

Penetration strategies of Turkish corporations in Kosovo's market

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ABSTRACT

Rapid developments and increasing competition in recent years have prevented companies from producing and selling only in domestic markets, but also causing their foreign resources and investments to be directed to foreign markets. In this case, once businesses decide to join a particular market, they have to decide which is the best way to penetrate there. Turkish multinational corporations, which have been spreading all over the world with their investments, have conquered world markets with their exports, initiatives and acquisitions, they have entered in foreign markets in various forms and have a significant share in world trade volume with their successful investments. From this point of view, this study examines the strategies by which Turkish multinationals enter foreign markets especially in Kosovo and the impact that those companies have had in the development of the Kosovo economy and the strategies by which Turkish multinationals enter foreign markets.

Key words: Penetration strategies, developing countries
Jel Code: L1, L12, R11

1. The development of the Kosovo economy

In 1989, Kosovo continued its economic life as an autonomous region under the Federal Republic of Yugoslavia with a planned economy, and after the disintegration of Yugoslavia (1992), Kosovo's economy passed through several stages. With Kosovo being separated from Serbia after 1999, it has developed into a fast-growing economy. The outward opening of Kosovo was actually after the end of the war (1999). Especially after the declaration of independence and starting to gain some recognitions foreign investments started to increase even more. A rapid increase in the number of businessmen visiting Kosovo after this period is striking (Koro, 2009). According to a report published by the Kosovo Central Bank in 2013, the foreign investments in the Republic of Kosovo has reached 258.5 million euros, mainly from countries such as Turkey, Switzerland, Germany, Albania, USA, Austria, Italy, Slovenia and England (Invest, 2015). Trade and economic relations between Turkey and Kosovo are on the rise. Turkey's exports, which amounted to \$ 120 million in 2007, reached \$ 277 million in 2009. On the other hand, Turkey imported \$ 10 million last year from Kosovo. Turkey is buying rubber and raw leather from Kosovo. Textiles and food products constitute a significant part of exports to this country.

After the independence of the Republic of Kosovo, 586 Turkish companies were established in Kosovo by 2013 (Ekinici, 2013). However, Kosovo ranks 75th in the *"Doing Business 2014"* report (MFA, 2013), which is a World Bank-prepared measure of the investment climate in 189 countries, although Kosovo is a rich country in terms of underground resources.

2. How companies enter into international markets

Globalization has created a dizzying competition among businesses. The place of national markets has taken international markets and competition. For this reason, enterprises invest only in the national market, investing in other countries so that they can offer their products or services to different markets or take advantage of other countries. There are many different ways of entering foreign markets such as export (export), contracted entry forms, investments. Business administrators should choose the most appropriate method according to the requirements of the market to be entered into the market and according to their wishes and resources. When the international market entry scheme is decided, it must be known that each

form contains control, loyalty, interest and risk at different levels and that it is the most appropriate one.

From a detailed point of view, there are a number of factors that are considered to be influential in the selection of the PGD. The effects of these factors, which are unique to the country where the company is affiliated, the country they are considering to enter, and the company itself, are examined with different approaches (Kartal and Sofyalıoğlu, 2009). Types of entry into international markets; Export, contractual entry and investment.

2.1. Export

The first choice for businesses to enter international markets is export. Though low livelihood and low cost can be considered as distinct advantages, businesses are turning to alternate entry methods when they reach a certain market experience. By definition export; It sells the goods produced by one country to another country or countries (Engin, 2005). Pazaar entry is possible in two main ways: Direct (direct) export and indirect (indirect) export.

Direct export; Enterprises that reach a certain size should direct their direct exports in order to get rid of the disadvantages provided by domestic vehicle exporting companies. In this case, even if the required investment and the risk to bear increases, the profit to be provided to the export will increase to that extent (Aydıntan, 2003).

Indirect export; The format can be done by independent agents on the international scene. The least investment required is for ouComplementary companyurcing because the business does not need to set up a special marketing unit or network. The mediators contain little risk as they give information about the exported region and the company does not have to make an additional investment. (Kotler and Armstrong, 2010).

2.2. Contractual penetration methods

As contract-based penetration strategies; License agreements, franchising, contract manufacturing, turnkey projects, management contract and assembly operations are announced.

License Agreements; Licensing is the issuance or authorization of production and / or sale of a local producer abroad by an enterprise that wants to enter the international market with the shortest expression (Karafakioğlu, 2000: 203). In other words, a license agreement is a legal

contract to transfer the use of certain rights held by an operator to another business for a fixed period of time.

Container based production (Fason); Another way to enter a new market is to make an agreement with a foreign company about product production or provision of services. The disadvantage of this method is the lack of control and the lack of profitable yields from the production process. The advantages are low risk, short time to apply, possibility to integrate jobs more easily by purchasing a production facility in the future (Kotler and Armstrong, 2010).

Franchise Agreements; In these agreements, the parent company (franchisor) licenses the trademark and business forms to a foreign company (franchisee). It is often used in the service sector (Kotler and Armstrong, 2010).

Management contracted production; Contract manufacturing, which is defined as the production of a product by a local manufacturer that an operator wishes to enter into the market, is suitable if it can find a local business that can produce the product at the desired quality and quantity. R&D, marketing, distribution, sales and service activities are facilitated because the responsibility of the production activities of the contracted production enterprise is given to the local operation (Engin, 2005).

2.3. Market penetration through investments

Unlike other forms of entry by investment and market entry, in some cases businesses enter into international markets by establishing production sites in foreign countries, purchasing existing production facilities or establishing partnerships. This method; Direct investment, joint ownership ventures, and mergers and acquisitions.

Direct investment; The establishment of a direct production facility in a foreign country is called direct investment. One of the biggest advantages is that it allows the company to stay in that country for a long time and this time is limited in licensing and exporting. Direct investment can also be considered as an in-country investment, but the exchange rate differs in terms of political and cultural risk containment. In spite of this excessive risk, revenues or low costs that can offset this risk play a significant role in the company's preferences (Engin, 2005).

Joint Ventures; A joint venture or venture is a partnership agreement between a multinational corporation and a local company in the fields of production, finance, marketing and management of operations. Joint investments enable the multinational company to take advantage of local

financial resources while reducing the financial burden. In addition to this, there are also advantages such as the decrease of the foreign supervision on the company, the development of the local joint company, the increase of the role of the local economy operator (Aydıntan, 2003).

3. Analysis and Results

SPSS 23.0 program was used for data analysis. Correlation testing and VIF testing were conducted in the research to ensure that multicollinearity problems would not occur with the data. On the other hand, logistic regression is one of the most commonly used methods in social sciences to investigate two independent (dichotomic) variables (Peng & So, 2002). Within the scope of the research, We have considered 3 groups in the direction of the answers given in the questionnaire and I have created 3 models in order to test COMPLEMENTARY COMPANY, JOINT VENTURE and "Other" groups in binary categories. According to this, in the first model, COMPLEMENTARY COMPANY and JOINT VENTURE are compared. In the second model, the "Other" group was compared with COMPLEMENTARY COMPANY, and finally in the third model, the "Other" group was compared with MV.

Hypotheses:

H1: When the risk level of the country is high, less sourced input is preferred.

H2: If a positive attitude towards Foreign Direct Investment is shown in the invested country, companies prefer more funding entry forms.

H3: If the economic expectation is high in the country to be invested, more sourced forms of entry are preferred.

H4: In the market where there is a lot of competition, companies prefer entry forms that require few resources.

H5: Managerial perceptions of cultural distance are effective in choosing methods that involve fewer resources in the form of entry.

3.1. Frequency Distributions

Frequency distributions provide us the opportunity to learn more about companies. In the table of Introduction Strategies, we selected 5 out of 25 companies in our sample (20%), 14 from Zero Investment (54%) and 6 from Partnership (24%).

Table 1. Introduction Shape

	Frequency	Percent	Current Percent	Cumulative Percent
Valid	Buying	5	20.0	20.0
	Zero Investment	14	56.0	76.0
	Partnership	6	24.0	100.0
	Total	25	100.0	100.0

In Table 1, 11 are Joint Venture (OG) (40%), 9 are Complementary Company (COMPLEMENTARY COMPANYS) (34.5%) and 5 are "Other" (25.5%). This is because more companies in the Joint Venture (JV) group prefer this method.

Table 2. Investments in the Kosovo Market

	Frequency	Percent	Current Percent	Cumulative Percent
Valid	Join Venture	11	40.0	65.5
	Complementary Company	9	34.5	34.5
	Other	5	25.5	100.0
	Total	25	100.0	100.0

When we look at the main activities in Kosovo in Table 3, we see that 48% of companies define only Service and 32% define Production + Service + Marketing as their main activity.

Table 3. Main activities in Kosovo

	Frequency	Percent	Current Percent	Cumulative Percent
Valid	Production	1	4.0	4.0
	Production + Service	4	16.0	20.0
	Production + Service + Marketing	8	32.0	52.0
	Service	12	48.0	100.0
	Total	25	100.0	100.0

When we look at the sectors in operation, we see that 24% of the companies are operating in Banking and Other Sectors and 12% in Textile-Apparel-Leather, Metal-Iron-Steel and Automotive-Transportation-Similar Sectors sectors. We can define these sectors as sectors that are most attractive for Turkish companies.

Table 4. Main Sector in Kosovo

	Frequency	Percent	Current Percent	Cumulative Percent
Valid Automotive, transportation and similar sectors	3	12.0	12.0	12.0
Eating / drinking manufacturer	3	12.0	12.0	24.0
Chemicals	1	4.0	4.0	28.0
Textile, clothing, leather	1	4.0	4.0	32.0
Metal, iron and steel	3	12.0	12.0	44.0
Construction	2	8.0	8.0	52.0
Banking	6	24.0	24.0	76.0
Other	6	24.0	24.0	100.0
Total	25	100.0	100.0	

3.2. The Impact of Country Riskin's Pazara Introduction Strategy

Table 5. Impact of Country Riskin

	Model 1		Model 2		Model 3	
	Pearson Chi-Square	Significance	Pearson Chi-Square	Significance	Pearson Chi-Square	Significance
Political Instability Risk	13.636	.009	14.855	.005	6.689	.010

Economic Instability Risk	7.930	0.094	9.980	.041	5.064	0.24
Increasing Taxes Risk	4.258	.119	6.118	0.47	.000	1.000
Block Trading Risk	6.597	.037	6.940	0.31	5.893	0.15

Notes: Significance levels * p <0.1, ** p <0.05, *** p <0.001; Model 1: JV (1) vs. CC (0); Model 2: JV (1) vs. Other (0); Model 3: CC (1) vs. Other (0).

Before modeling, correlation analysis and regression analysis were performed. Despite the high values in the correlation analysis, the Regression Collinearity Statistics (VIF) value is below 10, meaning that there is no problem of multiple linear correlation. It was observed that the significance levels of the Chi square values of 2 of the 3 models we modeled for this hypothesis and of Model 1 and 2 were between p <0.05 and p <0.1.

H1: According to the analysis, the political risk independent variable should be accepted in Model 1. Those who perceive a high level of political risk prefer less intrusive forms of entry.

3.3. Impact of Direct Attachment Against Foreign Investment

Table 6. Attitudes Towards Foreign Direct Investment

	Model 1		Model 2		Model 3	
	Pearson Chi-Square	Significance	Pearson Shi-Square	Significance	Pearson Chi-Square	Significance
Investment Incentives	6.210	.184	8.811	.066	.000	1.000
State Attitude	4.258	.372	6.118	.190	.000	1.000
People's Attitude	4.258	.372	6.118	.190	.000	1.000

Existence of Natural Resources	4.637	.327	6.987	0.137	1.459	0.227
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Notes: Significance levels * p <0.1, ** p <0.05, *** p <0.001; Model 1: JV (1) vs. CC (0); Model 2: JV (1) vs. Other (0); Model 3: CC (1) vs. Other (0).

Before investing in the bazaar, investment incentives, the attitude of the state, the attitude of the people and the impact of the natural resources investment decision were investigated. These four variables have been given similar responses, and for model 2, p <0.1 is significant, and companies that see these variables more often may be tempted to make Complementary Company . In the other 2 models, the significance levels of the variables are low.

H2: Companies that care more about direct foreign investment tend to prefer entry forms that require fewer resources.

3.4. The Influence of Economic Expectations on Paza Entry Shape Effect

Table 7. Effects of Market Economic Prospects

	Model 1		Model 2		Model 3	
	Pearson Chi-Square	Significance	Pearson Shi-Square	Significance	Pearson Chi-Square	Significance
Market Growth Expectation	6.210	.045	8.811	.012	.000	1.000
Being open to new markets	4.092	0.129	6.424	.040	2.977	0.84
Cheap Input Expectation	6.210	.045	8.811	.012	.000	1.000

Notes: Significance levels * p <0.1, ** p <0.05, *** p <0.001; Model 1: OG (1) vs. TMSO (0); Model 2: OG (1) vs. Other (0); Model 3: CC (1) vs. Other (0).

It has been researched how expectations of the economic growth expectation of the market, openness to new markets and influenced the entry form of cheap input market. These four variables have been given similar responses, and for model 2, $p < 0.1$ and $p < 0.05$ significance levels, and companies that see these variables more often may be referred to as prone to TASCs. Even though it is close to the level of significance in Model 1, it does not fully meet the expectations. In Model 3, the significance levels of the variables are low.

H3: In Model 2, a significant link was found between economic expectation and entry form, and our hypothesis was accepted.

3.5. Effects of Competition Market Entry Form

Table 8. Competition Entry Effectiveness

	Model 1		Model 2		Model 3	
	Pearson Chi-Square	Significance	Pearson Shi-Square	Significance	Pearson Chi-Square	Significance
Competition Ratio	7.873	.098	10.408	.034	6.492	.011
Sector Growth Rate	7.720	0.021	11.061	.004	6.896	.009
Likelihood of Increasing Competition	14.479	.025	15.987	.014	2.600	.107

Notes: Significance levels * $p < 0.1$, ** $p < 0.05$, *** $p < 0.001$; Model 1: OG (1) vs. TMSO (0); Model 2: OG (1) vs. Other (0); Model 3: CC (1) vs. Other (0).

In terms of competition rate, the growth rate of the sector and the probability of increasing competition are the highest correlation and regression ratios, so these variables are used in the models. When we look at the growth variable, it is seen that the level of significance in all models is sufficient. According to these results, it is seen that the growth rate in the sector has a great influence on the selection of the entrance type.

H4: In markets where competition is intense, there is a tendency to choose high-sourced forms of entry, and findings are found to support the hypothesis.

3.6. Impact on Market Access Method of Cultural Difference

Tablo 8. Cultural Differences

	Model 1		Model 2		Model 3	
	Pearson Chi-Square	Significance	Pearson Shi-Square	Significance	Pearson Chi-Square	Significance
Religious Life Forms	8.796	.066	9.559	.040	.258	.612
Language	8.854	.065	10.190	.037	.000	1.000

Notes: Significance levels * p <0.1, ** p <0.05, *** p <0.001; Model 1: OG (1) vs. TMSO (0); Model 2: OG (1) vs. Other (0); Model 3: CC (1) vs. Other (0).

The results of the regression and correlation analyzes obtained are 2 variables; Religion and language have come to the forefront. Religious lifestyles and linguistic variables are significant at p <0.1 significance level in Model 1. Those who perceive religion as much as religion, prefer Complementary Company to OG. Again, in this model, those who perceive language differences as being too much prefer OG to TSS.

H5: There is no very supportive data for those who perceive cultural diversity to be more prevalent than those who prefer low entry patterns.

4. Conclusion

Variables were examined one by one in order to measure how these variables used in the survey generally used in developed country examples react to the case of developing countries. Evidence has been obtained that the researchers prefer a lower entry pattern for those who perceive the country's risk as high in Kosovo. Findings are found at the low level that the stakeholders of the foreign invested country are influenced by the positive attitudes towards this investment in the choice of entry forms which require more resources.

There is a meaningful link between the economic expectation and the way of entering the studies that the fact that there are a lot of economic expectations in the market causes them to choose the forms which are more sourced when choosing the introduction type. Evidence has been found in my research that the level of competition is linked to the type of entry. Accordingly, in sectors with more competition, companies prefer low entry forms because companies tend to buy themselves by sharing their risks.

Demirbağ et al. (2009) on the interlocal distance variant in the cultural distance heading we used in our research have found modest evidence that the increase in this distance will lead to the preference of more introductory forms. Evidence has been obtained that in the first model there is evidence of an increase in cultural distances and a preference for entry forms that require less resources, while in the first model an increase in distance between languages is preferred. It is thought that one of the main reasons why the findings are different is that we can differentiate the culture variable on which the research is based.

As a result, we found findings that support our hypotheses that are usually present in our study. In particular, support for hypotheses in which risk perception and economic expectations are measured takes place at higher levels. When we look at the research we have done and the results we have gained, we can see that some of the variables actually affect the entrance way considerably when entering the pazaar. Finally, it is important to increase the number of companies surveyed in future research on this region in order to increase the reliability of the data.

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