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**ENTREPRENEURIAL ORIENTATION AND PERFORMANCE OF TURKISH  
MANUFACTURING FDI FIRMS: AN EMPIRICAL STUDY**

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## ABSTRACT

The purpose of this paper is to examine behavior of an emerging market-based foreign direct investment (FDI) firms from the perspective of international entrepreneurship. Based on the previous literature we have identified the dimensions of international entrepreneurship as proactiveness, risk taking and innovation. We collected data from 94 Turkish manufacturing (FDI) firms on these dimensions by means of cross-sectional survey. Utilizing the collected data, this study shows that sampled FDI firms' entrepreneurial orientations are high on the overall. Widely recognized dimensions of international entrepreneurial orientation (i.e., innovation, proactiveness, and risk taking) are applicable to explain Turkish firms' behavior. Two dimensions of entrepreneurial orientation, innovation and proactiveness positively and significantly affect performance of foreign equity ventures.

**Key Words:** International entrepreneurship, entrepreneurial orientation, performance, Turkish FDI Firms.

## 1. INTRODUCTION

As a result heightened globalization and increasing competition the issue of entrepreneurship has entered into agendas of European Union, intergovernmental organizations, states, public and private organizations, and individuals. Many researchers from various disciplines such as economics, sociology, psychology, management, marketing, finance also give emphasis to the subject of entrepreneurship. The reason for that is entrepreneurship is very important for creating jobs, reducing unemployment, fueling economic growth and vitalizing business

growth and creation of wealth for individuals and society at large. Entrepreneurship is also an important way in which business organizations create value.

In recent years, many managers are eager to pursue the entrepreneurial activities in their organizations due to a variety of pressing problems that they encounter. These problems include: (1) rapid growth in the number of new and sophisticated rivals in the marketplaces; (2) the gradually increasing weaknesses in the traditional methods of corporate management; (3) the needs of dramatic changes, innovations and improvements to prevent the stagnancy and falling in the marketplaces; and (4) increased global competition (Kuratko and Welsch, 1994: 357-358; Kuratko, et al., 1999; Kuratko and Hodgetts, 2001). To overcome these problems, both academicians and practitioners have been showing much more interests because of the fact that entrepreneurial activities improve and revitalize performance of the firms. In today's global marketplace, entrepreneurship is a way in which firms maintain and increase their sustainable competitive capabilities.

Entrepreneurial orientation (EO) is the concept used to refer to the processes and endeavors of organizations that engage in entrepreneurial behaviors and activities (Lumpkin and Des, 2001). Research on EO is increasing in the literature of business administration due to the fact that it has been recognized so far by many managers and scholars as a critical success factor for organizational survival and success. Business organizations that have high EO expose willingness to innovate, to take risks, to try out new and uncertain products and services, and to be more proactive than competitors toward opportunities in the marketplaces (Covin and Slevin, 1991; Wiklund and Shepherd, 2004).

In this study, we investigate Turkish foreign direct investment (FDI) firms' international entrepreneurial orientation. The international entrepreneurship concept defined by McDougall and Oviatt (2000:903) as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations”. Therefore, the aims of this study are (a) to determine whether the construct of international entrepreneurship or EO developed in foreign countries applicable to Turkish context or not; (b) to investigate the relationships between the dimensions of international entrepreneurship, which are innovativeness, risk taking, and proactiveness, and performance of Turkish manufacturing firms' (TMFs) foreign equity ventures (FEV). For these purposes, firstly, a literature review about EO construct, its dimensions, its relationships with the firm performance will be presented and hypotheses will be developed. Secondly, research methodology of this study will be provided. Thirdly, results of the empirical study will be laid down. Finally, a conclusion and the limitations of the study will be presented.

## **2. LITERATURE REVIEW**

Existence of the entrepreneurship concept can be traced back to Cantillion (circa, 1700), who is the first user the concept and talks about risk propensity and tolerance for ambiguity as a dimension of entrepreneurship (Thomas and Mueller, 2000). Although the concept of entrepreneurship has become an area of intellectual and academic study since the late 19<sup>th</sup> century (Katz, 2003), the prevalence of entrepreneurship research has been taken place since the last quarter of 20<sup>th</sup> century. Within this entrepreneurship research, based on the level of analysis, there are two mainstream research approaches which are individual approach and organizational approach. In the individual approach, psychological traits, sociological characteristics and contextual factors of individuals are examined and they are deemed to be

important for entrepreneurship (Shane and Venkateraman, 2000). In the organizational approach entrepreneurial activities of organizations regardless of their type, size, age and the environment in which they operate are examined. In this study we use organizational approach.

The researchers and practitioners have used different concepts to identify the notion of entrepreneurship in the organizations. Concepts such as intrapreneurship (Pinchot, 1985; Kuratko et al., 1990; Luchsinger and Bagby, 1987; Carrier, 1996; Antoncic and Hisrich 2001, 2003), corporate entrepreneurship (Guth and Ginsberg, 1990; Covin and Miles, 1999; Covin and Slevin, 1991; Hornsby et al., 2002; Zahra, 1991,1993, 1995), corporate venturing (MacMillan and George, 1985; Stopford and Baden–Fuller, 1994; Miles and Covin, 2002), internal corporate entrepreneurship (Schollhammer, 1982; Jones and Butler, 1992), entrepreneurial orientation (Lumpkin and Dess, 1996, 2001; Knight, 1997; Wiklund and Shepherd, 2005; Covin and Slevin, 1991) have been used in order to explain the entrepreneurship behaviors of organizations. Among these concepts entrepreneurial orientation and corporate entrepreneurship are widely used concept in the recent literature. Entrepreneurial orientation, which has the same dimensions with international entrepreneurship, is related with risk taking, innovativeness and proactiveness (Miller and Friesen, 1982; Miller and Friesen, 1983; Covin and Slevin, 1991; McDougall and Oviatt, 2000; Morris and Kuratko, 2002). Lumpkin and Dess (1996) added autonomy, and corporate aggressiveness to these dimensions. Corporate entrepreneurship related to handling entrepreneurial behaviors within the organizations. Dimensions of corporate entrepreneurship are product, service and process innovativeness, new business venturing, self- renewal and strategic renewal (Zahra, 1993, 1995; Guth and Ginsberg, 1990; Stopford and Baden-Fuller, 1994). Although corporate entrepreneurship dimensions may seem different than EO dimensions, all of the dimensions of corporate entrepreneurship can be condensed into EO

dimensions of innovation (product, service and process innovativeness) risk taking (new business venturing) and proactiveness (self-renewal and strategic renewal). Below we will explain the dimensions of entrepreneurial orientation and international entrepreneurship.

## **2.1. Dimensions of Entrepreneurial Orientation Construct**

Entrepreneurial innovation has become the focal point of the entrepreneurship since Joseph Schumpeter' (1883-1950) emphasis on the concept. Entrepreneurial innovation can be defined as the “willingness to support creatively and experimentation in introducing new products/services, and novelty, technological leadership and R&D in developing new processes” (Lumpkin and Dess, 2001:431). Thus entrepreneurial innovations and idea generations extend from the new products and new markets to the new processes. Innovation covers not only development or enhancement of products and services but also new management techniques and technologies directed towards the organization functions like production, marketing, sales and distribution. Knight (1997) indicates that as a dimension of firm level entrepreneurial orientation, innovation refers to the creative or unique solutions for the threats that the firm encounter. Today, it is seen that many firms can gain competitive superiority by producing even very ordinary and standard products in very high innovative processes. These innovative processes provide the advantage of low cost, rapid production, faster distribution, more quality and better customer services. Dess et al.(1997) classify innovations as product-market innovativeness and technological innovations. They state that the product-market innovativeness includes an emphasis on product design, market research, advertisement and promotion. Technologic innovativeness, according to Dess et al. (1997), focuses on primarily product and process development, engineering, research and development, technical expertise and industry knowledge.

Risk-taking has been considered as one of the most important component of entrepreneurship since the 1800s. In that century, “John Stuart mill argued that risk taking was the paramount attribute of entrepreneurs” (Kreiser et al., 2002:78). Risk taking behaviors of individuals or firms range from low risky actions (for example, depositing at a bank, investing in public funds or making stock of goods) to high risky actions (e.g. huge borrowing, investing heavily in unexplored technologies or putting new products onto new markets) (Lumpkin and Dess, 1996). Generally, firms having entrepreneurship orientation display risky behaviors by borrowing heavily or by allocating very huge resources to the opportunities in the market in order to get high yields. This can be viewed as the indicator or the measure of their risk taking tendency. Firm-level risk taking requires acting quickly for seizing and valuing the market opportunities, making fast resource combinations and displaying bold actions. In fact, boldness for seeking or pursuing the opportunities and for the very new product or service attempts is considered as a reflections of EO (Lumpkin and Dess, 1996; Antoncic and Hisrich, 2003). Entrepreneurs and entrepreneurial firms are seen to manage the risks better by focusing on lower-risk market endeavors with developing various new product and service alternatives targeted to the different market segments or niches (Morris and Kuratko, 2002: 42).

The term proactiveness is defined by Lumpkin and Dess (1996: 146) “as acting in anticipation of future problems, needs or changes.” Kocel (1995) has used the concept of proactiveness with the meaning of “giving direction” to the events by affecting and forecasting the future needs, expectations and changes instead of going behind them. According to Lumpkin and Dess (1996) academicians in the field of economy and entrepreneurship have frequently emphasized the importance of being first-mover or being pioneer. The firm moving first can gain extraordinary benefits and become a pioneer in forming brand image by profiting these opportunities. In today’s increasing global competitive environment, proactiveness is seen as



important vehicles for survival of firms and for higher performance (Knight, 1997). Therefore, being a first mover, pursuing new opportunities and participating in developing markets is very closely related with firm level entrepreneurship activities. Entrepreneurial firms are active rather than reactive to their environment. Proactiveness is the opposite of reactivity and it is associated with competitive aggressiveness; and a proactive firm is a leader rather than a follower (Lumpkin and Dess, 1996).

The activities of Turkish FDI firms in foreign markets can be considered as an international entrepreneurial activity. Because of the fact that, they have taken risks to establish foreign equity ventures; they have acted proactively after the collapse of communist system, and there is an innovation in their business activities since they have tailored their products and services to meet the local needs. Therefore, we hypothesize that:

H1: Innovation, risk-taking, and proactiveness are unique sub-dimensions of Turkish manufacturing firms' (TMFs') entrepreneurial orientation.

## **2.2. Entrepreneurial Orientation and Performance**

The relationship between EO and performance is one of the most important subject that draw attention of the researchers. In much of the studies in this field, firm performance is considered as a dependent variable and the entrepreneurship activities of the firms is considered as independent variable. Conceptually, there is a strong consensus among the researchers about the fact that the final result of the entrepreneurial activities is the improvement of the performance. The researchers contend that high level entrepreneurial orientation activities bring forth high performance (Wiklund and Shepherd, 2005; Wiklund, 1999; Pearce and Carland, 1996; Zahra and Covin, 1995; Zahra, 1991).

It has been thought by many researchers that the EO considered as an important component of the successful organizations (Pinchot, 1985; Covin and Slevin, 1991; Lumpkin and Dess,

1996; Wiklund, 1999; Antoncic and Hisrich, 2001). EO was found to be closely associated to the growth and profitability of especially large organizations (Zahra, 1991; Zahra and Covin, 1995; Zahra and Garvis, 2000; Antoncic and Hisrich, 2001; Wiklund and Shepherd, 2005). This positive effect shows itself in various environmental contexts (Russel, 1999: 73). Zahra and Covin (1995) claimed that EO's positive effect on the firm performance in terms of growth and profitability shows itself, especially in the hostile environmental conditions. Researchers (Zahra and Covin, 1995; Wiklund, 1999) have pointed out that the entrepreneurial orientation in the firms has sustainable positive effects on the growth and financial performance of the firms in the long run, in addition to its effect on the performance in the short run.

However, some findings did not support EO's positive affect on performance. For example, while Covin and Slevin (1989) find that entrepreneurial orientation is not significantly related multi-item financial performance scale, but they had found a positive relationship between the same measures in a previous study (Covin and Slevin, 1986). Smart and Conant (1994) were also unable to find a significant positive association between EO and firm performance. Hart (1992) argued that some entrepreneurial strategies under certain conditions may even cause poor firm performance. But, on the overall number of researches that find positive relationship between EO and performance exceeds the number of researches that refute it. Therefore, it can be said that firms involving in entrepreneurial activities get high performance than the firms not involving in entrepreneurial activities.

On the other hand, measuring absolute firm performance is very difficult because the concept is complex and multi-dimensional. For this reason, researchers suggest that multiple performance indicators should be used to measure such a complex construct (Lumpkin and Dess, 1996; Kaplan and Norton, 1996; Atkinson et al., 1997; Wiklund, 1999; Zahra, et al.,

2002). These authors notes that financial performance measures and traditional accounting measures such as sales growth, profitability, and return on investment are not sufficient to measure overall performance of a firm. They suggest that indicators of both financial and non-financial performance measures, such as market share, sales growth, profitability, productivity, reputation, and consumer satisfaction have to be used in measuring performance.

In this study, we have used management, marketing, production and finance related perceptual performance measures to assess the effect of entrepreneurship on performance of foreign equity ventures. If parent firm is innovative, risk-taking and proactive, we assume that, their foreign venture's performance will be affected from this entrepreneurial intensity because of the fact that foreign equity ventures are controlled completely or partly (in the case of joint ventures) by the parent firm. Therefore, we expect that higher level entrepreneurial orientation will result in higher level performance in foreign equity ventures. Therefore, we hypothesize that:

H2. There is a positive relationship between entrepreneurial orientation and performance of foreign equity ventures of Turkish manufacturing firms (TMFs).

H2a: Procativeness positively related to performance of foreign equity ventures of TMFs.

H2b: Innovation positively related to performance of foreign equity ventures of TMFs.

H2c: Risk taking positively related to performance of foreign equity ventures of TMFs.

### **3. METHODOLOGY**

### **3.1. Measures Used in the Study**

The data were gathered for a larger project in 2003 via a cross-sectional survey using a questionnaire on a sample of 94 manufacturing parent firms that formed equity ventures outside of Turkey. The questions generated were based on both the previous studies and interviews with managers. In order to ensure that relevant variables were included in the study, during the questionnaire development stage, personal interviews were conducted in Istanbul with managers of three TMFs that had foreign subsidiaries. The preliminary questionnaire was discussed with three academicians in the pertinent field who had experiences with questionnaire survey. According to their comments, we revised the questionnaire and designed the draft form for the pilot study. A total of eight Turkish manufacturing parent firms located in Istanbul are used for the pre-test of questionnaire.

The questionnaire was composed of two types of questions: factual and perceptual. Factual and open-ended questions were mostly related to the characteristics of the Turkish FDI firms, which inter alia include date of foundation, amount of capital, sales, assets and entry mode. Performance and entrepreneurial orientations are measured by perceptual questions. Deriving from previous literature and interview results, we identified 13 critically important management-related (i.e., achievement of strategic aims, acquisition of know-how and accessing to international corporate network,), marketing-related (i.e., reputation, accessing to distribution channels, customer service and market share), production-related (i.e., product design, accessing to low cost inputs and productivity gains) and finance-related (i.e., access to capital/finance, return on investment and return on equity) performance measures. In the questionnaire, respondents' opinions on these items solicited with the question of "How would you assess performance of your firm in the foreign country (in terms of the below

performance criteria) as compared with your initial expectation at the time the business venture was formed?”. Answers to 13 items were assessed using five-point scales, ranging from “much worse than expected” to “much better than expected”. Following the previous literature, from these 13 items we created a dependent variable, FEV performance, which was measured using an arithmetic average.

Entrepreneurial orientations (EO) of firms are used as independent variables. Entrepreneurial orientation was assessed by using modified version of eight items of original Covin and Slevin measure (1986) which was developed based on scale development work by Khandwalla (1977) and Miller and Friesen (1982). This measure has been widely used in a variety of research settings because of its documented high levels of reliability and validity in numerous studies (e.g., Kreiser, et al., 2002; Barringer and Bluedorn, 1999; Knight, 1997). The items first translated into Turkish, translated back to English, translated again to the Turkish, and then finally translated back to English again. In the questionnaire, respondents’ opinions on the entrepreneurial orientation items asked with the question of “How much true is the below statements in terms of describing your parent company that have done foreign direct investment?” All eight items were measured using a five-point Likert scale ranging from “not true at all” to “very much true”. Three of these items were deemed to measure the innovation sub-dimension, three of the items were intended to measure the proactiveness sub-dimension, and two of the items were used to measure risk-taking sub-dimension.

### **3.2. The Sample**

The research population of 300 manufacturing firms was identified from Undersecretariat of Turkish Treasury database, Turkish Embassy Commercial Counsellors, Foreign Economic

Relations Board and sector associations in Turkey. After eliminating the firms that have less than 10 per cent equity share and including only one parent firm, we contacted 204 parent firms located in Turkey. We have made appointments with 52 firms' managers and administered the questionnaire via personal interview in the city of Istanbul where 70 percent of our sampled firms are headquartered. The rest of the sampled parent firms, which located in the other relatively more developed cities of Turkey (e.g., Ankara, Izmir, Bursa, Konya), returned the completed questionnaire through mail, fax, and e-mail. As a result, we obtained 94 usable questionnaires that represent a response rate of 46 percent. No significant variation in the data was detected with respect to the data collection method.

The 94 sampled parent firms established 60 wholly owned subsidiaries (of which 85% greenfield and 15% acquisition investment) and 34 joint ventures (of which 53% majority, 29% equal, and 18% minority ownership) in developed countries (20.2% of the total) Turkic Republics (26.6%), Central and Eastern Europe (33%) and other countries (20.2%). Turkish manufacturing firms (TMFs) were operating in various manufacturing sub-sectors (i.e., food and beverages, textiles and apparel, wood, chemical, nonmetal and machinery). Other demographic characteristics of Turkish manufacturing firms are as follows: 53.2% of TMFs were less than ten years old; 57.5 % of TMFs had less than 500 employees; 58.5 % of TMFs had less than \$10 million capital; 57.4 % of TMFs had less than \$50 million annual sales. As the questions are related with performance assessment of foreign ventures and entrepreneurial orientation of parent firms, it was determined that respondents should be upper-level managers. Subject companies were guaranteed anonymity, and respondents were offered an executive summary of the results.

## 4. RESULTS AND DISCUSSION

### 4.1. Entrepreneurial Orientations of Turkish Manufacturing Firms

Table 1 reports the mean, standard deviations, and correlations for eight items of the international entrepreneurship for the whole sample. According to Table 1, except for the two variables (related with innovation and proactiveness) all of the international entrepreneurship measures are above the mid value of three. More specifically, TMFs seems to be more innovative and proactive; and, compare to these they are prone to take less risks.

Table1: Descriptive Statistics and Correlations for Entrepreneurial Orientation Variables

Variable	Mean	S.D.	1	2	3	4	5	6	7	8
1.New product lines	3.89	0.96	1.00							
2. Product changes (R)	2.44	1.17	-.569**	1.00						
3. RandD Leadership	4.10	0.71	.356**	-.290**	1.00					
4. Competitive actions	3.67	0.90	.297**	-.082	.114	1.00				
5. New techniques (R)	2.20	0.98	-.208*	.210*	-.074	-.351**	1.00			
6. Environmental boldness	4.06	0.76	.307**	-.249**	.396**	.266**	-.075	1.00		
7. Risk-taking proclivity	3.14	0.89	.159	-.138	.191*	.123	.102	.370**	1.00	
8. Competitive posture	3.52	0.85	.412**	-.207*	.216*	.441**	-.134	.631**	.432**	1.00

Notes: n =94; SD = standard deviation; the mean is the average on a scale of 1 = “not true at all” to 5 = “very much true”; R=reverse coded;\* and \*\* = significance at the 5 % level and 1% level, respectively.

### 4.2. Factor Analysis of Entrepreneurial Orientation Variables

Exploratory factor analysis based on varimax rotation was conducted on eight entrepreneurial orientation variables. Table 2 shows that the factor analysis of international entrepreneurship variables produced three factors, which explained 67.29 percent of the total variance. Seven

of the eight items loaded on the appropriate factors. The three innovation items all loaded on the first factor (lowest loading was 0.62), the two proactiveness items loaded on the second factor (lowest loading was 0.79) and the two risk-taking items and one proactiveness item loaded on the third factor (the lowest loading was 0.75). Alpha levels were also calculated for each factor of the entrepreneurial orientation. The alpha levels for innovation (0.75), proactiveness (0.78) and risk-taking (0.72) were at the acceptable level for social sciences (Nunally, 1978). The three factors are labeled as innovation, proactiveness, and risk-taking. Therefore, to great extent, widely recognized dimensions of entrepreneurial orientation are applicable to explain Turkish firms' behavior. Accordingly, we have a strong support for H1.

Table 2: Factor Analysis of Entrepreneurial Orientation Variables

Factors	Factor Loading	Eigen-value	% of variance exp.	Cumulative %	Cronbach alpha
Factor 1: Innovation		2.05	25.60	25.60	.75
My company has marketed many new lines of products or services in the last 5 years	0.76				
In my company, changes in product or service have not been quite dramatic in the last 5 years	-0.85				
In general, top managers in my firm favor a strong emphasis on RandD, technological leadership, and innovations	0.62				
Factor 2: Proactiveness		1.84	22.95	48.55	.78
In dealing with competitors, my company initiates actions rather than responding to its major competitors	0.78				
In dealing with competitors, my firm is not very often first business to introduce new products/services, administrative techniques, operating technologies, etc.	-0.79				
Factor 3: Risk-taking		1.50	18.74	67.29	.72
In general, the top managers at my firm believe that, depending on the nature of the environment; bold, wide-ranging acts are necessary to achieve the firm's	0.75				



objectives					
In general, the top managers at my firm have a strong tendency for high-risk projects (with chances of very high returns)	0.76				
When confronted with decision-making situations involving uncertainty, my firm typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities	0.79				

Notes: Principal components factor analysis with varimax rotation; Kaiser-Meyer-Olkin measure of sampling adequacy =0.681; Bartlett's test of sphericity = 180.873;  $p < 0.000$ .

### 4.3. Multiple Regression Analysis for Entrepreneurial Orientation and Foreign Equity

#### Venture Performance

To determine the validity of the hypotheses (H2-H2c) related to entrepreneurial orientation and performance of FEVs, we conducted a multiple regression analysis (MRA) by using factors scores that are resulted in the factor analysis. Before doing the MRA we ascertained that no violations of the assumptions of regression were observed. The collinearity statistics and the condition indices indicated no signs of multicollinearity. The results of a simultaneous linear regression analysis for the sample are presented in Table 3. These results show that the F-value for the model was significant (F-value 10.659 significant  $p < 0.01$ ). It also shows that the regression explained 26% of the variation in FEV performance data. Our second hypothesis (H2) expected a positive relationship between the level of FEV performance and entrepreneurial orientation of TMFs. Since all of the regression coefficients are positive and two dimensions of entrepreneurial orientation are significant, there is a strong support for this hypothesis. Sub-hypothesis of H2a expected a positive relationship between the levels of FEV performance the innovativeness of TMFs. This hypothesis is supported by our data, which means as the innovativeness increase so does the performance. Our another hypothesis (H2b)

anticipated the positive relationship between proactiveness and performance of FEVs. The results revealed a positive and significant association between proactiveness and performance of FEVs. Our last hypothesis (H2c) expected positive relationship risk-taking and performance of FEVs. This hypothesis is not supported by our data. Increase in risk-taking does not result in increase in FEV performance.

Table 3: Multiple Regression Results

Variables in the Model	B	Std. Error	Beta	t
(Constant)	3.099	0.051		61.361*
Factor 1: Innovation	0.150	0.051	0.267	2.954*
Factor 2: Proactiveness	0.236	0.051	0.421	4.653*
Factor 3: Risk-taking	0.064	0.051	0.115	1.266
Number of cases	94			
Multiple R	0.512			
R Square	0.262			
Adjusted R Square	0.238			
Standard Error	0.489			
F-Value	10.659*			

Note: \* represents significance at the 1 % level

## 5. CONCLUSION

This study shows that sampled FDI firms' entrepreneurial orientations are high on the overall. Widely recognized dimensions of international entrepreneurial orientation (i.e., innovation, proactiveness, and risk taking) are applicable to explain Turkish firms' behavior also. This finding provides support to similar studies undertaken in other countries (Knight, 1997; Kreiser, et al., 2002). One of the study's key findings is that two dimensions of entrepreneurial orientation, innovation and proactiveness positively and significantly affect performance of FEV. Risk taking also positively affect performance but not significant in this study. That means that for being successful in foreign countries FDI firms acting in a proactive and innovative manner.

Managers of potential FDI firms should identify and understand how they can be more innovative and proactive to operate in foreign countries. This will require a managerial and organizational audit to identify salient managerial and organizational capabilities. Managers need to establish organizational culture, climate and structures that give employees the opportunity to contribute entrepreneurship. Managers also need to scan external environment to identify changes and opportunities; and take calculated risks to gain advantage of these changes and opportunities.

This study has several limitations that future studies can take into account. First, we have used only perceptual measures to assess performance and entrepreneurial orientations of Turkish firms. Due to time and resource constraints we were unable to utilize mixed method such as case study with survey data. Second, we relied on a single respondent's perceptions in measuring TMFs' performances and entrepreneurial orientations which might lead to misrepresentation of the real situation. Third, we did not include mediating and moderating variables in determining the effect of entrepreneurial orientation and performance. Fourth, due to the nature of the population we did not utilize probability sampling which makes generalizability of the findings constrained.

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