THE IMPACT OF INSTITUTIONAL, POLITICAL AND ECONOMIC ACCOUNTS ON BUSINESS GROUPS' STRUCTURAL CHOICES IN TURKEY

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Abstract

The basic aim of this study is to evaluate the contribution of economic, political and national institutional perspectives in explaining continuing resistance to the M-form among large industrial firms. To build this understanding, this paper is based on institutional theory and resource-based perspectives. Results do not tend to support the Chandlerian economic account of firm organization. It is seen that holding companies (H-form) are either stable over time or centralized, not loosely organized in Turkey. As a result, liberalization period does not affect structural choices of business groups through adaptation of M-form. This paper tends to support new institutional economics, expected to see such groups where they provide some type of economic advantage.

KeyWords: Holding, Multidivisional form, Institutional theory, Resource-based perspectives, Turkey.

Business groups are a special type of organization existing in almost every market economy. Whether they are called Cheabol in South Korea, Keiretsu in Japan, Grupos Economicos in Latin America, Jituanqiye in Taiwan, or holding in Turkey, business groups share a defining characteristic. Granovetter (1995, p.454) defines business groups as "a collection of firms bound together in some formal and/or informal ways". Granovetter suggests that business groups differ from each other and ownership, principles or axes of solidarity, authority structure, moral economy, finance, capital and the role of banks and state shapes this differantiation at international level. This definition is defined as "intermediate" level of binding excluding on the one hand a set of firms bound merely by short-term strategic alliances and, on the other, a set of firms legally consolidated into a single one. Conglomerate firms have diversified into many industries by acquiring controlling shares. Most American conglomerates fit this definition, because affiliated companies are acquired and divested mainly on financial grounds. Therefore, affiliated companies are likely to reshuffle due to

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financial outcomes. American style conglomerates are inherently unstable, but other conglomerates, such as Korean cheabols, are quite stable and fit the profile of business groups, because they are generally the outcome of the investment by a single family and gather around a coherent group which provide to those for needed.

Holding companies and trusts are also marginal cases and included in the definition of business groups. Holding companies keep affiliated firms' management and identity, but exclude those firms whose components have become nothing more than units of the parent company and which have lost the character of a federation. Granovetter (1994, p.457) argues under "what circumstances federations of firms are viable and continue to operate as federations rather than merging into a single entity". Many business groups, though not all, have a character of federation. As a result, such an evolution in which firms are merged into a single entity has not been seen. The first proposition of this phenomenon is that such groups are vestigial and will therefore soon fade away. This position is approximated by Chandler. Chandler (1962, p.4) argues that "only the formation of a central administrative or corporate office can permit the business group as a whole to become more than the sum of its parts". For this reason, if business groups are to become efficient, they must eventually move toward the multidivisional form. Chandler's arguments imply instability for organizational forms such as the federations and loose coalitions that characterize many business groups. While Chandler (1990) characterizes holding companies as unstable, Granovetter (1995) shows how the state, banks, powerfull families, cohesive ethnic groups and the moral economy, in general, may all sustain business groups over time, whether economically successful or not. Ollinger (1994) supports Chandler's view that strategy determines organizational form. On the other hand, Palmer et al. (1987) support Chandler's version but they claim that the economic explanation was insufficent. Williamson also explains this with transaction cost economics. Because money, energy or time are not easily transferred to other uses, it is more likely to lead to hierarchically organized firms and vertical integration. An alternative argument depends on New Institutional Economics. According to new institutional economics, it should be expected to see such groups in contexts where they provide some type of economic advantage.

Many of the organizational changes in European enterprise followed this American type. The Europen holding company structure consisted of loose confederations of these functionally organized companies. The recent structural changes have almost invariably involved shifts toward the more American multidivisional structure. Franko (1974) points out that although divisionalization has occurred, there are differences between the United States multidivisional model and the structures adopted in recent European reorganizations. What is the reason for these reorganizations? Are they yet another manifestation of the Americanization of Europe? Whittington et al. (1999) discuss implications both for economic arguments around resource-based view of firm and for institutionalist arguments around the spread of American management ideas. As a result, this paper suggests that Chandler's original model is remarkably robust to both changes over time and differences across countries. Positivist theory supported international diffusion of the multidivisional form. Chandler's framework was universalistic. The end point was the diversified multidivisional corporate form. But, holding company forms of organization were typically temporary. Especially, conglomerates are a transitional form (Teece et al. 1994). Chandler appropriated cenvergence hypothesis, which is the type of enterprise and system of capitalism used by all advanced industrial economies for production and distribution of goods.

There is a steady rise in the prevalence of conglomerates in Europe marked in both Germany and the UK, but less so in France, across the whole post-war period. But, in all three countries, the most common strategy is related diversification. Unrelated conglomerate strategies are generally less stable than related diversifiers, which dominate all three European economies (Whittington et al. 1999). Kogut (1992) suggests that related diversification can be seen as the normal end of successfull corporate development. Nevertheless, this European growth in conglomerates differs from American experiences (Whittington et al. 1999). Whittington (1999, p.547) points out that the multidivisional form is not the be-all and end-all of organization, but so far as it goes in this respect, at least Donaldson's 'positivist' project for organization theory has again found international support, and in a normative context much less favourable than that of early divisionalization. Also, Mayer and Whittington (2004) have found strong national influences on structural choices, with resistance to the multidivisional form particularly in Germany. On the other hand, Galan et al. (2005) have found a new kind of organizational form that they call 'holding network'. Also, they questioned to what extent these patterns and new organizational forms should be considered as a transitory or consolidated phenomena. Palmer et al. (1993) have found substantial support for economic accounts in spite of little findings for political view.

Studying business groups in Turkey not only helps answer Granovetter's 'Coasian' question but also contributes to our understanding of East Asian economic development. Business groups in Turkey are often constituted legally as a "holding" company and state-dependent business system (Whitley, 1994). Turkish business groups have been characterized as multi-activity firms operating in a wide range of unrelated sectors, family-owned and managed, and with vertically centralized authority structures (Buğra, 1994; Buğra and Üsdiken, 1995). But, there is a variety of holding in Turkish context. On one side are big holdings, on the other side are Anatolian holding companies. Entrepreneurship with political connections was quick to develop multi-activity firms, as the typical big business (Buğra, 1994; Öniş, 2002). Anatolian capital can be divided into three main groups: conservative and religious businessmen, companies owned by religious sects or religious communities and companies with many shareholders (Demir et. al, 2004). Especially business groups in Turkey are often constituted legally as a "holding" company. It is seen that a holding company is either stable over time or centralized not loosely organized in Turkey. In other words, the dominant form of organization as holding and unrelated diversification strategy continue (Gökşen and Üsdiken, 2001). But liberalization period may affect structural choices of business groups through adaptation of M-form.

This paper explains whether or not Turkey's business groups are an adaptation of M-form. Therefore, this paper evaluates the impact of economic, institutional and political accounts on business groups' structural choices in Turkey. To build this understanding, this paper is based on the institutional theory and resource-based perspectives. Unlike past studies on business groups that anchored at the member firm level, this study analyses business groups as wholes. The first section, this section, introduces the study to the reader. The second section evaluates how business groups are formed in Turkey. The third section is comprised of conceptual framework and hypotheses. The fourth section introduces the research method and analytical strategy employed in this study. The final section presents the key descriptive statistics and empirical analyses.

Business groups in Turkey

Business groups in Turkey are often constituted legally as "holding" companies and state-dependent business systems (Whitley, 1994). Heper (1991) argues that state intervention has been a significant effect on the business system in Turkey. Heper (1991) and Buğra (1994) suggest that state intervention in business relations has also contributed to the formation of an unstable business environment in the country. This unstable relationship between the state and firms encouraged the holding companies to invest in multi-activity fields. Entrepreneurship with political connection was quick to develop multi-activity firms, the typical form of holding company. Turkish business groups have been characterized as multi-activity firms operating in a wide range of unrelated sectors, family-owned and managed, and with vertically centralized authority structures (Buğra, 1994; Buğra and Üsdiken, 1995). But Öniş and Türem (2001) and Öniş (2002) argue that especially some entrepreneurships are encouraged to invest in protected sectors. Therefore, big businesses and state relations continue to benefit from clientelistic ties, state patronage and protection. But, there is a variety of holdings in Turkish context from 1990 onward. On one side are the big holdings, on the other side are Anatolian holding companies. Entrepreneurship with political connections was quick to develop multi-activity firms as the typical big business (Buğra, 1994; Öniş, 2002) but, Anatolian holding companies have risen in the liberalization period in the 1990s. Anatolian capital can be divided into three main groups: conservative and religious businessmen, companies owned by religious sects or religious communities and companies with many shareholders (Demir et. al, 2004). Particularly, it is difficult to differantiate family holdings from conservative and religious companies. But, multiownership companies, commonly referred to as Anatolian holding companies, are different from others. They were both a response to the lack of industrial capital and a product of the politically charged strategy to initiate development and industrialization in the country. In Turkey, this alternative model occurred through multi-ownership companies with absence of an effective capital market regime (Özcan and Çokgezen, 2003). Particularly, this differentiation for holding companies shows the new fragmentation and new corporations in Turkish bourgeoisie (Çokgezen, 2000; Buğra, 1997, 1998; Öniş, 2002).

Turkish firms, especially big holdings, have grown through unrelated diversification (Granovetter, 1994) and continued to this type of diversification strategy (Gökşen and Üsdiken, 2001). On the other hand, Turkish business groups have private banks which are under the control of a family and serves as a main bank of the group organized around a holding company (Demirağ and Serter, 2003). This relation leads to the creation of a well-organised internal capital market. Hence, affiliated firms can collectively finance their short and long term capital requirements. As a result, group affiliation alleviates the impact of the financial crises (Gonenc and Aybar, 2006). Gündüz and Tatoğlu (2003), compare the performances of affiliates of diversified Turkish business groups with that of unaffiliated firms. The results indicate that firms affiliated with diversified business groups do not differ significantly from unaffiliated firms in terms of accounting and stock market measures of performance. Also, the findings indicate that family-owned firms are not significantly different from those of non-family-owned firms in terms of performance measures. Demirağ and Serter (2003) suggest that ownership of Turkish Companies is highly concentrated, families being the dominant shareholders. The separation of ownership and control among Turkish companies are mainly achieved through pyramidal ownership structures and the presence of big business groups (Orbay and Yurtoğlu, 2006; Ararat and Uğur, 2003)

Conceptual Framework and Hypothesis

Kim et. al. (2004) suggested that business group evolution depends on institutional context, sources of competitive advantages, diversification strategy and sutructure. On the other hand, Hoskinson et al. (1993) suggested the same proposals. Ouchi (1984) evaluates that the role of top management in an M-form company is similiar to the role of top management in an M-form society. An M-form society represents a balance between the need for government regulations and independent laissez-faire action, and also a balance between one special interest and another. Related and unrelated diversification strategies aim at different economic benefits and organizational requirements on firms. Related diversified firms require M-form structure emphasizing cooperation among divisions. M-form structure has more hierarchical control and coordination than the holding company form involving legally independent firms. But not all kinds of diversification are the same. Chandler's (1962) original argument linking divisionalization and diversification concerned spesifically related diversification. This view of business group is based on resource-based perspective. Therefore, the two kinds of diversification must be distinguished.

Resource-based perspective assumes that a firm's competitive advantage derives from unique bundles of resources that are diffucult for competitors to duplicate – either through imitation or substitution (Barney, 1991). There have been prior examinations of business groups from a resource-based perspective. Guillen (2000) suggests that firms and entrepreneurs could accumulate an inimitable capability to combine domestic and foreign resources to enter industries more quickly and cost-effectively in emerging economies. While existent studies based on the resource-based approach may explain related diversification, advantages such as economies of scope or intra-firm transfer of core competencies cannot adequately explain unrelated diversification (Hoskinson et al., 1993). Diversified business conglomerates often dominate the competitive landscape in many countries outside the United States (Khanna and Palepu, 1997). This phenomenon seems to contradict the existing theoretical argument that high levels of product diversification are detrimental to firm performance (Wan, 2005). Yiu et al. (2005) propose that most of the endowed government resources do not help business groups to create a competitive advantage in China. Therefore, their findings show that institutions and strategic choices are facilitated or constrained by organizational resources in emerging economies. Chung (2001) examined market-center theories, institutional arguments and culturalist perspective. This evidence confirms that lacking a coherent core in ownership and management makes firms unable to respond to institutional incentives promptly.

Wan (2005) distinguishes between two types of high growth emerging economies: factor-driven high growth emerging economies (e.g. South Korea) and institution-driven high growth emerging economies (e.g. Hong Kong). But it should be emphasized how strategic actions determine firm performance given the environmental context. The distinction between institution-driven and factor-driven high growth economics has shed light on firm capability and strategy in emerging economies. By integrating a resource based view with the institutional perspective, this study argues that the values created by business groups vary depending on the resources and capabilities the groups are able to obtain. Therefore, this study is looking into how business groups endowed resources. The initial formation of business groups have typically been induced by the government where they are located as a tool of fostering economic development, not only as a product of those economic efforts.

Khanna and Rivkin (2001) suggest that business groups affect the broad patterns of economic performance in 12 of the markets they examined. The findings support the fact that unrelated diversification enhances profitability and benefits of goup affiliation in Turkey. But Gündüz and Tatoğlu (2003) suggest that unaffiliated firms do not differ from affiliated firms from the point of view of the performance measures in Turkey. Gökşen and Üsdiken's (2001) findings support the fact that the degree of unrelated diversification strategy has not been reduced in the post-1980 liberalization period. The realization of economic benefits from vertical integration and related diversification is said to require adoption of an M-form structure within which cooperation between divisions is stressed.

Accordingly, the following proposition is offered to distinguish between the two types of diversification:

Hypothesis 1: H-form is positively associated with the degree of unrelated diversification.

Institutional theory also suggests that an organization can adopt a certain organizational structure to demonstrate institutional isomorphism rather than to increase internal efficiency (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 1995). DiMaggio and Powell (1983) suggest three mechanisms whereby institutional isomorphism is achieved: coercive, mimetic, and normative. Hoskisson et al. (1993) suggest that coercive isomorphism is not likely to explain M-form adoption. But, mimetic and normative isomorphism might partially explain the diffusion of M-form structures. Mimetic isomorphism can account for diffusion of M-form structures that can be seen in the implementation of successful firms such as DuPont and General Motors. But, Turkish business system consists of successful holding companies. Therefore, this transition occurred as holding companies in Turkey. But liberalization period may affect the structural choices of business groups through adaptation of M-form.

Normative isomorphism occurs as an outcome of the focal organization's adoption of norms. The diffusion of M-form structures can also be accounted for by normative isomorphism to the extent that business schools and management consulting firms have taught and recommended M-form structures as an important organizational tool (Hoskisson et al., 1993; Palmer et al., 1993). Therefore, business management, higher education abroad and state and private universities where instruction is in a foreign language may choose M-form structures due to being important organizational tool in Turkey. Because of having education abroad, business managements gain positive "Western" outlook and approach (Buğra, 1994; Üsdiken, 1996; Yamak and Üsdiken, 2006). Also, Yamak and Üsdiken (2006) suggest that some backround features of top teams, their educational level, may be under stronger institutional pressures and they did not find any association between strategic reaction and national policy and where, and how much, education top managers have received.

Hypothesis 2: M-form is positively associated with the level of education which was received abroad.

Hypothesis 3: H-form is positively associated with business group's age.

Palmer et al. (1987) and Mahoney (1992) examined the relationship between ownership structures and M-form adaptation. Both studies found support for families, and financial institutions are less likely to adopt M-form structures. Mayer and Whittington (2004) support that personal ownership is very extensive in France, whereas personal ownership is rare in the structural choices in the United Kingdom or the United States.

Demirağ and Serter's (2003) findings show that Turkey's traded companies are highly concentrated and have centralised ownership structure. The majority of firms are ultimately owned and controlled by families, the richest families in the country. These firms are organized under a pyramid ownership structure. Demirağ and Serter (2003) point out that a pyramidal ownership structure allow the owners to raise capital in the equity market without losing control of the firm.

Hypothesis 4: H-form is positively associated with the degree of personal ownership.

Theoretically, holding and M-form is explained differently. An H-form organization operates unrelated businesses. Because each unit stands alone, each unit is evaulated as a profit center or an investment center. In the pure H-form, corporate staff is very small and keeps only financial controls over the operating units. According to Chandler (1990), the high performing type is the M-form, and it is intermediary in its degree of centralization between the cenralized U-form and decentrealized H-form. In the M-form organization, operating units are partially interdependent. The chief executive of an M-form organization is responsible for strategic planning, finance and accounting. Each operating units is sufficently autonomous. Williamson (1985) saw in the M-form organization a general office which performed a role analogous to that performed by investors in the capital market. The general office allocates scarce financial resources between the competing claims of different divisions. Williamson suggested that the diversified M-form firm could be viewed as an internal capital market. Morever, external capital market might suffer from market failures which could be caused by the internal capital market of the M-form firm. But with the market being liberalized, internal capital market loses much of its relevance. Banks are supposedly reluctant to support divisionalization on account of the competition that the multidivisional's internal capital market provides bankers' with the traditional role as prime allocators of capital. Mayer and Whittington (2004) found no support for bank owners particularly in the European context. But, bank owners need to be examined in Turkey. Theoretically, it is accepted that H-form is loosely organized; therefore, Chandler (1990) characterizes holding companies as unstable. But, M-form firms are stable and provide the firms with internal capital market. In other words, because the critical feature of the H-form is that cash flows are not reallocated between competing divisions, internal capital market does not exist within the H-form.

M-form structure is positively associated with the development of internal capital market. But, this hypothesis is formed from free-context comprehension. The proposition relies overwhelmingly upon American experience and literature (Mayer and Whittington, 2003). Demirağ and Serter (2003) point out that business groups in Turkey acquire a bank in later stages of their development. So, banks, owned by business groups, substitute external capital market, and resolving informational asymmetries leads to less liquidity in affiliated firms (Gönenç and Aybar, 2006). But, it is seen that a holding company having a bank provides itself with internal capital market. This position shows that holding companies are not loosely organized in Turkey. On the contrary, a holding company is centralized in terms of strategy or finance or accounting. Hence, a holding company forms an internal capital market due to bank ownership. As a result, a holding company is different in Turkey from Chandler's view. A holding company is either stable over time or centralized, not loosely organized in Turkey.

On the other hand, some business groups have special interest-free finance corporations. The special finance corporations serve in two ways in the process of capital accumulation. On the one hand, they accumulate savings of religious persons that do not use traditional banking system; on the other hand, they provide religious business circles which do not use banks with capital loans (Demir et al. 2004; Özcan and Çokgezen, 2003). Thus, special finance corporations serve in business groups which create internal capital market. In other words, the relative performance of bank ownership will vary across countries. Because the efficiency of external markets for product, capital, and labour varies from one country to another (Khanna and Rivkin, 2001; Mayer and Whittington, 2003), the relative advantage of constituting an internal market may be enhanced in contexts where external market works inefficiently.

Hypothesis 5: H-form is positively associated with the internal capital market.

Williamson (1985) postulated that M-form structure would outperform firms which operated with other organizational form. Chang and Choi (1988) empirically show that business groups with multidivisional structures reduce transaction costs and provide economies of scale and scope. Therefore, a multidivisional structure results in superior performance. In particular, Bettis (1991, p.316) criticizes M-form as an "organizational fossil" and argues that it is not efficient in global matrix organization, multiple reporting relationship, network organization etc. There is empirical evidence which compare M-form firms with H-form firms. In contrast to Williamson's M-form hypothesis, there is some evidence that show that M-form is not universally superior to the other forms (Ollinger, 1993). Some studies (Chang and Choi, 1988; Keister, 1998; Silva et. al., 2005; Claessens et al. 2000; Khanna and Rivkin, 2001; Douma et.al., 2006) have shown that business groups help to create positive effects for member firm's performance**,** wheares some studies (Caves and Uekusa, 1976) have shown that business groups result in a negative impact on firm's performance. Yiu et all.(2005) have shown that most of the endowed government resources do not contribute to business group performance, but market-oriented capabilities and resources are most likely to increase business group's performance. But, this study examines whether M-form increases a business group's performance. So, it is evaluated that business group performance is a whole.

Hypothesis 6: Business groups in M-form have more performance than business groups in H-form.

Because the business group is related diversification, it is expected that business groups develop acquisition strategy. With the market being liberalized and developed, business groups develop more acquisition strategies. Although business groups are able to acquire or develop resources for internally sustainable competitive advantages, strategic factor market is weaker than developed economies. So, if business groups have sustainable advantages, they may need to acquire resources outside their domestic boundary. Gökşen and Üsdiken (2001) show that business groups that have emerged after liberalization are also to pursue less internalization strategy in Turkey.

Hypothesis 7: M-form is positively associated with international diversification strategy.

RESEARCH METHODS

The Sample and Data

The sample consists of business groups that were among the largest 500 industrial corporations in Turkey. Our sample comprises exclusively large corporations. The effect of scale on divisionalization may be weaker among large corporations (Williamson, 1985). The firms included in this study are domestically-owned firms. In order to gather data, we used several documentary sources such as press reports, company histories, business directories and annual reports. In order to obtain this information, we used the Internet.

Variables

The Dependent variable: structure

The structure of business groups is measured by Williamson's organizational structure (1985): functional, functional holding, holding and multidivisional structure. Functional (U-form) is the traditional functionally organized strategy, the simplest and most centralized, both strategically and operationally. A functional-holding (CH form) builds on functional core simply by adding a periphery of subsidiaries or partly-owned ventures. A holding (H-form) is a divisionalized enterprise for which the requisite internal control apparatus has not been provided. Multidivisional (M-form) is the divisionalized enterprise in which operation is separate from strategic decision-making and for which the requisite internal control apparatus has been assembled and is systematically employed. But, it is seen that this definition is free of context. A holding company is centralized either strategic view or finance and accounting view in Turkey. As a result, a holding company is different from Chandler's view in Turkey. A holding company is either stable over time or centralized, not loosely organized in Turkey. An H-form organization operates unrelated businesses. All these factors were taken into account.

The Independent variables

Diversification strategy: Our measurement of diversification strategy followed the Harvard groups' categorical approach (Rumelt, 1982). The related and unrelated diversified strategies are differentiated by the qualitative relationships between the firm's activities. In related business firms, no individual activity accounts for 70 percent or more of the firm's sales. Different businesses share some links and common attributes. Unrelated diversified firms also have no single core of at least 70 percent of sales, few, if any, link common attributes among businesses.

Age of business group: The age of business group refers to the length of years since the foundation of the business group.

International diversification: This was measured by the number of countries in which the business groups had foreign direct investment (Yiu et al., 2005). But Guillen (2000) evaluated internalization strategy with inward and outward strategies. Also Gökşen and Üsdiken (2001) used this strategy in Turkey. Inward-oriented internalization was measured by the number of joint ventures in Turkey. Outward internalization was measured by direct investment abroad. Direct investment abroad was calculated by the number of firms founded abroad

Business group performance: The performance of business group was measured by the return of assets (ROA) as of 2007. Tobin's q is not available for some business groups, because, an efficient capital market is needed to calculate Tobin's q (Khanna and Rivkin, 2001; Khanna and Palepu, 2000). So, this study used firm return on assets as the measure of performance, defining ROA as follows: (net income + interest * (1-tax rate) / (total assets)[2].

Bank and financial corporation ownership: Bank and financial corporation ownership were defined by ownership in the business groups. Bank and financial corporation ownership refers to internal capital market in Turkey.

Personal ownership: Personal ownership was measured by families or individiual who owned business groups. Business groups have been established legally as "holdings" in Turkey. Therefore, personal ownership was measured by families and multiownership.

Education Level: Education level was measured by higher education abroad which was received by business managers.

This study used logistic regression analysis to establish the relationship between structure and context. The dependent variable is represented by binary variable according to

[2] Because performance data were not enough, the performance measure was omitted for the present.

whether or not it possesses multidivisional structure. All funtional, functional holding and holding companies were coded as 1. We used eight explanatory variables: diversification strategy, age of business groups, internalization strategy, business group performance, bank and financial corporation ownership, personal ownership and education level which was received by business managers.

Findings

Table 1 shows a logistic regression with structural choices as dependent variable. There are several observations to be made with regard to both dependent and independent variables.

Table 1: Regression on Structural Choices, Effect of National Context

Variables	
Diversification strategy	3,315*** (1,315)
Age of business groups	-0,069 (0,052)
International diversification (joint ventures)	-0,831** (0,465)
International diversification (direct investment)	0,009 (0,231)
Bank ownership	-0,695 (1,399)
Personal ownership	23,657 (40192
Education level	-0,787 (1,553)
Constant	3,307 (3,259)
Nagelkerke R Square	0,703
Chi-square[3]	8,019
Number of business groups	32

*p<0,1; **p<0,05; ***p<0,01
Standart errors are in parentheses.

The findings of the study strongly support Hypothesis 1. Greater unrelated diversification is positively associated with H-form. Also, positive coefficient indicates resistance to the M-form. This provides some supports for continuing structural choices to H-form.

Hypothesis 7 received strong support. Greater international diversification is negatively associated with M-form, but positively associated with H-form. Therefore, it is evaluted that business groups with diversified unrelated strategy have enhanced

[3] Note that they do not recommend the use of this test when there is a small n (Less than 400; Hosmer & Lemeshow, 2000).

internalization strategy in Turkey. Especially the rates of holdings' foundation of joint ventures increased.

The other haypotheses were rejected.

Conclusion

This paper evaluated the contribution of economic, political and national institutional perspectives in explaining continuing resistance to the M-form amongst large industrial firms. Our results do not tend to support the Chandlerian economic account of firm organization. It is seen that a holding company (H-form) is either stable over time or centralized, not loosely organized in Turkey. As a result, liberalization period does not affect structural choices of business groups through adaptation of M-form. This paper tends to support new institutional economics expecting to see such groups in contexts where they provide some type of economic advantage.

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