliability of police services", and "property rights". Finally, the proxy for bribing and corruption was "irregular payments and bribes". All of these ten items loaded significantly on one factor that explained about 75% of variance, and exhibited Cronbach's alpha score of 0.960, which depicts a highly satisfactory level of reliability (Churchill 1979). Overall, lower scores in the measure institutional development indicate lower levels of institutional development, while higher scores indicate higher levels of institutional development.

Institutional uncertainty. Institutional uncertainty is volatility and ambiguity in the nature and behavior of political and socio-economical entities surrounding business actors. Brunetti and Weder (1998) provide a review of institutional uncertainty concept, and offer four key dimensions of institutional uncertainty: (1) government instability, (2) political violence, (3) policy uncertainty, and (4) enforcement uncertainty. These four dimensions are expected to offer comprehensive and weighted measure of overall institutional uncertainty, instead of relying on a single or limited number of dimensions to capture a complex phenomenon of institutional uncertainty (Brunetti & Weder 1998). Drawing on these four dimensions and conceptualization of institutional uncertainty, a new measure of institutional uncertainty that could be calculated based on archival data was developed in this research.

The score for government instability was obtained from 2009-2010 *Political Instability Index* by the Economist Intelligence Unit, which calculated possibility of political unrest based on social vulnerability and economic distress within the analyzed countries (http://viewswire.eiu.com/site_info.asp?info_name=social_unrest_table&page=noads&rf=0). Political Instability Index has been used for research in economics and management (e.g., Bennett & Green 1972; Chauvet & Guillaumont 2004; Levis 1979) and represents a sound measure of instabilities in governments and political structure. The score for political violence was captured as "political stability and absence of violence/terrorism" by 2012 the *Worldwide Governance Indicators* provided by the World Bank (http://info.worldbank.org/governance/wgi/index.aspx#home). These indicators are developed drawing on a rigorous research by World Bank and are extensively used in previous IB and management research (Abdi & Aulakh 2012; Anokhin & Schulze 2009; Knudsen 2011; Oh & Oetzel 2011; Ramasamy, Yeung, & Laforet 2012). Furthermore, the proxy for policy uncertainty was "policy instability" score obtained from *2013-2014 Global Competitiveness Report.* Finally, the score for enforcement uncertainty was calculated based on the "rule of law" score provided in 2014 *Index of Economic Freedom.*

All these scores were standardized, since the range of scores were not the same across the dimensions of institutional uncertainty. Lower scores in this measure indicate lower levels of institutional uncertainty, while higher scores indicate higher levels of institutional uncertainty. All four of these items loaded significantly onto one factor that explained about 69.4 % of total variance, and exhibited Cronbach's alpha score of 0.843, which depicts a satisfactory level of reliability (Churchill 1979). These results indicate that all four pillars of newly developed measure of institutional uncertainty represent the factor coherently and act sufficiently reliable to proceed with the measure to test relevant hypotheses.

5.4 Assessment of Measurement Model

In this section, essential prerequisite criteria with regard to reliability and validity are assessed and addressed accordingly. In doing this, previous literature on quantitative research methods was followed (Garver & Mentzer 1999; Hitt, Gimeno, & Hoskisson 1998) as procedural guidelines to reliability and validity checks and data analysis. Reliability of measurement items, which refer to "the degree to which measures are free from error and therefore yield consistent results" (Peter 1979), was addressed first. In this research, reliability is viewed as a precondition to test convergent (Cunningham, Preacher, & Banaji 2001) and discriminant validity, and was first assessed using the initial set of items before purification following confirmatory factor analysis (CFA) and then reassessed after taking necessary steps to improve model fit during CFA. The method to asses reliability was extensively followed Cronbach's alpha coefficient, and 0.7 was used as a cut of value for initial reliability assessment. Furthermore, following the CFA, reliability of purified scales was assessed through construct reliability (CR) and average variance extracted (AVE) to validate and reassure reliability.

Furthermore, convergent and discriminant validity evaluations were used to assess construct validity. Convergent validity refers to the convergence of various measures of the same construct on a mutually shared underlying statistical factor (Ponomarov 2012). In turn, discriminant validity assesses how measures of different constructs uniquely load on different factors and not exhibit any cross-loading. Convergent validity was evaluated in this research through the overall fit of the measurement model, the magnitude, direction, and statistical significance of the estimated parameters between the latent variables following the procedure suggested by Garver and Mentzer (1999). Paired correlations of the latent constructs used in the research were evaluated in order to measure discriminant validity. Correlations among the measurement model's latent constructs were compared to the theoretical model through Chi-square (χ^2) tests.

Finally, referring to degree to which within-factor items possess one and only one underlying construct in common (Hair et al. 2006), unidimensionality emerges as an important factor to account for in the assessment of measurement models. A rigorous assessment of unidimensionality can be achieved via CFA in by evaluating and refining the global goodness of model fit and the constituents of the measurement model fit, e.g. reliability, convergent and discriminant validity (Garver & Mentzer 1999). Variables possessing reliability, convergent validity, and discriminant validity are typically accepted as unidimensional (Anderson &

Gerbing 1988). Nonetheless, unidimensionality can also be assessed by the fit indices as an additional measure (Cao & Zhang 2011). Accordingly, unidimensionality was evaluated so as to attest the presence of a latent variable underlying certain corresponding measurement items (Hattie 1985). The CFA was also used to test for the overall measurement model drawing on constructs measured via survey and each construct in the presence of other constructs (Garver & Mentzer 1999). The ultimate number of measurement items that are employed to measure each variables was amended accordingly.

5.4.1 Reliability

Because data with large missing values were eliminated during the research process before analyzing data, remaining missing values did not impose a threat to the integrity and reliability of the measures and responses. Missing value patterns were assessed by means of separate variance t-tests, and it was revealed that the missing values were missing randomly and unsystematically. Next, mean replacement method was used to replace sporadic and infrequent missing values.

Table 13. Descriptive Statistics of Initial Measurement Items

Item	Mean	Std. Deviation	Variance	Skewness	Kurtosis	Cronbach Alpha for Scale	Alpha if Item Deleted
SCA						0.878	
SCA1	5.900	0.878	0.771	-0.966	1.360		0.864
SCA2	5.809	0.904	0.818	-0.881	1.104		0.866
SCA3	5.976	0.816	0.666	-0.837	1.059		0.872
SCA4	5.852	0.942	0.887	-1.381	3.114		0.877
SCA5	5.619	1.109	1.229	-1.188	1.953		0.858
SCA6	5.669	1.023	1.047	-0.893	1.128		0.857
SCA7	5.591	1.073	1.151	-1.068	1.912		0.856
SCA8	5.631	1.016	1.032	-0.860	0.710		0.851
RC						0.905	
RC1	6.033	0.904	0.817	-1.341	3.353		0.897
RC2	5.948	0.874	0.763	-0.995	1.428		0.895
RC3	5.998	0.826	0.683	-0.740	0.413		0.894
RC4	6.135	0.787	0.620	-1.138	2.265		0.892
RC5	5.946	0.860	0.734	-0.868	1.197		0.895
RC6	5.906	0.850	0.722	-0.996	1.786		0.893
RC7	6.007	0.774	0.598	-1.323	3.924		0.894
RC8	5.911	0.797	0.635	-0.644	0.362		0.898
RC9	5.946	0.830	0.689	-0.873	0.916		0.892
RC10	5.793	0.889	0.790	-0.810	0.470		0.901
INV						0.915	
INV1	5.696	0.997	0.995	-0.561	0.136		0.913
INV2	6.054	0.882	0.779	-1.227	2.043		0.895
INV3	5.750	0.942	0.888	-0.799	1.328		0.894
INV4	6.000	0.919	0.844	-0.986	1.129		0.879
INV5	5.880	0.966	0.932	-0.859	0.682		0.897
AC						0.879	
AC1	5.452	1.241	1.540	-1.126	1.511		0.892
AC2	5.802	0.891	0.794	-0.753	0.685		0.862
AC3	5.754	1.021	1.042	-1.461	3.667		0.876
AC4	5.724	1.032	1.066	-0.962	1.413		0.860
AC5	5.589	1.217	1.481	-1.323	2.035		0.868
AC6	5.683	0.960	0.921	-0.729	1.334		0.855
AC7	5.598	0.929	0.863	-0.608	0.624		0.858
AC8	5.931	0.812	0.660	-0.663	0.380		0.861
AC9	5.885	0.913	0.834	-0.887	0.708		0.861
IPR						0.945	
IPR1	5.769	1.041	1.085	-1.231	2.400		0.939
IPR2	5.720	1.116	1.246	-1.409	2.627		0.942
IPR3	5.381	1.127	1.270	-0.799	0.840		0.938
IPR4	5.517	1.149	1.320	-1.132	1.989		0.934
IPR5	5.567	1.125	1.265	-1.155	2.143		0.936
IPR6	5.746	0.996	0.992	-1.146	2.585		0.936
IPR7	5.819	0.925	0.855	-1.197	2.841		0.938
IPR8	5.893	0.982	0.964	-1.242	2.291		0.939

Table 13 shows the means, standard deviations, variance, skewness, kurtosis, and Cronbach's alpha of the initial measurement items. Skewness and kurtosis help assessing the normality assumption of the measures. High levels of both skewness and kurtosis impose threat to normality assumptions, and as can be seen below, none of the items' skewness and kurtosis is unusually high, alleviating the concerns over their reliability.

Initial reliability analysis of the measurement items was conducted via statistical software package of SPSS 22 following Cronbach's alpha coefficient, which was deemed exceed 0.7 in order to conclude that the construct exhibits satisfactory reliability (Churchill 1979). This procedure revealed that all of the latent variables measured through the survey exhibited satisfactory levels of reliability, indicating relatively good internal consistency among the measurement item tapping their respective constructs. On the other hand, statistics that showed potential Cronbach's alpha coefficients if an item was deleted revealed that one item namely AC1 diminish the reliability scores of constructs they are tapping. Consequently, this item was dropped during reliability analysis stage to ensure higher reliability. Subsequently, the updated Cronbach's alpha coefficients for the constructs are as follow: SCA: 0.878, RC: 0.905, innovativeness: 0.915, AC: 0.892, and international performance: 0.945.

On the other hand, especially when running SEM models, Cronbach's alpha measure of reliability should be complemented with a measure of reliability that remedies the shortcomings of Cronbach's alpha (Hair et al. 2006). This measure is called *composite reliability* (CR), and it is often used to assess reliability of measurement model in SEM (Garver & Mentzer 1999). Thus, the second stage of reliability analysis was conducted using Lisrel 9.1 software package during CFA process that is explained further below in the validity section. In this analysis, CR and average variance extracted (AVE) scores for the latent constructs were also deemed satisfactory after the elimination of non-performing items (Flynn, Huo, & Zhao 2010) as can be seen below in Table 14.

5.4.2 Validity

There are five key criteria to assess model fit using SEM (Shook et al. 2004). These metrics are often endorsed as proper fit indices because: 1) most of them are comparatively independent of sample size; 2) they are precise and versatile in their evaluation of different levels of complexity in CFA models; and 3) they are easy to interpret (Marsh, Balla, & McDonald 1988). First, Chi-square (χ^2) reports

an absolute measure of fit, with significant levels typically signaling a lack of fit, indicating the degree to which the estimated model corresponds with the pattern of variance and covariance in the observed data (Kirchoff 2011). Nonetheless, the larger the sample size the less Chi-square test is relevant, due to its lost sensitivity in larger sample sizes (Gulliksen & Tukey 1958). Second, the Chi-square/degrees of freedom (df) ratio (χ^2/df) is the Chi-square fit index divided by degrees of freedom of the CFA model and is less dependent on sample size. The smaller the ratio is the better, but ratios between up to three are viewed as sufficient even by conservative accounts (Garver & Mentzer 1999).Third, the comparative fit index (CFI) compares the existing model fit with a fit of the model that assumes uncorrelated latent variables, and CFI scores above 0.9 are viewed as an acceptable measure of fit (Medsker, Williams, & Holahan 1994). Fourth, non-normed fit index (NNFI) compares a proposed CFA model's fit to a null model that functions as a reference point for comparison, and NNFI scores above 0.9 are viewed as acceptable (Medsker et al. 1994). Finally, root mean squared error of approximation (RMSEA) is another well accepted measure to determine model fit. Critical levels below 0.05, 0.08, or 0.10 typically indicate excellent, good, or mediocre fit, respectively (Hair et al. 2006).

In this research, validity was addressed primarily via conducting CFA. Several attempts were made to achieve best possible model fit and acceptable CR and AVE levels at the same time. Striving for model fit, CR, and AVE simultaneously entails making tradeoffs. An excellent model fit (low RMSEA and Chi-square scores) could be achieved by eliminating significant number of items, which could hamper integrity of the constructs, by focusing on T-values for lambda (λ) loadings, modification indices, and standardized residuals in several iterations. Nonetheless, this approach may result in a CFA model with indicated low scores for both CR and AVE. Hence, after several attempts to achieve both good model fit and high CR and AVE scores, it was decided to have a CFA model that has a good, rather than excellent, RMSEA score (along with acceptable Chi-square, CFI, AGFI, and NNFI scores) but better CR and AVE values, which are viewed as more critical to rigor of the research and data analysis as pivotal preconditions for validity (Flynn et al. 2010; Wiengarten et al. 2014). The final CFA model is presented and steps to reach this model is briefly explained below.

Several iterations involving the consideration of standardized λ loadings, T-values for λ loadings, modification indices, standardized residuals were made to improve the measurement model. During this process, items SCA5, SCA6, SCA7, SCA8, RC1, RC10, AC7, IPR7, and IPR8 omitted from their corresponding constructs because these items either had low λ loadings or high correlated errors, and their

eliminations did not significantly weakened the coverage of the domain of their corresponding constructs. Thus, 10 out of 40 items for perceptual measure were eliminated for statistical and theoretical reasons during reliability and validity checks. Final Cronbach's alpha values and squared correlations of variables represented by remaining items are presented along with their Ave and CR value in Table 14. Fit indices and reliability values for the final model are given as RMSEA=0.057, χ^2 =725.22, df=384, χ^2/df=1.89, CFI=0.983, and NNFI=0.980). Satisfactory levels of fit indices provide additional evidence that the final measurement model demonstrated sufficient unidimensionality (Cao & Zhang 2011). All λ loadings, in the final CFA model were satisfactory with significant T-values ($p<0.01$) offering supplementary evidence for sufficient convergent validity (Cao & Zhang 2011).

Table 14. Reliability Measures of the Constructs After the Final CFA Model

	Final Number of Items	**RC**	**INV**	**AC**	**IPR**	**AVE[a]**	**CR[b]**	**Cronbach's Alpha**
SCA	4	0.458	0.188	0.282	0.185	0.513	0.808	0.816
RC	8		0.245	0.366	0.248	0.504	0.890	0.893
INV	5			0.304	0.135	0.649	0.902	0.915
AC	7				0.203	0.550	0.889	0.874
IPR	6					0.540	0.875	0.931

[a]AVE (Average Variance Extracted) = $\sqrt{[\sum\lambda^2 / (\sum\lambda^2 + \sum(1 - \lambda^2))]}$

[b]CR (Composite Reliability) = $[\sum 2\lambda / (\sum 2\lambda + \sum(1-\lambda^2))]$

Discriminant validity. Test of discriminant involved running six tests in order to reveal relations between each pair of constructs. These pairs and their results are given below in Table 15. Discrimination test in SEM is done via testing chi-square change between two models, one with forced correlation (to 1) among two constructs and one with freed correlation among the same pair of constructs. Constructs discriminate if the change in chi-square is significant in relation to change in degrees of freedom (df). As can be seen below, all pairs of constructs significantly discriminated (in all cases second models are superior to first models) as their change in chi-square was greater than 3.84 (with df = 1).

Table 15. Discriminant Validity Results

Test	***Fixed Correlation***	***Freed Correlation***	***Change***
	χ^2(df)	**χ^2(df)**	**$\Delta\chi^2\Delta$(df)**
Supply chain agility vs. relational capability	233.65 (53)	176.76 (52)	**56.89(1)*****
Supply chain agility vs. innovativeness	243.52 (26)	93.12 (25)	**150.4 (1)*****
Supply chain agility vs. absorptive capacity	350.79 (43)	283.12 (42)	**67.67 (1)*****
Supply chain agility vs. international performance	218.54 (32)	111.11 (31)	**107.43 (1)*****
Relational capability vs. innovativeness	351.86 (63)	172.88 (62)	**178.98 (1)*****
Relational capability vs. absorptive capacity	745.08 (88)	281.58 (87)	**463.5 (1)*****
Relational capability vs. international performance	522.95 (73)	239.64 (72)	**283.31 (1)*****
Innovativeness vs. absorptive capacity	493.15 (52)	138.30 (51)	**354.85 (1)*****
Innovativeness vs. international performance	304.95 (40)	92.16 (39)	**212.79 (1)*****
Absorptive capacity vs. international performance	493.31 (61)	229.75 (60)	**263.56 (1)*****

*** Significant at p<0.001 level

Common method variance. Referring to "variance that is attributable to the measurement method rather than to the constructs the measures represent" (Jarvis, MacKenzie, & Podsakoff 2003), common method variance (CMV) or, in other words, common method bias is often identified as an important potential threat to the validity of the results particularly in survey research (Chang et al. 2010; Craighead et al. 2011). When self-administered questionnaires are used to gather data at concurrently from the same participants, CMV may be a concern (Chang et al. 2010), especially when both the dependent and independent variables are measured perceptually from single informants. Although some scholars argue that CMV often does not jeopardize the results (e.g., Malhotra, Kim, & Patil 2006), it still could be useful to account for, control and/or minimize the potential negative influence of CMV. There are different types of statistical (e.g., Harman's single factor test and marker variable technique) and design related (e.g., psychological separation, methodological separation, and using multiple sources) remedies to account for and mitigate CMV (Craighead et al. 2011).

Several design and statistics related steps were taken to minimize potential common method variance in this study. First, the potential respondents were pre-

qualified to make sure that they have relevant knowledge of the research topic. Second, all respondents were informed that their demographical information and responses were kept anonymous. Third, independent and dependent variables were put distant to each other and statements within each variable were randomized. Fourth and more importantly, multiple qualified informants, namely two, for each participating firm completed survey that enabled accounting for the consistency of the responses. Moreover, Harman's one-factor test was performed by loading all measurement items of the research variables into an exploratory factor analysis. Results revealed that no single factor explained more than 30% of the total variance in the variables, suggesting that CMV was unlikely to be a serious problem in this research (Schilke 2014). Likewise, Harman's one-factor test was deployed using CFA, comparing a single-factor model with the original measurement model. Results revealed that the model single-factor had a significantly worse fit ($\Delta\chi^2 = 920.89$; $\Delta df = 10$; $p<0.001$). These findings highlight that CMV was not a serious problem in this research. In conclusion, given the current overall results of CFA, it was concluded that validity and reliability displayed in the CFA model was satisfactory and structural model could be tested.

6 RESULTS

This chapter delivers the descriptive and model testing results of the main quantitative phase of the research. First, descriptive statistics are presented to provide a brief picture of the characteristics of the research participants, the extent and geography of their international activities as well as key host countries, and correlations between the relevant variables. Then, the results of the structural model and hypothesis testing are presented, following the accounting for key reliability and validity issues in the measurement model. The results revealed that the majority of the hypotheses received support, some of which are marginal, though several hypotheses with regard to moderation effects were not supported due to effect sign opposite to the hypotheses. Brief interpretation of the findings of hypothesis testing is offered in this section as well, however articulated discussion of the findings with reflections on supported and not supported hypotheses and implications for theory, policy, and management practice are provided in the seventh and the last chapter of the dissertation.

6.1 Descriptive Statistics

In this section descriptive statistics are presented to provide necessary information about the characteristics of the research participants and key statistics before presenting the results of hypotheses testing. First, the breakdown of the research participants by industry is presented in Table 16. Results show that the bulk of the participants are from the textile, clothing, and apparel industry (20.27%). The metal, iron-steel, and machine industry and construction equipments industry constituted 10.87% and 9.40% of participants respectively. Participants from the food and beverages industry accounted for an additional 7.13%. Other industries included consumer durables, cement, glass, and ceramic, electrical equipments, electronics, information systems, retail, automotive and automotive parts, petroleum, energy and other industries. All in all, the research covered wide variety of product related industries and none of the industries dominated the participant base, which fosters generalizability of the results at least within Turkish context and alleviate potential industry biases in the results. Moreover, industry makeup of the participant firms roughly corresponds to the sectorial makeup of top 1000 Turkish exporters (TIM 2013).

Table 16. Research Participants by Industry

Industry	Frequency	Raw percentage	Net percentage
Consumer durables	19	7.0	4.67
Cement, glass, and ceramic	12	4.4	2.93
Electrical equipments	12	4.4	2.93
Electronics, information systems	14	5.2	3.47
Food and beverages	29	10.7	7.13
Retail	19	7.0	4.67
Construction equipments	38	14.1	9.40
Metal, iron-steel, and machine	44	16.3	10.87
Automotive and automotive parts	21	7.8	5.20
Forest products and paper	11	4.1	2.73
Furniture and derivatives	20	7.4	4.93
Petroleum, energy	17	6.3	4.20
Textile, clothing, apparel	82	30.4	20.27
Medical, chemical, pharmaceutical	24	8.9	5.93
Other	43	15.9	10.60
Total	405*	150*	100

* Because participants could choose more than one industry, given the realities of Turkish business environment, the number and percentage of the stated industries exceeded the number of participants, which are 270.

Table 17 shows the matrix of key international activity types of participant firms by region. This descriptive information reveals that export is the most common international involvement choice by Turkish firms and many firms are present across wide range of geographies. The statistics indicate that, despite recent expansion into African and Middle-Eastern geographies, the most important markets for Turkish firms are still European markets as stated in a recent report by Turkish exporters assembly (TIM 2013), but the coverage of European countries visibly extend beyond the European Union and includes Eastern European and Balkan countries. Furthermore, relatively strong presence in the continents of Africa and Americas indicate that geographical obstacles are not a primary hindrance to international expansion of Turkish firms. Licensing and franchising practices are primarily applied by firms in apparel, food, and retail industries and are concentrated in closer geographies.

Table 17. Research Participants by International Involvement

Region / Activity	Western and Northern Europe	Eastern and Central Europe	Russia, Belarus, and Ukraine	Central Asia and Caucasia	Far East	Middle East	North Africa	Sub-Saharan Africa	Central and North America	South America
• Export	177	178	163	128	86	130	129	75	91	70
• Licensing	31	40	27	21	8	17	13	8	15	12
• Franchising	18	27	19	18	5	12	9	4	13	7
• Greenfield investment	36	36	38	29	14	22	13	7	12	6
• Acquisition	26	26	18	10	10	7	4	5	6	4

Furthermore, the data show that significant number of Turkish firms also follows greenfield investment and/or acquisition strategies, distributed in a relatively more balanced way across geographies than licensing and franchising except Americas. This result provide empirical evidence to the notion that Turkish firms are becoming increasingly active and visible in the global business environment (Demirbag et al. 2009). Consequently, the research participants' international activities encompass broad range of regions and activity types.

Table 18 exhibits most popular host countries, out of the 66 countries that were mentioned at least once as the most or second most host country by the 270 participating firms, for the participant firms. As expected, Germany and Russia are by far two most important countries for the research participants. Turkey and Germany have had long, sophisticated, and extensive trade and investment relationship throughout recent history. In turn, Russian and Turkish economies are highly complementary to each other and, with the facilitating role of geographical proximity and historically rich socio-cultural ties, Turkish firms appear to leverage the opportunity of doing business in Russia. Furthermore, the coverage of the list also confirms that geography and psychic distance (Johanson & Vahlne 1977) are not likely to be primary barriers for Turkish firms' international activities. Likewise, most important countries for the research participants roughly match with the list of Turkey's major trade and business partners (CIA 2014). All in all, the list, which exhibits sufficient representation of Turkey's major economic ties, reveals that countries that are important to participant firms comprise a broad range and exhibits diverse institutional characteristics.

Table 19 shows participant demographic statics of number of employees, firm annual revenue, firm age, and employment duration within the current firm of survey respondents. The distribution of number of employees and annual revenue indicates that firms of different sizes were represented fairly equally. The distribution of firm age indicates that the middle-aged firms represented the majority of the participants. Returning to number of employees, roughly half of the participants firms have less than 250 employees, giving a fair share to small and medium sized firms in the sample. Likewise, nearly half (48.9%) of the participant firms have less than TRY 100.000.000 in revenue (EUR 1 = TRY 2.88 and USD 1 = TRY 2.16 as of August, 13th 2014). On the other hand, large firms were also represented fairly within the research sample, with about 24.3% of participant firms employing more than 1000 employees and 16.7% having more than 1.000.000.000 TRY in annual revenue.

Table 18. Top 25 Host Countries as Stated by Participants

Country stated as most important	Number of times stated	Country stated as second most important	Number of times stated
Germany	47	Russia	24
Russia	45	Germany	23
Italy	21	Azerbaijan	18
USA	16	UK	14
Iraq	15	Iraq	12
Azerbaijan	13	Italy	11
UK	11	France	10
Iran	7	Ukraine	10
France	6	USA	10
Spain	6	Spain	9
Georgia	5	Algeria	7
Netherlands	5	UAE	7
Turkmenistan	5	Libya	6
China	4	Egypt	5
Libya	4	Georgia	5
Romania	4	Iran	5
Ukraine	4	Kazakhstan	5
Angola	3	Turkmenistan	5
Egypt	3	Japan	4
Hungary	3	Poland	4
Algeria	2	Romania	4
Brazil	2	Saudi Arabia	4
India	2	China	3
Jordan	2	Israel	3
Saudi Arabia	2	Netherlands	3
Total number of times stated	237		211

Table 19. Research Participants by Key Demographic Information

Firm Size (No. of employees)	Frq.	(%)	Firm Size (Revenue-TRY)	Frq.	(%)	Firm Age (Year)	Frq.	(%)	Employment Duration (Year)	Frq.	(%)
Less than 50	45	16.7	Less than 25.000.000	53	19.6	Less than 3	8	2.9	Less than 2	64	11.9
50-99	29	10.7	25.000.000–99.999.000	79	29.3	3-10	32	11.9	2-4	128	23.7
100-249	61	22.7	100.000.000–249.999.000	35	13	11-20	75	27.8	5-9	147	27.2
250-499	41	15.2	250.000.000–499.999.000	29	10.7	21-20	86	31.9	10-14	83	15.4
500-999	28	10.4	500.000.000–1.000.000.000	27	9.9	More than 40	68	25.2	15-20	64	11.9
1000-1999	27	9.9	More than 1.000.000.000	45	16.7	No information	1	0.7	More than 20	47	8.7
2000-4999	22	8.2	No information	2	0.7				No information	1	1.3
More than 5000	17	6.2									
Total	270	100		270	100		270	100		540	100

Moreover, the data on the duration of employment in the current firm for a total of 540 participant key informants, two for each firm, were gathered at the individual level rather than firm-level unlike other question in the survey. Despite relatively dynamic and flexible labor market in Turkish business environment (Arandarenko 2004), only 11.9% of the respondents reported less than two years of work experience. Though job titles were too diverse to report as a descriptive statistics, it was ensured that all participants in the final sample were competently informed about both marketing and SCM functions and operations of their firm, and their positions were typically middle and upper levels, including firm owners and partners, CEOs, CMOs, COOs, marketing directors, operations / SCM directors, export directors, heads of foreign operations, marketing managers, and operations / SCM managers. Overall, responses to the questions related to experience (measured through work duration), responsibilities, and knowledge of the participants provide confidence to the appropriateness of these participants as the key informants in this research.

Table 20 presents the correlations among the key concepts that are examined in this research. The matrix shows that most of the significant correlations are grouped within perceptual measures and archival measures respectively, but only institutional uncertainty measured through secondary data correlates with SCA that was measured through primary data collection. AC appears to correlate with three other relevant DCs at over 0.5 range, indicating slightly higher average correlation values than the other DCs. Likewise, it is interesting to notice negative significant correlation between institutional uncertainty (IUNC) and institutional distance (IDST), indicating that countries with less institutional distance to Turkey are likely to exhibit higher rates of institutional uncertainty.

Table 20. Correlations among the Focal Concepts

	SCA	RC	INV	AC	IPR	IDVP	IDST	IUNC
SCA	1	0.677**	0.434**	0.531**	0.430**	0.107	0.100	-0.129*
RC		1	0.495**	0.605**	0.498**	0.012	0.086	-0.030
INV			1	0.551**	0.368**	0.032	0.070	-0.020
AC				1	0.450**	0.073	0.100	-0.095
IPR					1	0.119	0.104	-0.152*
IDVP						1	0.607**	-0.888**
IDST							1	-0.680**
ISUNC								1
Mean	5.884	5.975	5.876	5,767	5,617	4.096	1.703	4.208
SD	0.711	0.624	0.814	0.743	0.943	0.649	0.575	0.878

* Significant at $p<0.05$ level

** Significant at $p<0.01$ level

6.2 Model Testing

6.2.1 Direct effects

Following the assessment of measurement model primarily via CFA, the structural model was formed and run in LISREL 9.1, using maximum likelihood (ML) procedure. As can be seen in Table 13, skewness and kurtosis in the data used for the structural model were well below the common cutoffs of 2 and 7, respectively. Hence, ML estimation was deemed to provide reliable estimates (Curran, West, & Finch 1996). The structural model tested resulted in a relatively good model fit (RMSEA=0.062, χ^2/df=2.04, CFI=0.979, NNFI=0.977). Consequently, based on the good overall model fit, it was concluded that hypotheses could be tested individually.

Starting with the links between MCs and SCCs, H1 suggested a positive relationship between absorptive capacity (AC) and supply chain agility (SCA). As seen in Table 20, beta $(\beta)_1$ is positive and significant ($\beta_1 = 0.25$, $p<0.01$). Thus, **H1** was supported. This result indicates that EMFs' absorptive capacity, particularly in terms of the management of market knowledge, enables them to manifest agility with their supply chain operations at higher extents and boost utilized agility of their supply chains. H2 suggested that the extent of innovativeness of EMFs is positively related to the degree of their SCA. As seen in Table 21, β_2 is positive and significant ($\beta_2 = 0.54$, $p<0.01$). Hence, **H2** was supported. Accordingly, this result indicates that the more EMFs leverage their innovativeness the more they are likely to possess and manifest SCA.

Table 21. Model Path Coefficients and t-values

Path	Parameter Estimates and t-values		
	Unstandardized Estimates	**Standardized Estimates**	**t-values**
H1: Absorptive capacity → Supply chain agility	0.23	0.25	**3.69****
H2: Innovativeness → Supply chain agility	0.47	0.54	**7.29****
H3: Relational capability → Absorptive capacity	0.71	0.58	**8.39****
H4: Relational capability → Innovativeness	0.98	0.77	**10.69****
H5: Supply chain agility → International performance	0.26	0.27	**3.29****
H6: Relational capability → International performance	0.16	0.15	1.53[t]
H7: Innovativeness → International performance	0.18	0.21	**2.11***
H8: Absoprtive capacity → International performance	0.30	0.34	**5.04****

[t] Critical t-value (at $p<0.1$ level, one-tailed) = 1.282

* Critical t-value (at $p<0.05$ level, one-tailed) = 1.645

** Critical t-value (at $p<0.01$ level, one-tailed) = 2.326

On the other side of the coin, it was argued in H3 that EMFs' relational capability (RC) is positively associated with their AC. Given significant value of gamma $(\gamma)_1$, **H3** was supported. It appears that the link between RC and AC is positive and statistically significant (γ_1= 0.58, p<0.01). This result suggests that RC is likely to function as a pivotal prerequisite for the development and leverage of AC, particularly for EMFs operating in product related industries. Finally, H4 posited a positive association between the extent to which EMFs' degree of RC and the degree of their innovativeness. Table 21 indicates that γ_2 is positive and significant (γ_2 = 0.77, p<0.01). Thus, a support was found for **H4**. This result reveals that EMFs' RC, which enables them to initiate, manage, and leverage interorganizational relationships effectively, contributes to the extent of their innovativeness. Thus, boundary spanning actors that manage EMFs SCM operations across organizations are likely to provide valuable inputs to innovative activities of their firm if they possess and utilize RC in the management of relationships with their firms' partners.

When it comes to MCs and SCCs, the first capability tested for international performance was SCA. Accordingly, H5 proposed that EMFs' SCA is likely to foster their international performance. This hypothesis (**H5**) was supported. The influence of SCA on international performance was positive and significant (β_3 = 0.27, p<0.01). This result indicates that if firms from emerging markets and their immediate supply chains are alert, quick, responsive, and flexible, i.e., agile, they are more likely to perform better in their international activities. Likewise, another key SCC, RC was argued to lead to increased international performance in H6. However, though the γ value for the relationship between RC and international performance is positive, it is not statistically significant at the commonly accepted significance level of 0.05 (γ_3 = 0.16, p>0.05). Hence, this hypothesis received support at more liberal significance level of 0.1 (t=1.282), and it was deemed that **H6** was marginally supported. Consequently, this result suggests that RC is not likely to have a strong direct impact of international performance by strict measures, but it does contribute to international performance of EMFs according to a more liberal take.

Continuing with the impact of key MCs on international performance of EMFs, H7 argued that innovativeness and international performance are positively associated with each other. As seen in Table 20, the relationship between innovativeness and international performance is positive and significant (β_4 = 0.21, p<0.05). Thus, **H7** was supported. This result reveals that the benefits of innovative capabilities for EMFs extend to having positive influence on international performance. In fact, EMFs' willingness and capacity to innovate

appears to be a key enabler of their success abroad, especially with regard to their demand creation activities. Finally, H8 proposed that EMFs with higher AC are more likely to perform better in international markets than with without sufficient extent and utilization of AC. Similar to the linkage between innovativeness and international performance, the link between AC and international performance is positive and significant ($\beta_5 = 0.34$, $p<0.01$), lending a support to **H8**. This result indicates that EMFs that are good at acquiring, transforming, and exploiting external knowledge are more likely to succeed in their international activities. Next, the last four relationships (H5, H6, H7, and H8) were tested against relevant institutional variables to verify whether these institutional factors play a moderating role in the proposed relationships. The process of doing so is described below.

6.2.2 Moderation effects

This section involves testing proposed moderation models. The process followed in the moderation test is as follows. First, measurement of SCA, RC, innovativeness, AC, and international performance were kept as they were resulted in the measurement assessment process in the 5th chapter. Thus, 4 items tapped SCA, 8 items tapped RC, 5 items tapped innovativeness, 7 items tapped AC, and 6 items tapped international performance as they were in the testing of direct effects. The use of multiple indicants within interaction-based structural models was deemed proper to keep assessed accuracy, reliability, and validity of the perceptual measures intact and set the estimation of loadings and measurement errors of these variables free during the testing of moderation effects. Second, 8 interaction terms were created by multiplying the scores of archival measures and averaged scores of the relevant perceptual measures. In order to alleviate problems associated with potential multicollinearity problems that may arise from the introduction of interaction terms in the structural model, the variables involved in multiplicative interactions were orthogonalized using the residual centering method suggested by Little, Bovaird, and Widaman (2006). These orthogonalized values were used in the following analysis. Third, institutional variables were transformed from being observed variables to being latent variables by generating estimates for the factors loadings, error variances, and factor variances of each of archival measures of the relevant institutional variables. In doing so, CFA models with direct effects were run, with the single indicant institutional variable's factor loadings set at one. Also, following the procedure suggested in the previous research (Cadogan et al. 2006), for each of the single indicator of institutional variables and interaction terms, the error variance of the indicators was set at $[(1-\rho)\times\sigma 2]$, where ρ is the composite

reliability of the indicator's score (or the average across composite reliabilities in the cases of SCA, RC, innovativeness, and AC), and σ is the sample standard deviation of the indicator. Then, the new estimates of the single indicants' factor loadings and error variances were documented to be used in the subsequent analyses. Sample variances of all factors were also noted. Fourth, interaction terms were recreated in Lisrel 9.1, following importing the data that included orthogonalized interaction terms. Then, previously obtained final factor loadings, error variances, and factor variance estimates for institutional variables together with equations for perceptual measures of MCs and SCCs that were set in the previous measurement and structural models were fed into equations provided by Ping (1995). This generated estimates of the error variances and factor loadings for all of the 8 interaction terms tested. Finally, after getting estimates for the loadings and error variances for all of the interaction terms, two nested models were specified for each moderation test.

In both models, the loadings and error variances for the interaction terms were fixed at their previously estimated values. The first model was a "restricted" model in which the gamma (γ) loadings linking 8 interaction terms to the outcome variable of international performance were fixed at zero. In this step, the rest of the γ loadings were freely estimated. The second model was a "freed" model in which those γ parameters originally fixed at zero were freed in their respective models (Cadogan et al. 2006). The following tests of moderation effects were conducted first by assessing whether chi-square (χ^2) differences between "restricted" and "freed" models were significant in relation to change in the degrees of freedom (df) and second by assessing the statistical significance of the γ loadings of interaction terms on international performance. Table 22 provides the results of the moderation tests conducted in this research.

Table 22. Moderation Tests

	Institutional development			***Institutional uncertainty***			***Institutional distance***		
Moderation Test	***Fixed***	***Freed***	***Change***	***Fixed***	***Freed***	***Change***	***Fixed***	***Freed***	***Change***
	χ^2(df)	**χ^2(df)**	**$\Delta\chi^2$(Δdf)**	**χ^2(df)**	**χ^2(df)**	**$\Delta\chi^2$(Δdf)**	**χ^2(df)**	**χ^2(df)**	**$\Delta\chi^2$(Δdf)**
Supply chain agility				70.14 (46)	66.34 (45)	3.80(1)^t	91.86 (46)	88.17 (45)	3.69 (1)^t
Relational capability				206.58 (95)	203.56 (94)	3.02(1)^t	231.62 (95)	219.35 (94)	**12.27(1) ****
Innovativeness	116.39 (56)	110.57 (55)	**5.82 (1)***	80.64 (56)	66.72 (55)	**13.92(1) ****			
Absorptive capacity	233.22 (81)	227.09 (80)	**6.13 (1)***	215.12 (81)	198.64 (80)	**16.48(1) ****			

^{t} Significant at p<0.1 level

* Significant at p<0.05 level

** Significant at p<0.01 level

Starting with the role of institutional development in the relationship between MCs and international performance, H9A proposed a positive moderation to the link between innovativeness of EMFs and their international performance. Though the χ^2 difference was significant (5.82, p<0.05) in this moderation test as seen in Table 22, the insignificant γ (-0.74, p>0.1) loading did not lend provide sufficient evidence for the moderating role of institutional development in the relationship between innovativeness and international performance of EMFs. Hence, **H9A** was rejected, indicating that institutional development of the host countries does not make the relationship between innovativeness of EMFs and their international performance either stronger or weaker. Likewise, H9B proposed a positive moderation role for institutional development in the linkage between AC and international performance. In line with the hypothesis, the significant χ^2 difference (6.13, p<0.05) between "restricted" and "freed" models indicated that the model with moderation effect performs better than the model without moderation effect. However, unlike the hypotheses suggested, the significant γ (-0.06, p<0.05) loading displayed a negative sign, suggesting the reverse direction for the moderation. Consequently, though the presence of moderation was confirmed, given its weakening, not strengthening, effect, **H9B** was rejected. This finding reveals that institutional development of the host countries erode the role of AC in the international performance of EMFs.

When it comes to institutional uncertainty, the first hypotheses was about its positive moderation of the link between SCA and international performance as was argued in H10A. Because the χ^2 difference is marginally significant (3.80, $p<0.1$), it lends marginal support the existence of moderation effect. On the other hand, further examination of the link revealed that it was in fact a negative moderation, given significant yet negative γ (-0.19, $p<0.05$) loading of the interaction term. Therefore, **H10A** was rejected as it is not plausible to claim according to results that SCA becomes more critical to international performance of EMFs in institutionally uncertain host country contexts. Instead, result indicates that SCA does not function effectively under high institutional uncertainty in host country contexts in comparison to low institutional uncertainty in host country contexts. Likewise, H10B argued that institutional uncertainty positively moderates the relationship between RC and international performance, marginally significant $\Delta\chi^2$ value (3.02, $p<0.1$) offered modest support to this hypotheses. Furthermore, the interaction term for this hypothesis exhibited significant and positive γ (0.26, $p<0.05$) loading. Thus, **H10B** was marginally supported, indicating that the impact of RC on international performance seem to change across different levels of institutional uncertainty in host countries and is stronger when institutional uncertainty in host countries is high.

Furthermore, H10C proposed that institutional uncertainty of the host countries negatively moderates the relationship between innovativeness and international performance of EMFs. However, as can be seen in Table 22, though the χ^2 difference was significant (13.92, $p<0.01$), the significant γ (0.28, $p<0.01$) loading displayed a positive sign, suggestive of a moderation direction opposite to the proposed hypothesis. Thus, the results defied **H10C**, and imply that EMFs' innovativeness becomes more important to their international performance in institutionally uncertain host country context. Likewise, H10D proposed a similar role for institutional uncertainty in the relationship between AC and international performance and argued for a negative moderation. However, though the existence of moderation was confirmed by the significant $\Delta\chi^2$ value (16.48, $p<0.01$), its direction was opposite to the hypothesized direction as the γ value (0.33, $p<0.01$) was positive. Thus, **H10D** was also rejected despite the presence of moderation. This finding reveals that EMFs benefit more from their AC in the pursuit international performance in institutionally uncertain countries.

Finally, the role of institutional distance was scrutinized. H11A argued that institutional distance positively moderates the relationship between SCA and international performance. The $\Delta\chi^2$ value (3.69, $p<0.1$) was only marginally significant. The further examination of the moderation to clarify the direction and

strength of the effect revealed that the γ value (0.26, $p<0.05$) was positive and significant. Thus, this hypothesis (**H11A**) also received marginal support. It appears that institutional distance between home and host countries does marginally matter to the impact of SCA on international performance, and SCA becomes more pivotal to international performance when the regulative, normative, and cognitive institutions of home and host countries are distant to each other. H11B proposed that the influence of RC on international performance of EMFs is positively moderated by institutional distance. The results indicate that the existence of moderation was confirmed by the significant $\Delta\chi^2$ value (12.27, $p<0.01$), and its direction was confirmed by the γ value (0.58, $p<0.01$). Thus, **H11B** was supported. This result reveals that RC can function as a bridge between relevant actors in institutionally distant countries and becomes more pivotal for the international performance.

6.2.3 Control variables

In order to account for potential spurious effects, it was deemed necessary to assess possible impacts of some demographical variables on the hypothesized relationships. In particular, "firm age", "annual revenue", and "number of employees" were included in the model to test whether these variables have an influence on international performance and the tested relationships. "Firm age" was selected as a control variable on the basis that capabilities and international performance may vary across different ages of firms. In fact, research on new ventures (Gabrielsson & Gabrielsson 2013; Zahra et al. 2000) leverages firm age as a point of departure to argue that young firms possess different capabilities and behave differently from older firms in international arena. Thus, "firm age" was deemed necessary to control for. Likewise, firm size as a potentially important control factor was captured by two variables of "annual revenue" and "number of employees". It is also plausible to argue that small firms behave and perform differently in comparison to large firms (e.g., Etemad 2004). Consequently, controlling for "annual revenue" and "number of employees" may contribute to the accuracy and validity of the findings.

Because three controls of "firm age", "annual revenue", and "number of employees" were observed variables, they were transformed into single indicant latent variables in order to account for their error variances and arrive to a more valid estimation of their loadings. The transformation of error variances into the structural model followed similar processes that were followed when transforming institutional variables into single indicant latent variables. The results for the influence of control variables are as follows. First, the results for the model fit change following the inclusion of control variables revealed that

adding control variables significantly deteriorated the model fit ($\Delta\chi^2$= 178.01, Δdf=84, p<0.001), indicating that adding control variables into the model did not add value to it but in fact worsened its fit. Further examination of the potential influences of these control variables on international performance also revealed that none of them exhibited statistically significant influence on the outcome variable. In particular, standardized γ (-0.02, p>0.1) loading for firm age was not significant. Likewise, neither γ (-0.15, p>0.1) loading for annual revenue nor γ (0.17, p>0.1) loading for number of employees was significant. Furthermore, inclusion of the control variables did not change significance or direction of none of the relationships in the model, except already marginally supported link between relational capability and international performance became insignificant. So, it was concluded that the influence of control variables on international performance and the overall model was negligible, and the integrity of the hypothesized relationships were not noticeably impaired.

Overall, hypotheses proposed in this research received relatively strong, though not unanimous, support. Table 23 below summarizes hypotheses, informs whether received support or not, and briefly explains why the hypotheses that were not supported did not. Likewise, Figure 6 exhibits both hypothesized and not-hypothesized statistically significant relationships that the results revealed. The depicted relationships include links significant at marginal support level of 0.1. Though all direct effects were revealed to possess expected signs, only 3 out of 8 moderation hypotheses were supported and marginally supported as expected impact on the focal relationships. One moderation hypothesis was not supported due to lack of insignificant loading of the interaction term. The remaining 4 moderation hypotheses were not supported as the results revealed opposite impacts to hypothesized relationships. These results are somewhat surprising but not meaningless. Brief explanations for supported and not supported relationships are explained briefly in the 7th chapter.

Table 23. Summary of the Hypotheses Testing Results

Hypothesis	Result
H1: Absorptive capacity to supply chain agility	**Supported**, Significant at p<0.01
H2: Innovativeness to supply chain agility	**Supported**, Significant at p<0.01
H3: Relational capability absorptive capacity	**Supported**, Significant at p<0.01
H4: Relational capability to innovativeness	**Supported**, Significant at p<0.01
H5: Supply chain agility to international performance	**Supported**, Significant at p<0.01
H6: Relational capability to international performance	**Marginally supported**, Marginally significant at p<0.1
H7: Innovativeness to international performance	**Supported**, Significant at p<0.05
H8: Absorptive capacity to international performance	**Supported**, Significant at p<0.01
H9A: Positive moderation of institutional development on the relationship between innovativeness and international performance	**Not supported**, Insignificant loading of interaction term at p>0.1
H9B: Positive moderation of institutional development on the relationship between absorptive capacity and international performance	**Not supported**, Opposite impact, Significant at p<0.05
H10A: Positive moderation of institutional uncertainty on the relationship between supply chain agility and international performance	**Not supported**, Opposite impact, Marginally significant at p<0.1
H10B: Positive moderation of institutional uncertainty on the relationship between relational capability and international performance	**Marginally supported**, Marginally significant at p<0.1
H10C: Negative moderation of institutional uncertainty on the relationship between innovativeness and international performance	**Not supported**, Opposite impact, Significant at p<0.01
H10D: Negative moderation of institutional uncertainty on the relationship between absorptive capacity and international performance	**Not supported**, Opposite impact, Significant at p<0.01
H11A: Positive moderation of institutional distance on the relationship between supply chain agility and international performance	**Marginally supported**, Marginally significant at p<0.1
H11B: Positive moderation of institutional distance on the relationship between relational capability and international performance	**Supported**, Significant at p<0.01

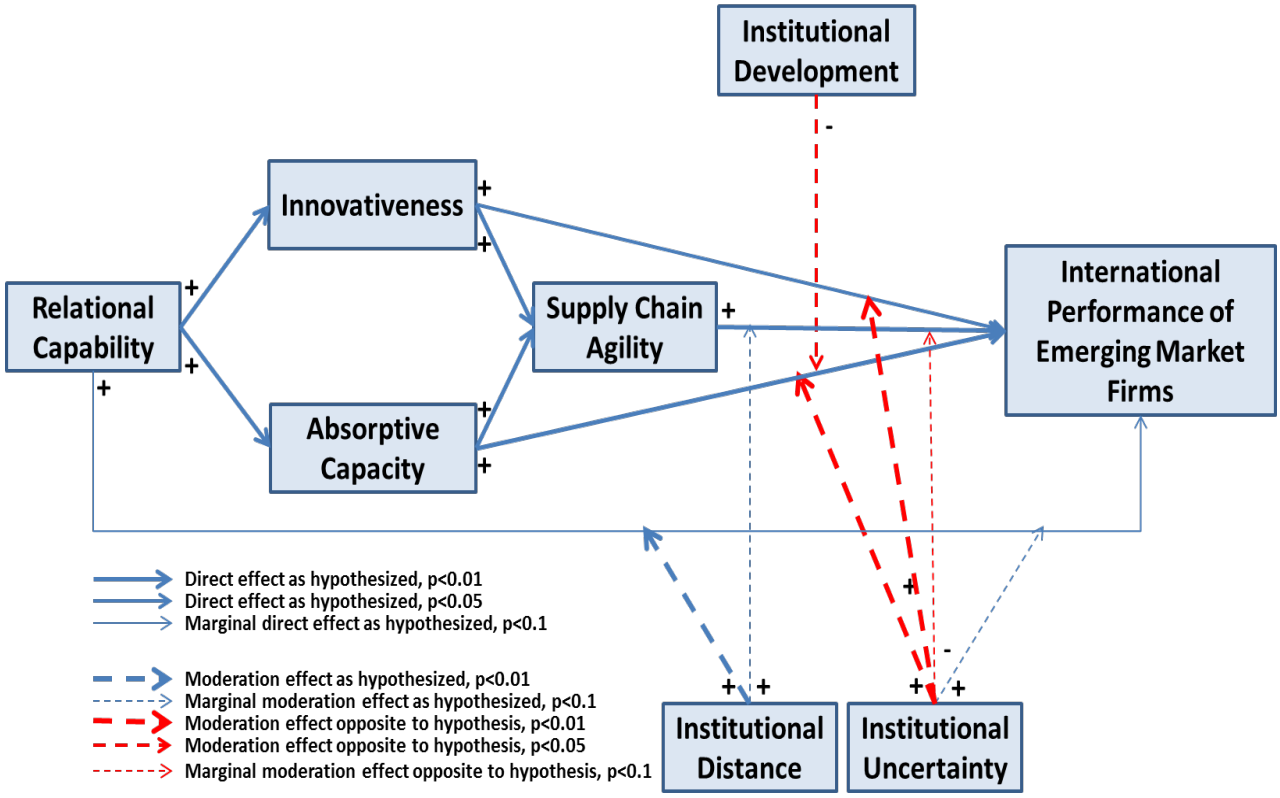

Figure 6. Final Model and Different Relationships

7 DISCUSSION AND CONCLUSIONS

The primary function of this chapter is to recap research findings, and tie the research to theory, management practice, and policy making. The chapter starts with a brief discussion of research findings along with an overall summary of the whole dissertation. In doing so, the purposes of the research are revisited and juxtaposed against empirical results to assess the extent that the research meet its initial purposes and provide theoretical, empirical, and methodological contributions to the relevant fields in business, particularly to international business and marketing. Likewise, potential managerial and policy implications of the findings are discussed to relate the dissertation to management and policy making audience and enhance the practical applicability of the research. This is followed by the discussion of limitations of the research so as to present a realistic picture of the boundaries of its merits and its intentional and unintentional limits. As a final point, the chapter ends with provision of future research directions in the hope that the research provides plausible ground to expand further on related research issues and advance the knowledge.

7.1 Summary and Discussion of the Findings

This dissertation set out with the purpose of exploring the interplay between marketing capabilities (MCs) and supply chain capabilities (SCCs) and of investigating the role of these capabilities, along with host country institutional factors, in international performance of emerging market firms (EMFs). This overall purpose aimed at addressing three important research gaps: 1) the overlooking of capabilities in the studies of interaction between demand and supply activities and respective functions within the organization, 2) the lack of attention to the potentially rich interaction between institutions and dynamic capabilities (DCs), and 3) the lack of empirical studies examining antecedents of international performance of EMFs from the perspective of dynamic MCs and SCCs.

Given its purpose and claim in bridging some of the key gaps it pointed out, the dissertation followed a somewhat unconventional structure. The first chapter lays the research background, highlights key research gaps, sets the goal, and offers justification for the research through proposed contributions as well as justification to context and research design choices. The second chapter reviews the two key theoretical lenses pertinent to this research, analyzes them in comparison to each other, and argues for arriving to a more integrated approach

that can enable addressing limitations of two theoretical lenses and offer more accurate and powerful explanations to relevant phenomena. This position is developed on the basis that there is increasing recognition that institutional theory should account for organizations as agents (Greenwood, Hinings, & Whetten 2014) and dynamic capabilities theory should acknowledge structural templates as boundary conditions (Barreto 2010). On the other hand, no specific hypotheses are developed in this chapter. In that regard, the key function of this chapter is to provide a theoretical ground to the following 3rd and 4th chapters through synthesized approach of institutions and DCs and through some of its postulates that are used as a basis to specific hypotheses in the 4th chapter.

In its entirety, chapter 3 presents the whole picture of the qualitative phase of the dissertation by setting the goal for the qualitative research, providing a concise picture of the relevant literature on the research issue, discussing the method and research findings, and discovering key MCs and SCCs that are critical for Turkish firms, and offering a modest account of the interplay between MCs and SCCs. The findings divide MCs and SCCs in terms of effectiveness- and efficiency oriented ones, and show that capabilities of similar nature offer higher synergy to each other than the otherwise. These findings from the qualitative phase of the research provide the ground for further conceptual development and are utilized further in the 4th chapter when developing hypotheses on the key relationships between emergent MCs and SCCs.

Chapter 4 presents the conceptualizations of the relevant variables, some of which emerge out of the interaction between the extant literature and qualitative research findings, and develops 11 research hypotheses, drawing on both the literature and the findings of the qualitative phase of the research. Hypotheses can be grouped into three key sets. The first set puts forth predictions concerning the key relationships between the 4 relevant MCs and SCCs, and utilizes both theory and qualitative research findings in doing so. The second set scrutinizes the role of these capabilities in the international performance of EMFs and draws primarily on theory. The third and final set builds on the theoretical ground provided and postulates proposed in the 2nd chapter to probe into the role of host country institutional factors in the relationships between the relevant MCs and SCCs and international performance of EMFs. All in all, these 11 hypotheses constitute the research model to be tested empirically in the 6th chapter.

Chapter 5 presents the research methodology of the main and quantitative phase of the research. In this section structural equation modeling (SEM) is briefly described and justified as a choice of data analysis. Then research design is articulated with specific emphasis on survey development and primary data

collection procedures, as well as preemptive measures taken to address reliability and validity issues during the design stage. Operationalization of the two categories of relevant variables was conducted in two different styles. Operationalization of perceptual measures was executed in accordance with the requirements of survey data collection, and all variables were ensured to have multiple items that clearly and reliably tap their respective variables. In turn, multiple sources of archival data were used to measure institutional variables, in accordance with suggestions of the relevant literature, on post-hoc basis. Reliability of archival measures was also assessed before launching actual data analysis procedure. Assessment of measurement model comes next in the chapter and particularly focuses on reliability and different aspects of validity including convergent validity, divergent validity, unidimensionality, and common method variance. These procedures were deemed necessary prerequisite to move on to testing of structural model and reporting the results.

Finally, chapter 6 reports the results of the quantitative and main phase of the research and starts with presenting key descriptive statistics in doing so. The presentation of these relevant descriptive statistics functions as an introduction to the main results and enables more enlightened and contextualized understanding of the main research results. In the next section of the chapter, results are reported starting with direct effects, continuing with moderation effects, and ending with inclusion of control variables. Though overwhelming majority of the hypotheses on direct effects was supported, moderation effects saw only a modest support. These results with regard to supported and not supported hypotheses and potential reasons behind the lack of support to not supported hypotheses are provided below, before delving into theoretical contributions and managerial and policy implications in the following sections.

The first set of hypotheses on the interplay between MCs and SCCs proposed for interactive, bidirectional, and intertwined links between MCs and SCCs. Given the pivotal role of interorganizational relationships for firms and their marketing units (Dyer & Singh 1998; Wathne & Heide 2004), relational capability (RC) was proposed to be an antecedent to both innovativeness and absorptive capacity (AC). The results reveal that RC is in fact positively associated with innovativeness and AC and contributes to their extent and effectiveness of their deployment. This result is in line with the literature. It is becoming increasingly evident that firms are connected just like people. As the world becomes increasingly dynamic, firms cannot maintain superior levels of innovativeness and effective management of market knowledge without their external connections and relationships with customers, suppliers, business partners, and even

competitors matter for innovations that enable differentiation (Greve et al. 2013). As supported by the results, RC can function as a key capability to initiate, manage, and leverage interorganizational relationships for firm strategy and underpin both innovativeness and AC.

Furthermore, supply chain agility (SCA) has been viewed as one of the most important and strategic capabilities that emanate primarily from supply chain management (SCM) domain within firms (Blome et al. 2013; Gligor et al. 2013; Swafford et al. 2006). Thus, it was expected and seen during the qualitative phase of the research that some of the key MCs can in fact be utilized to foster SCA. Two hypotheses were formulated following this position and both were supported. SCM is often viewed as a complementary function to marketing in serving to the core utility of the firm (Porter 1998), namely providing relevant value (Esper et al. 2010). However, this finding reveals that the SCA imperative stemming from the realities of contemporary business environment (Teece 2014) appears to elevate the position of SCM within the firm. In other words, the pivotal role of SCA in meeting the challenge of dynamic business environment can be enhanced by innovativeness and AC and underlines the role of SCM as a strategic function, as supported by the results. The findings also cement the notion that SCA is a higher-order capability underpinned by other capabilities (Gligor & Holcomb 2012b; Iyer 2014).

When it comes to the influence of four MCs and SCCs on international performance of EMFs, results confirm the four hypotheses at overall level. Hence, it becomes evident that especially SCA, innovativeness, and AC are all important DCs to be leveraged for international activities of EMFs. On the other hand, weak support for the role of RC in international performance may be due to two factors. First, it is possible that its role as an antecedent to innovativeness and AC may obscure some of its direct influence on international performance. In this case, RC may not necessarily be weaker contributor to international performance of EMFs, but could be a key yet subtle element in fostering key MCs that lead to increased international performance. Second, it is also possible that the link between RC and international performance could be blurry due to difficulties in converting relatively intangible relational advantages (Dyer & Singh 1998) into solidly tangible performance returns. In fact, the link between interorganizational relationships and economic performance has long been debated, and many scholars suggested that establishing such link could be highly challenging due to incommensurable differences between the two concepts (Håkansson & Waluszewski 2013) and potentially long list of mediating factors such as trust, satisfaction, and commitment.

The results of moderation tests reveal unexpected and interesting insights into the interaction between DCs and host country institutions with regard to international performance. Starting with the role of institutional development of the host countries, it is interesting to find that it moderates only the link between AC and international performance and in an unexpected manner. A more accurate interpretation of this finding may require additional research. Nevertheless, it is plausible to argue that though institutional development could be positively associated with the performance of businesses operating in such context, its moderating influence on some links between MCs and SCCs and international performance could be muted. This muting could be due to counterbalancing influences such as local competition with likely sufficient levels of MCs and SCCs and higher institutional embeddedness or purely due to lack of interaction between some DCs and institutional development of host countries. It is also plausible that EMFs operating in institutionally less developed countries may already account for these voids and leverage capabilities matching to the environment that makes capturing possible linkages statistically very difficult.

Likewise, the negative moderation of institutional development on the link between AC and international performance may have underling reasons. Institutionally developed markets are often saturated with competitors who are likely to be superior in knowledge management capabilities because of the favorable market conditions and facilitated flow of market knowledge that could be accessed easier by actors who are already embedded in and domestic to these contexts. In such contexts, even relatively high levels of AC of EMFs at home could become mediocre in comparison to competitors in host countries and may not provide desired returns for performance. In contrast, AC's influence could lead to a positive differentiation in institutionally less developed countries, due to unfavorable institutional environment and local competitors that are possibly weaker with regard to AC and knowledge management practices. Obtaining firsthand insights into the local market realities in such countries and then assimilating and transforming such knowledge effectively for the benefit of customers and stakeholders could make a real difference as illustrated by the data.

When it comes to the role of institutional uncertainty, the nature of its moderation to the majority of the links between MCs and SCCs and international performance was also unforeseen. Nonetheless, possibly one of the most unexpected findings of the research is the negative moderation of institutional uncertainty on the link between SCA and international performance. It appears that SCA of EMFs function less effectively with regard to their performance abroad in institutionally uncertain environments. At first thought, this finding seems to be entirely

counterintuitive to the extant conceptualization of SCA and the core argument for its supposed utilization particularly to compete in volatile and turbulent markets (Christopher 2000). Nevertheless, the unexpected finding could be due to caveats of equating uncertainty with volatility and the possibility that institutionally uncertain countries may not necessarily have volatile and dynamic markets. The type of volatility and dynamism that lead to emergence of the real value of SCA could be in countries where market mechanisms function sufficiently and business actors could make bold decisions and act promptly, which are prerequisites for agility, without the fear of the future. In fact, the similar notion may also help explaining the reasons behind the moderation of institutional uncertainty on the link between MCs and international performance that appears to be the opposite of the hypothesized directions. It is plausible, though counterintuitive, to expect that innovativeness and AC may be more pivotal to international performance in institutionally uncertain environments. In this case, further examination of institutional uncertainty and its implications for application and leverage of DCs is likely to be needed. Accordingly, exploring the interplay between institutional uncertainty and market dynamism as well as delineating uncertainty in relation to volatility and dynamism may resolve the underlying mechanisms behind these unexpected findings.

Finally, institutional distance appears to be particularly relevant to SCCs-international performance link. Despite marginal support, results confirm that SCA is likely to be more pivotal to EMFs that operate in institutionally distant countries, where they have to maneuver quickly and effectively in unfamiliar regulative, cognitive, and normative environments. Without sufficient alertness, flexibility, responsiveness, and speed, EMFs' performance goals abroad, particularly in institutionally distant countries, could quickly be jeopardized, given the cognitive and physical challenges that unfamiliar markets pose. Similarly, a solid support for the moderating role of institutional uncertainty in RC-international performance link reveals that the real value of RC for international performance increases in institutionally distant countries. It becomes more critical to establish and utilize relationships, particularly with local actors, to face and overcome amplified regulative, cognitive, and normative challenges in such countries.

All in all, the results suggest that institutions matter to deployment and utilization of DCs in global marketplace but possibly in unpredictable ways. In particular, results provide more support to the overall argument for integrating institutional theory (IT) and dynamic capabilities theory (DCT) and accounting for their interactive and intertwined relationships when explaining relevant phenomena as proposed in the 2nd chapter than they do to specific hypotheses posed in the 4th

chapter. In fact, the failure to find extensive support to the specific hypotheses on the moderation effects can underline the immaturity of the extant research on the topic and need for further examination of institutions in relation to DCs to arrive to a fuller and more accurate understanding of the relationships between them.

7.2 Contributions of the Research

In order to clarify and facilitate the understanding of potential theoretical and empirical contributions offered in this research, the discussion of these contributions are tied to the three research questions asked. Though it is acknowledged that the contributions are not necessarily confined to the domains of the asserted questions, their clustering can help clarifying the core premise of each contribution.

Interactions between marketing and supply chain capabilities. The first research question pertains to the issues surrounding capability bundling and leverage across functions. The part of the qualitative findings provides insights into the challenge of identifying, developing, and exploring the linkages between firms' core capabilities and reconfiguring them accordingly. The findings reveal that though overall relationship between MCs and SCCs are positive and synergistic, some types of MCs and SCCs are incompatible to each other. Nevertheless, it should be noted that this finding was not explored further in the quantitative research to avoid proliferation of the research model to an excessively complex state.

The key theoretical contribution of the qualitative phase of the research is the incorporation of capability interactions into demand chain management (DCM) as a business model of marketing (Jüttner et al. 2007). This phase of the research is one of the few examples that build empirically on the ground provided by DCM approach and seek to explore factors that can enhance its understanding in terms of cross-functional activity and capability relationships. Insights from this phase of the research contribute to bridging the gap between theory and practice, especially at the interface between marketing and SCM. Though the interplay between marketing and SCM has received increasing attention by researchers (e.g., Jüttner et al. 2007; Mentzer & Gundlach 2009), rarely this attention has been any empirically paid. Consequently, this phase of the study advances theoretical base provided by earlier scholars on the interplay between and integration of demand creation and fulfilment (Esper et al. 2010; Jüttner et al. 2007) by incorporating cross-functional capability interactions into the framework. The incorporation of capabilities phenomena into the interface

between marketing and SCM reminds that DCM cannot be really fully understood without accounting for the role of MCs and SCCs and the relationships between them in the establishment, execution, and leverage of DCM strategy. In conclusion, this phase of the research places MCs and SCCs and interactions between them at the heart of DCM and explicates their role in DCM, which could be a candidate for defining firms' business based on a unique value proposition (Ehret, Kashyap, & Wirtz 2013) of creating relevant value through dynamic, integrative, and effective management of supply and demand activities without trade-offs.

Furthermore, there are one empirical and one methodological contributions made by addressing the first research question. First, as an empirical contribution, versatile relationships between relational capability, innovativeness, absorptive capacity, and supply chain agility are established. It was hypothesized and empirically supported that relational capability, as a pivotal and foundational boundary-spanning supply chain capability, is positively linked to both MCs of innovativeness and absorptive capacity, which in turn are positively associated with supply chain agility. This contribution highlights that the interaction between MCs and SCCs are not simple and unilateral but sophisticated and versatile. Results imply that, as a higher-order capability underpinned by other capabilities (Gligor & Holcomb 2012b), supply chain agility is likely to be deployed and utilized more effectively if absorptive capacity and innovativeness are bundled with it. Results also imply that relational capability functions as a substantial underpinning capability both to the key MCs and indirectly to supply chain agility. Overall, these results imply multifaceted relations between MCs and SCCs. This is in contrast with the predominant view of the current literature that adopts a linear sequential approach to marketing and SCM activities and often assumes the SCM's role as a unilateral supporter of marketing (e.g., Fawcett, Waller, & Bowersox 2011; Martin & Grbac 2003; Porter 1998).

Second, due to the lack of a measurement that captures the nature of the current conceptualization of relational capability, new perceptual measurement items for relational capability were developed in light of its encompassing conceptualization, qualitative research findings, and previous studies that examine relational capability and related capabilities. This constitutes the methodological contribution with regard to measurement of relational capability. The newly developed measure was assessed and validated through the research design, data collection, and reliability and validity assessment processes. It is hoped that future research can adopt the finalized measurement items when conducting research on the important phenomenon of interorganizational relationships (Capaldo, 2007; Greve et al. 2013).

The role marketing and supply chain capabilities in international performance of emerging market firms. The main theoretical contribution of this research with regard to second research question is the provision of a joint account of key DCs emanating primarily from marketing and SCM domains in relation to international performance of EMFs. This contribution could be significant for two reasons. First, empirically examining specific DCs that emanate primarily from certain functions of the firm facilitates addressing the challenges of dynamic capabilities theory, namely its purported vagueness (Barreto 2010) and lack of relevance (Arend & Bromiley 2009). The findings provide concrete evidence on the value of key MCs and SCCs for EMFs' international activities and improve the relevance of DCs to management practice by delving into more specific and manifested DCs. A recent paper by Teece (2014) highlights the relevance of entrepreneurial DCs to international business and management and shows that extent research within the domain of IB has ignored capabilities and learning, cross-border market creation and co-creation, and competitive advantage. This research could be seen as a modest attempt to remedy some of the problems identified by Teece (2014), as it brings in capabilities for demand creation and fulfillment as core functions of the firms to the IB domain.

Second, this research helps relating DCs closer to research in marketing and SCM fields and providing a more integrated view of the two disciplines. Though marketing and SCM research has been talking to each other, over time the disciplines grow apart rather than coming closer to each other (Esper et al. 2010). On the other hand, this research confirms that marketing and SCM are inextricably intertwined to each other and cannot be fully analyzed independent of the other. The findings show that MCs and SCCs are intricately entangled and combined study of such capabilities is likely to offer a more complete picture of relevant phenomena. Thus, this research functions as a further encouragement to crosspollination of the two research fields.

The key empirical contributions of this research with regard to second research question are empirical investigation of international performance of Turkish firms through dynamic capabilities theory and exploration of the surrounding mechanisms in which MCs and SCCs influence international performance of EMFs. The research shows that the influence of MCs and SCCs to international performance of EMFs is not plain, but follows a specific pattern that reflects the intertwined reciprocal interactions between MCs and SCCs. In particular, the research shows what capabilities are most salient to EMFs for their internationalization and in what ways they influence international performance.

Consequently, the research enriches the research on EMFs that recently has been taking-off (Hoskisson et al. 2013).

Incorporation of institutions into the framework. The findings that address the third research question are somewhat more surprising in comparison to the findings that relate to first and second research question. These results make the empirical and methodological contributions of offering a new measurement of institutional uncertainty via archival data and an inclusive account of the moderating role of host country institutions in the relationship between DCs and international performance.

Empirical examination of institutional uncertainty is scarce in IB research. This relative ignorance exists against the backdrop of highly recognized and increasingly problematic turbulence, uncertainty, and dynamisms in the global business environment that are being experienced at unprecedented levels (Cavusgil & Cavusgil 2012). Hence, there is a need for an inclusive measure of the concept that could be employed through readily available archival data. The proposed measure of institutional uncertainty can help researchers seeking to investigate the role of institutional uncertainty in relevant phenomena empirically. It is acknowledged that institutions may bear different meanings to researchers following different prongs of institutional theory (two main ones being sociological and economics prongs). Nevertheless, it is believed that this measure could particularly be relevant to researchers interested in macro level institutions with a categorization of formal and informal elements of institutions (Meyer & Peng 2005; North 1990).

The research also shows that host country institutions have noteworthy influence on how DCs of foreign firms from emerging markets are connected to performance outcomes. In particular, institutional distance and institutional uncertainty emerge as important concepts to account for when studying international behavior and performance of EMFs. Particularly, these two institutional factors may exhibit counterintuitive influences on EMFs' behavior and performance when such firms operate abroad. All in all, international performance is revealed to be contingent upon both DCs and institutions. This discovery confirms that the synthesis of institutional and dynamic capabilities theories offers better explanation to EMFs' international performance. Nonetheless, it is also recognized that better predictions need to be made through deeper understanding of the interplay between institutions and DCs.

On the other hand, beyond what is verified through data, this dissertation also seeks to make a theoretical contribution by comparatively analyzing institutional and dynamic capabilities theories and putting forward arguments for their

synthesized adoption for IB and strategic management research as sought mainly in the 2nd chapter. This aspect of the research makes three distinct contributions to the body of knowledge in IB and strategy research. First, through comparative analysis of institutional and dynamic capabilities theories, this research sheds some light on the differences, intersecting dimensions, and complementarities of institutional and dynamic capabilities theories. Second, drawing on the interaction between the two theories, a preliminary synthesis of the theories reveals that institutional and dynamic capabilities theories are intertwined and cyclically influence each other. Third, it is theoretically argued that these theories' unified adoption is likely to result in more accurate, logically consistent, and insightful explanations to international performance than their single adoption.

Table 24. Research Questions and Contributions

Research question	**Key finding**	**Theoretical contribution**	**Empirical & methodological contribution**
How do marketing and supply chain capabilities of emerging market firms interact with each other?	1) There are synergistic relationships between MCs and SCCs at overall level, but the nature of the relationships can change across different types of MCs and SCCs. 2) RC and SCA emerge as two key SCCs while innovativeness and AC emerge as two key MCs. 3) RC is positively associated to innovativeness and AC, and in turn these two MCs are positively associated to SCA	1) Foundations of capability interactions between the two core functions of marketing and SCM are established. 2) Capability interactions perspective is incorporated to DCM approach to enhance its relevance and practicality.	1) Versatile relationships between RC, SCA, innovativeness, and AC are established. 2) Perceptual measures for RC are developed in light of its encompassing conceptualization and qualitative research findings.
What is the role of marketing and supply chain capabilities of emerging market firms in their international performance?	1) All four relevant MCs and SCCs contribute to international performance of EMFs, but RC exhibits the weakest direct contribution. 2) SCA partially mediates the impacts of MCs on international performance of EMFs.	1) A joint empirical account of key DCs stemming from marketing and SCM domains with regard to international performance of EMFs is provided. 2) Challenges of DCT is partially addressed by delving into specific DCs.	1) International performance of Turkish firms is examined through DCT. 2) Empirical insights into how key MCs and SCCs can enable international performance of EMFs are offered.
What are the effects of institutional characteristics of host countries on the relationship between marketing and supply chain capabilities and international performance?	1) Institutional development weakens the link between AC and international performance of EMFs 2) Institutional uncertainty exhibits versatile moderating influence; while it weakens the link between SCA and international performance of EMFs, it strengthens the influences of the other DCs on the outcome variable. 3) Institutional distance strengthens the influences of SCCs on international performance of EMFs.	1) Differences, intersecting dimensions, and complementarities of IT and DCT are discussed. 2) Reciprocal interactions between institutions and DCs are theoretically illustrated. 3) Potential benefits to research of synthesizing IT and DCT are argued.	1) A new measurement of institutional uncertainty via archival data is offered. 2) An inclusive account of the moderating role of host country institutions in DCs – international performance link is provided.

It should be evident that neither DCs nor institutions can engender a complete insight into international performance or other phenomena but complement each other with their predictive and explanatory attributes. Thus, a fuller picture can be seen via institutional and dynamic capabilities theories' synthesis, rather than their single adoption. The synthesized integration of the two theories also addresses each theory's highly debated limitations. It offers a modest remedy for argued tautology and obscurity of dynamic capabilities theory (Barreto 2010) through providing boundaries and contingencies to the impact of DCs on international performance. It also offers a modest remedy for institutional theory's focus on homogeneity and stability and its relative inattention to the role of agency in shaping action (Dacin et al. 2002). In particular, this research embeds structure into agency and agency into structure, and it brings forth organizations and organizational differences (Greenwood et al. 2014) while taking the formational role of institutions into account (Meyer & Höllerer 2014). Theories grant researchers with a lens for explaining and predicting issues, and educated and specified synthesis of approaches enable them to be better lenses, as sought in this research. Above, Table 24 summarizes the discussion on potential theoretical, empirical, and methodological contributions of this research drawing on the key findings.

7.3 Managerial and Policy Implications

There are also noteworthy managerial and policy implications arising out of this research. There exists research on international performance, institutions, DCs, and EMFs, but typically in a fragmented manner. This research integrates these elements in a single study and makes an impact by providing an empirically confirmed integrative model of enablers of international performance of EMFs. It is executed by combining two theoretical lenses in a single testable conceptual framework. The subsequent three groups of implications are especially significant from a managerial standpoint. Potential policy implications follow this discussion.

First group of managerial implications pertains to capability interactions within firms and across organizational units. The primary managerial problem that this research question seeks to address pertains to making best use of specific organizational capabilities to succeed in both demand creation and fulfillment. This problem is addressed primarily through the perspective of capability bundling processes. Demand creation and fulfillment activities remain at the core of addressing local and global market challenges that many firms, including EMFs, face (Jüttner et al. 2007; Porter 1998; Sheth 2011). Consequently,

configuration and deployment of key capabilities emanating from respective organizational functions become pivotal in addressing such challenges and achieving superior performance via providing relevant value to key stakeholders and customers. This research's first set of managerial implications pertains to offering guidance for rising to such challenge.

Most firms are like restaurants and they face the similar dilemma that restaurants face as one participant of the qualitative research narrated. It is possible that firms have the capability to "cook the food well". It is also possible they have the capability to "present the food well". However, unless these two types of capabilities work together, it is unlikely that firms can sustain success only through an ability to "cook the food well" without effective presentation or an ability to "present the food well" that is cooked badly.

Nevertheless, this research highlights an underrated caveat: capability relations appear to be somewhat more ambiguous and multifaceted than first assumed. There may not always be synergy between capabilities stemming from the two units. This may be one of the reason holding people back from further integration and collaboration between different units. Thus, the core managerial implication of the qualitative phase of the research is the necessity of paying meticulous attention to potentially multifaceted interactions, i.e., synergies and complementarities as well as incompatibilities, between the capabilities of marketing and SCM functions. On the other hand, it is important to leverage synergy opportunities at hand and not waste it due to excessive meticulousness. Though SCCs, particularly the ones of upstream nature (Hoskisson et al. 2013), are often viewed as supportive to marketing activities, this research reveals that reverse direction is also possible and synergy could be bilateral. Thus, managers from different functions should be vigilant to not miss unexpected opportunities and to leverage potential bilateral and multifaceted synergies between different capabilities across marketing and SCM functions.

Second, when it comes to the role of MCs and SCCs in international performance of EMFs, it is clear from the findings that different capabilities can be employed for different purposes. Following the findings, managers of EMFs are suggested to seek possible means to develop and leverage their relational capability to foster their innovativeness and absorptive capacity. In turn, innovativeness and absorptive capacity could be leveraged not only to improve performance abroad but also to foster agility of international SCM operations. In fact, all these four capabilities appear to be both pivotal to succeed abroad and function better within a specific configurational pattern than alone and in unsystematic ways, as dynamic capabilities theory has long argued for (Teece et al. 1997: Teece 2009).

Therefore, deliberate yet alert and flexible strategy of capability development, configuration, and deployment is imperative for EMFs to survive and flourish in global market place. In fact, the role of MCs and SCCs in international performance cannot be fully comprehended without accounting for the dynamic interplay between these capabilities. Therefore, it is important to integrate organizational design and structuring issues for capability exploration and configuration into the international performance goals. This strategy entails both long-term design elements and daily processes such as attraction, selection, training, and retention of capable employees, proper management systems, and right technologies. After all, failure abroad could be assured in the absence of necessary DCs (Teece 2014). However, the presence of such DCs cannot assure success without canny and convincing strategy as well as aligned and systematic processes for effective configuration, manifestation, and leverage of such DCs.

Third, the final complete framework as confirmed by data offers a comprehensive view of international performance of EMFs. Thus, the research shows that it is the joint interaction of DCs and institutional forces that play a more salient and influential role in EMFs international performance than either factor do alone. Most often, endogenous (DCs) and exogenous (institutional) forces function like a yin-yang. They are interconnected and interdependent. They feed each other in an embedded manner. Thus, if managers make informed decisions and applications about their firms' DCs by reflecting upon nature, expectations, constraints, and benefits of respective institutions, they may be in a better position to achieve international performance and growth. Thus, managers of EMFs should acknowledge that DCs cannot be explored and exploited regardless of host institutional factors. Otherwise, negligence of either DCs or institutional factors can jeopardize such firms' international pursuits.

In particular, managers of EMFs should be wary of and adopt proper measures to face institutional development of host countries, particularly when they seek to exploit their absorptive capacity. It may turn out that absorptive capacity may not bring expected results in institutionally developed countries. Likewise, the challenge of institutional uncertainty can be utilized as an opportunity, if EMF possess and leverage relational capability, innovativeness, and absorptive capacity. Managers can leverage these DCs to take advantage of host country institutional uncertainty, which often could be a daunting challenge to handle. Finally, both supply chain agility and relational capability appear to be more relevant in institutionally distant countries. Thus, managers should develop strategies for effective deployment and utilization of these capabilities in institutionally distant host countries. In short, while DCs are vital to expand to and compete in international markets, host country institutions shape their value

and relevance abroad. Thus, EMFs should be cognizant about their institutional environment and be realistic about the promises and boundaries of DCs (Barreto 2010) as well as opportunities they represent in relation to host institutions.

Beyond managers, this research may also have some implications for policy makers. First, findings indicate that EMFs need certain MCs and SCCs to succeed in global business environment. In particular, it is visible that DCs of operant and entrepreneurial nature are vital to move beyond achieving technical fitness to achieve evolutionary fitness and nourish in complex environments (Buckley 2009b, Teece 2014). Otherwise, given the nature of their capabilities, firms in these countries may face the danger of being assigned to low value-adding activities of "smiling curve" by large multinationals (Mudambi 2008). Likewise, if firms from mid-range emerging markets continue to excel in operational, upstream types of capabilities (Hoskisson et al. 2013), but not strategic, downstream types of capabilities, their home countries may face the challenge of falling into a middle-income trap (Kharas & Kohli 2011).

In fact, according to some analysts, many emerging countries apparently are already suffering symptoms of being stuck in middle-income trap. Only South Korea almost exceptionally avoided it, thanks to its policies that enabled institutional environment for firms to excel at innovation and global expansion and moving up in the ladder of smiling curve (Hoskisson et al. 2013). Other emerging countries like Turkey and Brazil that fail to maintain growth consistently over time should follow the suit. They should establish business friendly, long-term oriented, flexible, equitable, and human capital building policies to spur socioeconomic and institutional setting for consistent and above average economic growth. Such policies can enable local firms to focus on R&D and development of strategic DCs. In short, it is imperative for policy makers in emerging markets to establish and maintain conducive environment for development, deployment, and utilization of relevant DCs for global competitiveness of their countries and local firms as well as to evade middle-income trap.

Second, in light of the findings that different host country institutional environments entail different types of DCs, policy makers may encourage and incentivize diverse capabilities for firms targeting different markets abroad. For instance, particularly innovativeness and absorptive capacity can make the difference like Russia as an institutionally close, uncertain, and less developed (all in relative terms) country. In contrast, Germany as an institutionally distant, predictable, and more developed (all in relative terms) country evokes further emphasis on supply chain agility and relational capability by Turkish firms. In

fact, large MNEs from developed markets with business systems that could be named as "the global factory" partly owe their success to control and effective management of their massive SCM systems. Their SCM systems enable them to source inputs and low value added activities where they want and while keeping high value-added activities in-house and reaching customers conveniently nearly all across the globe (Buckley 2009a; Mudambi 2008). Accordingly, with the support of their home country institutions, growth thirsty EMFs need to establish and maintain control of superior and far-reaching SCM systems. This strategy entails deploying and leveraging strategic SCCs to nourish high valued-added activities, disentangle from global factory systems they are tied to, and flourish in international markets independently.

In particular, achieving and sustaining dynamic capabilities in knowledge absorption and management, system-wide diversified and big-league innovations, strategic agility, and interorganizational relationship management and leverage are pivotal for global success. Thus, policy makers should make informed and systematic decisions with the help of rigorously validated research findings about what type of capabilities they want firms to invest with regard to foreign markets they want to expand and succeed. Likewise, they should establish a well-functioning macroeconomic and institutional environment and provide right incentives that provide much needed physical and cognitive infrastructure to develop and maintain superior DCs.

7.4 Limitations

This study has limitations that cause the dissertation to be both feasible and flawed like any research pursuit (McGrath 1981). First, selection of Turkey as a study context poses limitations as well as it channels the study for making a more particular contribution. Study on Turkish firms for such a research focus is grounded in justified rationale (Auh et al. 2014). On the other hand, same sound context selection limits generalizability of study findings. Though Turkey is a key emerging market, its idiosyncratic characteristics stemming from its geographical, cultural, historical, as well as resulting institutional realities make findings of such study difficult to generalize to other contexts. Turkey is a large economy on its own with growing number of domestic MNEs and is a niche research setting as claimed above (Auh et al. 2014). So it is a significant to research context to scrutinize. Nevertheless, the author acknowledges the limitation that comes with this context selection.

Second, only four MCs and SCCs – namely, innovativeness and absorptive capacity for marketing and supply chain agility and relational capability for SCM

domains– were studied in-depth in this research. As the qualitative study findings indicate, it is highly likely that there are many other capabilities important for international activities and interrelated with these four that are analyzed. Yet, it is well beyond reasonable practicality to conceptualize, operationalize, and include all these possible capabilities in one model and expect to conduct a research and analyze data. Thus, following extensive literature review and qualitative study findings, four MCs and SCCs are included in current research model to make model both parsimonious and sufficiently inclusive. The selection of these capabilities is not arbitrary. It stems from literature and field study findings. Indeed, among many possible capabilities within marketing and SCM domains only these four and few other MCs and SCCs fit into the mold of what has been conceptualized as "dynamic" capability (Teece 2009). As findings point out, though these capabilities emanate primarily from their respective domains, they are strategic to the whole firm. Accordingly, in depth and multidimensional analyses of these four capabilities were preferred in exchange for shallower analysis of more potential MCs and SCCs.

Third, again due to parsimony and feasibility reasons, possible antecedents of MCs and SCCs were not examined. Given DCs' importance and gradually increasing (yet still largely case-based, conflicting, or inconclusive) empirical evidence suggesting a positive link between DCs and performance, studying antecedents of DCs may be a fruitful research avenue to pursue (Barreto 2010). However, studying both antecedents and consequences of umbrella concepts of MCs and SCCs with four latent constructs in such a niche context would have been highly overwhelming undertaking, if not completely utopian. Thus, while preserving the idea of investigating antecedents of MCs and SCCs of EMFs for a possible future research, the researcher delimited this study to its current foci and excluded consideration of possible antecedents to the selected MCs and SCCs.

Fourth, it is also possible to add internal contingencies to the links between MCs and SCCs and international performance. Dynamic capabilities theory often looks at factors endogenous to focal unit of analysis (e.g., Teece 2012). Organizational factors such as coordination, interfunctional collaboration, integration, incentive alignment, and organizational orientations (such as market orientation and entrepreneurial orientation) may play significant interactive and moderating roles in MCs and SCCs - international performance relationship. However, in order to keep the integrity of the research model and following the increased popularity (as well as significance) of institutional theory for research conducted in emerging markets, only institutional factors were focused as external contingencies.

Fifth, though it is possible to overcome with conscientious research design and execution, current focus of the study may pose methodological challenges. DCs are typically organizational phenomena and latent, i.e., resistant to direct observation and measurement. On the contrary, institutional factors as studied in IB are often macro phenomena taking place in at regional, industrial, or country levels, and they are more observable, i.e., open to objective measurement via proxy indices. Therefore, current focus and conceptualization poses both research challenges and potential measurement misfits between primary and secondary data. Furthermore, cross-sectional research design poses a further methodological limitation of investigating international performance of EMFs in a point-in-time assessment manner.

To sum up, despite its limitations and possible challenges, the current study could be a stepping stone into underexplored phenomena of MCs and SCCs in IB and may open fruitful research avenues in IB research. This contention is especially valid for international marketing and global supply chain management sub-fields as two promising branches at the intersections of IB, marketing, and SCM.

7.5 Future Research

All in all, like most scholarly research, this research raises more questions than it answers. Given the broad scope of the research, there is a wide range of pertinent issues waiting to be addressed above and beyond the limitations stated above that could always be utilized to derive potential future research avenues drawing on them. Future research questions discussed here are roughly categorized into three groups. First, organizational (meso and micro) issues that mostly pertain to the interaction between MCs and SCCs are discussed. Second, future research possibilities drawing on empirical findings and delving into the specific of interplay between DCs and institutions are provided. Finally, broader research issues that could benefit from the synthesis of institutional and dynamic capabilities theories are discussed at large in order to pave the way for more fruitful prospective research possibilities.

First focus is on the interplay between MCs and SCCs. MCs and SCCs are grouped into “effectiveness-oriented” and “efficiency-oriented” categories for descriptive purposes. It is not intended to create a typology of capabilities based on their primary use or invent a new conceptualization of capabilities that would lead to a quantitative measurement. It is recognized that some capabilities could be both effectiveness- and efficiency-oriented, while some capabilities may not fit into either of two categories. Thus, scholars interested in building on this direction may start with more rigorous and accurate conceptualizations of

"efficiency-oriented" and "effectiveness-oriented" MCs, SCCs, or capabilities unrestricted of functional domain.

Future research can also build on the findings to explore the discovered phenomena further. The findings signal that exploring behavioral and structural issues with regard to relationships between key MCs and SCCs can generate valuable managerial and theoretical insights and advance our knowledge on the phenomenon. Moreover, the nature of the explored interactions between MCs and SCCs could be discovered further by asking how and why questions about the proposed links. Such questions can bring organizational dynamics and behavioral issues into the picture and enrich the theory explaining phenomena taking place at marketing and SCM interface. Finally, an examination of behavioral and structural enablers/inhibitors to capability relationships can enhance the understanding of firms' dynamic capabilities.

Furthermore, there may be multi-level research opportunities, particularly when tying individual issues to organizational issues with regard to the research on the interaction between MCs and SCCs. It is acknowledged that conducting multi-level research is methodologically challenging. However, it is also evident that multi-level research has been unforgivably overlooked in SCM as well as in IB and is where few "low-lying fruits" remain. Hence, SCM researchers should contemplate on individual phenomena affecting SCCs and take on research that applies multi-level methods. This call is particularly in line with the recent research that suggests researchers need to dig deeper into microfoundations of DCs by taking on individual cognition in order to truly understand the nature of and underlying mechanisms of DCs (Helfat & Peteraf 2014). For example, physical and cognitive individual capabilities that underpin supply chain agility could be promising research venue to pursue. Little is known about the underlying behavioral mechanisms of supply chain agility at the individual level. Likewise, defined as a capability to observe, interpret, and act upon unfamiliar and ambiguous social and cultural cues, and function and manage effectively in situations characterized by cultural diversity and novelty (Ang & Inkpen 2008; Moon 2010; Shapiro, Ozanne, & Saatcioglu 2007), cultural intelligence could be highly relevant to RC, especially in cross-cultural environments, and should be examined in relation to RC. Secondly, human resource management is a rich field and possible human resource related factors (including principles and policies) affecting development and utilization of capabilities could be explored with regard to MCs and SCCs. Hence, researchers may draw on this research to examine different human resources related phenomena in relation to MCs and SCCs.

Moving to an organizational level of analysis, there are several further research directions that could be harnessed from and build on this study. In particular, introduction of supply chain agility concept to the IB research can unlock a noteworthy research potential. For instance, advancing the understanding of supply chain agility with regard to international entrepreneurship in a local and the global business environment bears a fruitful research pursuit and can make significant contribution to extant knowledge stock in IB. On the other side of the coin, agility can benefit extensively from research that draws on the IB domain to explicate antecedents, underlying mechanisms, nature, contingencies, boundary conditions, and consequences of supply chain agility in global contexts.

Moreover, as actors' beliefs and actions are conditioned within and by institutions (Willmott 2014), firm behavior in emerging markets in particular needs to be interpreted in the context in which it occurs. This includes the home institutional context that is composed of economic, political, and cultural environments. As a consequence, the role of institutional context of emerging markets as underpinning mechanisms of unique capabilities needs to be explored further. Particularly, institutional environments characterized by a high level of ambiguity, uncertainty, and turbulence, such as in emerging markets, are a fascinating laboratory for scholars interested in the interface between institutions and firm behavior. Accordingly, it would be insightful to explore the institutional underpinnings of key MCs and SCCs such as supply chain agility and AC, in order to shed some light on how these capabilities are conditioned, shaped, and bounded by the actors' home institutions. Likewise potential connections between the global factory, as a specific form of institutions, and EMFs' DCs could be examined deeper.

Another research avenue to pursue would be to resolve potential underlying reasons behind unexpected findings concerning the moderating roles of institutional development and institutional uncertainty in the studied model. It appears that the link between DCs and international performance across countries with various levels of institutional development does not follow a pattern that common wisdom suggests. The result does not contest against extensively accepted notion that institutional development is positively associated with firm performance. However, there is a need for further research to investigate why institutional development appears to have either no or negative moderation on the links between specific DCs and international performance of EMFs. Likewise, surprisingly apparent positive moderating role of institutional uncertainty in the focal relationships entails further examination. This may require reconceptualization of institutional uncertainty or its implications for the development, deployment, and utilization of DCs.

Moreover, a possible expansion of the current research model would be to study antecedents of the given MCs and SCCs from specific angles. For example, though there is a considerable research on internationalization motives (Hutchinson et al. 2007) or in other words foreign market entry motives (Dunning 2000), potential ties between such motives and DCs have been overlooked. It is possible that development of EMFs' specific DCs emanating from marketing and SCM domains are shaped by their motives for international expansion. In turn, insights from IT could be brought in to such research, since institutions influence and condition how individual actors as well as firms make sense of their worlds, give meanings and value to phenomena, and behave accordingly (Willmott 2014). Thus, potential relationships between international market entry motives and DCs represent an interesting future research opportunity at the intersection of institutional and dynamic capabilities theories.

Last, the preliminary synthesis of institutional and dynamic capabilities theories proposed in the 2nd chapter may provide fertile yet broadly defined ground for future research at the interface between institutions and DCs. In the 2nd chapter, previous theoretical comparative analysis and syntheses of different foci (Meyer & Peng 2005; Oliver 1997; Rupidara & McGraw 2011; Wan 2005) were used as reference points to build a synthesized approach to institutional and dynamic capabilities theories. These studies either studied two or more theories *jointly without synthesis* to explain phenomena taking place in certain context (Meyer & Peng 2005), synthesized two or more theoretical streams to develop a new theory (Oliver 1991), or synthesized relevant theories to achieve a better explanation of a prominent concept (Argyres & Zenger 2012; Tsang 2000; Wan 2005). The 2nd chapter could be grouped in the last category and proposes future research possibilities based on this idea.

The synthesis of two popular theories promises to beget fruitful and diverse research avenues to pursue. Future research can first probe into relevant IB phenomena that this research could not address. In this regard, the study of other specific issues or relevant key constructs that could be explained through the integration of institutional and dynamic capabilities theories may plausibly follow this study. Moreover, it is necessary to verify high-level postulates posed and scrutinize deeper with the question of "What and how do specific DCs interact with what specific institutional factors?" to address the second key limitation. The second question is especially interesting, because, we have little knowledge on, for instance, how institutions shape *resilience,* as an important dynamic capability (Golgeci & Ponomarov 2013; Gölgeci & Ponomarov 2014), or in what institutional context and with regard to what institutional factors *resilience* may

drive competitive advantage. This approach may make specific and practical contributions, as it addresses limitations of developing and deploying DCs blindly to institutional environment. As there is a long list of DCs and institutional factors conceptualized in IB and strategy, this focus may prove to be a fruitful future research avenue.

Moreover, *institutional work,* which covers deinstitutionalization (Maguire & Hardy 2009) and institutional entrepreneurship (Garud, Hardy, & Maguire 2007), may be an example of a specific pertinent concept to study from the synthesized perspective of institutional and dynamic capabilities theories. Institutional work refers to the purposive action of individuals and organizations aimed at creating, maintaining, and disrupting institutions (Lawrence & Suddaby 2006). Institutional work accepts agents as active entities who are conscious, skillful, and reflexive (Lawrence & Suddaby 2006), and thus, subtly signals the role of DCs in creating, maintaining, and disrupting institutions. On the other hand, the research on institutional work remains fragmented and underdeveloped (Lawrence & Suddaby 2006) and somewhat overlooked in strategic management research (Paroutis & Heracleous 2013). Hence, the inclusion of dynamic capabilities theory into the equation can uncover the means and underlying mechanisms that socioeconomic agents execute institutional work. Likewise, though the extensive body of research has accumulated on institutional entrepreneurship (Garud et al. 2007; Greenwood & Suddaby 2006), dynamic capabilities view has been somewhat missing in this conversation in spite of potentially pivotal role that DCs can play a significant role in institutional entrepreneurship. Hence, examining the role of DCs in institutional work and institutional entrepreneurship can yield promising future research avenues. Likewise, the popular phenomena of institutional change (Seo & Creed 2002) and deinstitutionalization (Maguire & Hardy 2009) can be enlightened further with the integration of institutional and dynamic capabilities theories.

All in all, there are numerous opportunities for future research that could expand further on the current research and the synthesized approach it argues for. Below, Table 25 summarizes key future research directions by the major areas of issues.

Table 25. Future Research Directions by Key Areas of Issues

Area of issue	Future research directions
Demand chain management	Further exploration of "efficiency-oriented" and "effectiveness-oriented" MCs and SCCs
	In-depth examination of behavioral and structural issues within EMFs with regard to relationships between key MCs and SCCs
	Multi-level examination of the microfoundations of DCs emanating from marketing and SCM domains
Interplay between institutions and dynamic capabilities	Institutional underpinnings of MCs and SCCs.
	Closer examination of institutional development and institutional uncertainty at the interface between institutions and MCs and SCCs
	Exploration of the potential relationships between foreign market entry motives and DCs at the interface between institutions and DCs
Synthesis of IT and DCT	Exploration of the institutional boundaries of capability development, deployment, and utilization
	Further examination of the institutional work phenomenon through synthesis of IT and DCT

This research strived to push the limits of the existing knowledge on the behaviors and international performance of EMFs by exploring relevant issues taking place at the interface of marketing and SCM through an integrated approach of institutional and dynamic capabilities theories. After all, it could be concluded that the main purpose of this dissertation is achieved, though the research engendered more avenues for research than answering questions. Accordingly, this research serves as a catalyst for driving further inquiry by arriving to a preliminary synthesis of institutional and dynamic capabilities theories, empirically advancing the body of knowledge in the areas DCM and strategic management of MCs and SCCs, and finally by offering further future research directions for the readers who may be interested in pursuing a research in relevant issues. Likewise, the dissertation also offers guidance to managers of EMFs who are seeking to grow and succeed in foreign markets while dealing with growing complexity in global business environment and institutional challenges posed by the host countries.

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Appendix 1: Questions from Interview Protocol[1]

1) Could you please tell me about your position here at (name firm) and what your responsibilities include? (Probe as needed to fully understand the person's role and background)

2) Could you please briefly inform me about your firm's and your department's overall activities?

3) What are your firm's key strengths / capabilities in terms of marketing *--supply chain management--*?

4) What marketing *--supply chain--* capabilities do your firm mostly exploits for your international activities?

5) How would you describe your firm's organizational structure and functioning? (especially in relation to marketing and supply chain management)

6) What is the nature of your relationship with supply chain management *--marketing--* department? To what extent are you involved in supply chain *--marketing--* activities and decision making?

7) What types of interactions do you have between:

    a. Marketing and supply chain management (daily or periodically) activities?

    b. Marketing and supply chain managers?

    c. Employees in marketing and supply chain management departments?

8) How would you describe the processes that marketing and supply chain interact with each other? (What are they? What are their characteristics? When and how they take place?)
9) Could you tell me about supply chain *--marketing--* capabilities / strengths of your firm that you are aware of?
10) Can you tell me about areas / circumstances that your firm's marketing and supply chain routines and capabilities support each other (at least partially)?
11) Can you tell me about areas / circumstances that your firm's marketing and supply chain routines and capabilities hamper each other?

12) Could you tell me about, *if you have*, problems or challenges you face when working with supply chain *--marketing--* department?

13) Is there anything that you want to add about our topic that you think were not covered in our conversation so far?

[1] Texts with background color highlight the parts that are changed for SCM managers. In two interviews with single informants, these questions were asked again after the first parts of the interviews were finished.