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CONGLOMERATE COMPANIES AS EMERGING MARKETS PHENOMENON

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***Abstract*—**In this paper, we sought to theoretically explain the phenomenon of conglomerate companies in emerging markets. Conglomerate companies in emerging markets are mostly family owned. There are four generations of conglomerate companies. Currently the most numerous is the fourth and third-generation of conglomerate companies, observed by the lifetime. In addition, we have established the main factors that influence the development and strengthening of the competitive position of the conglomerate companies in emerging markets. In addition, we found out that the conglomerate companies in their business operations apply the strategy of broad diversification. Accordingly, we have determined that the application of modern strategies of business diversification affects the creation of optimal diversification and strengthening of conglomerate companies' competitive advantage in emerging markets.

***Keywords*—**conglomerate, company, emerging markets, diversification, strategy. JEL Classification: F2, F23

I. INTRODUCTION

THE logic of creation and evolution of the conglomerates varies depending on the geographical area. Evolution of conglomerates in developed countries is a result of the macroeconomic concept in which the conglomerates are created. The establishment of conglomerates in these countries is related to the period of strong economic growth and expansion. When products markets were not geographically integrated, companies were able to relatively easily achieve growth by introducing new products and services (production diversification) in the domestic market, compared to inputs or to enter into foreign markets (geographic diversification).

Till the end of the 1990s USA conglomerates were lead by the cult leaders and practiced several business models. Historically, European conglomerates were predominantly family-owned and certain members of the family were responsible for the conduct of specific businesses. In Asia conglomerates have evolved with the development of cooperative structure, i.e. creation of complex structures such as "keiretsus" in Japan and "chaebols" in Korea.

Emerging markets have high growth potential and represent both a potential opportunity and a risk for Western companies. Through the strategic alliances and joint ventures, Western companies can share risks and resources, acquire knowledge and gain access to given markets (Kock and Guillen, 2001).

Conglomerate business is an integral part of the business in emerging markets. Business conglomerate accounts for over 70% of the business within emerging markets. Conglomerates account for over 95% of Indian businesses, 90% of Chinese and 80% of Brazil's. In emerging markets the conglomerates are considered the main cause of the employment growth rate and economic growth creation. Given that economic growth in emerging markets is in the phase of moderate expansion, while in the U.S. and the EU stagnation is recorded, that leads to the creation of a number of large conglomerate companies such as: Mittal, Tata, Sabanci, Godrej, Votorantim, Reliance etc. Many of these companies have strong growth and increased presence in the global market (CS 2012).

Empirical data tells us that the percentage of conglomerate companies is an important form of organizing business in emerging markets. Study of La Porat and others from in 1999, indicates that in the 27 richest countries, with a market capitalization exceeding $ 500 million, 50% of companies are controlled by families and 40% are in the public domain. In addition, between 34% and 45.15% of large and medium-sized companies participate in the capital market (Facco and Lang 2002). In addition, Facco and Lang examined thirteen Western European countries (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland and the UK) and found that 44.3% were owned by families. This percentage increases to 57.2% when we add Ireland and Great Britain (La Porta et al., 1999). On the other hand, the survey conducted by Claessens in 2000th, for nine East Asian countries (Japan, Taiwan, Hong Kong, Korea, Singapore, Thailand, Malaysia, the Philippines, Indonesia), found that the percentage of conglomerate companies increased from 38.29% to 58.68% (Claassens et al. 2000).

The main goal and purpose of this paper is to understand the functioning of the conglomerate companies and their main characteristics that make them special in emerging markets. Therefore, this paper will try to shed light on the basic characteristics of the conglomerate companies, ranging from understanding the definition, setting-up, evolutionary phases of the conglomerate companies and an understanding of the process of diversification, as well as the application of modern strategy of business diversification.

This paper will try to ask certain questions and to offer certain answers. First, it will try to define and determine the basic characteristics of the conglomerate companies in emerging markets. Second, it will seek to identify which factors enabled the emergence of conglomerate companies in emerging markets. Third, will strive to establish evolutionary developmental stages through which the conglomerate companies pass and which the generation of the conglomerate companies is the most numerous. Fourth, it will determine the degree of diversification of conglomerate companies, as well as offer the optimal strategy of diversification and so on.

II. THE LITERATURE REVIEW

Conglomerate companies in emerging markets are the subject of the analysis of a number of authors. La Porta et al (1999) in their research deal with the study of the ownership structure of the 20 largest publicly traded companies in 27 developed countries, including some Asian countries. According to the research, the owners of Western companies have a significant share in the management structure and we can distinguish five types of owners. In Japanese and Korean companies ownership is widely dispersed. In Hong Kong conglomerates are controlled by the family, while in Singapore over half of the companies are under state control. Claessens et al (2002) address the research problem of separation of ownership and control for 2,990 companies in nine East Asian countries. This study found that there is a direct connection between voting right and ownership structure that is pyramid-shaped. It also found that more than 2/3 of conglomerates are controlled by a single shareholder. At the position of manager are mostly owners or relatives. In older conglomerates there is the possibility of division of ownership to family members and potential investors. According to the survey, Asia is a typical example of the countries managed by several companies.

Kahanna and Palėpė (2004) in their research study the conglomerate companies in emerging markets. In their analysis dominates the problem of genesis of conglomerate companies' development that is they highlight the factors that have influenced the development of the conglomerate companies in emerging markets, as well as some advantages and disadvantages compared to multinational companies. In addition, they are dealing with the study of business models applied by conglomerate companies in emerging markets. Similarly, Yoong-Deok, and Young-Yong (2004) study the conglomerate companies in emerging markets in terms of diversification of conglomerate firms business and the creation of business groups. They are especially dealing with organizational structures of conglomerate companies and the degree of centralization and decentralization of operations.

Cavusgil et al (2004, 2012) in their study analyze the most emerging markets, which are very important for Western companies. In particular, the problem of evolutionary patterns of family conglomerates is given special attention in the study and they are underscored as the main drivers of growth and development, expansion and internationalization of business.

Karaevli (2010) in his research deals with the problem of too broad and unrelated diversification of conglomerate companies in the emerging markets. He examines the problem of heterogeneous strategic behavior in the process of restructuring of conglomerate groups and indicates the degree of unrelated diversification, which is based on specific factors - economies of scale and scope, ownership of private banks and strong distribution channels, resources, properties, founders, etc. In addition, he is analyzing the four leading Turkish conglomerate groups that differ in terms of key theoretical dimensions.

Haslindar and Fazil (2010) in their work research family companies in the context of emerging markets. They specifically address the issue of conglomerates in Malaysia and their contribution to the economic development of the country. In addition to analyzing the ownership structure the advantages and disadvantages of family conglomerates in emerging markets are presented in this paper.

III. UNDERSTANDING CONGLOMERATES

Conglomerates represent companies engaged in different businesses. It is often said that for them it is about multi-industry companies. The property of conglomerates is used to start a business in two or more areas that are not connected or related to each other. The basic idea underlying a conglomerate company is to provide sufficient income from all businesses that will ensure the continued operations of all already started businesses.

The concept of a conglomerate or multi-industrial company is not new. Starting from the 1960s onwards, this business model is frequently applied in the world. Conglomerate business is a great advantage for the companies in the long term, which deem it necessary to redefine their business strategy in light of new technologies. In certain situations, conglomerate business includes the possibility of survival at the traditional market until the opportunity arises for the presence in emerging or developed markets.

Conglomerates are a good way to increase profits, while at the same time a protection is created from economic turbulence that occur in certain markets and industry branches. Since conglomerate business includes several disparate or different businesses, then it implies that at a time when some businesses are not functioning well and do not generate income can be saved by those who operate positively .

Conglomerates present a great multi-industry company that is highly diversified and is owned by its founders and investors. They receive maximum support from the government; use extensively their network organization, easy simple access to market of capital and knowledge. For example, Arcelik is a leading Turkish manufacturer of household appliances and is the largest and most prestigious conglomerate of Koc Group in Turkey. On the other hand, the company is publicly owned and issues or sells the shares and bonds on the stock exchange that is it is about a company that publicly trades securities in the financial markets. Usually, the securities of companies that are traded are the property of many private or institutional investors (Cavusgil and Daekwan, 2004).

The founders of family conglomerates are mostly young people who have a negligible amount of capital. Based on the good market forecasts and capabilities in the strategic decision-making, they become market leaders. They strive to be socially responsible and provide help to schools, cultural and sports centers, health facilities, etc. Typical founders are Joo Young Chung of "Hyundai", Byung Chull Lee "Samsung", Vehbi Koc "KOC" and Hajji Omer Sabanci "Sabanci" - they are well known for their creative, proactive and hard toil, aggression and anticipation in the decision-making process (Knight and Cavusgil, 2004).

Family conglomerates can be defined on the basis of several characteristics. A typical conglomerate is owned and controlled by the family and have one founder who dominates, although other family members can participate in the governance process. In the second and third generation, the owners of the family conglomerates do not have to be a part of the management or participate in the management process Another feature of family conglomerates is to operate for many years and they have a significant history.

Contribution of the family conglomerates to economy is major in terms of added value. For example, conglomerates in Korea account for over 70% of the total value of enterprises in the Korean stock exchanges. Conglomerates contribute to increasing rates of employment, tax revenue; generate foreign exchange inflow and overall economic growth. In addition, in Turkey, Koc group accounts for over 20% of trading on the Istanbul Stock Exchange, while the company Sabanci also participates with more than 5% in inflows to the Turkish budget on the basis of taxes (Cavusgil et al, 2012).

In the process of establishing conglomerates use their own resources and very rarely rely on intermediaries. They combine the resources very well and are able to start new businesses in several different industries that is they apply a strategy of diversification or economies of scale and scope and they are rarely specialized. As the result conglomerates achieve greater market share in many sectors of the economy. For example, the Indian automobile company Mahindra & Mahindra focuses on the automotive and related industries in India, but, in addition, it is investing in a number of different projects. In many cases, conglomerates have assets that give them a competitive advantage. Also, they are investing in training and education programs. In addition, they try to find partners in foreign companies to be able to have access to the new managerial and technical know-how, etc.

Autochthonous conglomerates have several advantages over foreign companies seeking to enter emerging markets. Their long-term good relations with the government's administration are not easily accessible to foreign companies. Finally, the conglomerates have an important role in the industrialization of their country and are a perfect match for foreign companies, because they own important information on the local market and understand well their preferences.

IV. FACTORS AFFECTING THE DEVELOPMENT OF FAMILY CONGLOMERATES AND EVOLUTIONARY STAGES

Each country presents a unique environment depending on the evolutionary stage of the economy, the political system, the influence of government, business ethics, natural, financial and human resources, etc. Some of these factors can cause the breakdown of family conglomerates, while some may have positive impact on their growth, but each may have a different impact depending on the evolutionary stage.

In each country conglomerates pass through evolutionary stages – the establishment, growth and maturity. In the introductory phase, when making decisions on new investment and the creation of new companies, conglomerates must understand the desires and needs of consumers. For example, Koch was the first manufacturer of car, washing machines and refrigerators in Turkey. Mahindra & Mahindra was the first tractor manufacturer in India. Hyundai is one of the first initiators of car production in Korea and so on. Typical for the conglomerates is the expansion from the auto industry to the related industries, such as electronics, information technology, and so on.

In terms of age of conglomerate companies the older companies or fourth generation dominate, that is they account for 33% of the conglomerates. The first generation accounts for 14%, while the second accounts for 25% and third generation 28% (see Figure 1).

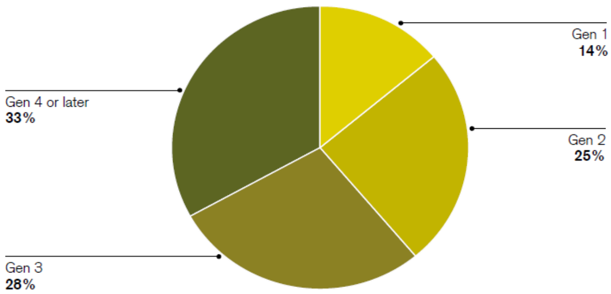

Fig. 1: The dominance of older conglomerates
Source:(CSRI, 2012, p. 6.)

However, in some countries conglomerates achieve rapid expansion by crossing certain stages. Growth process involves growing number of customers, the introduction of new products and sales to new locations. The growth phase is supported by the introduction of innovative products, availability of finance, business culture that reflects the realization of the objectives and attracting qualified staff. However, it can be said that the family conglomerates are driven by more new ideas in relation to non-family businesses (Saddi et al, 2010).

Conglomerates express a desire to expand and develop new ideas. In Figure 2. we can see that conglomerates emphasize the development of new products and services, with the market share expansion. Larger companies want to expand into new markets and industries as opposed to smaller ones. Smaller companies have concentrated on increasing the capacity.

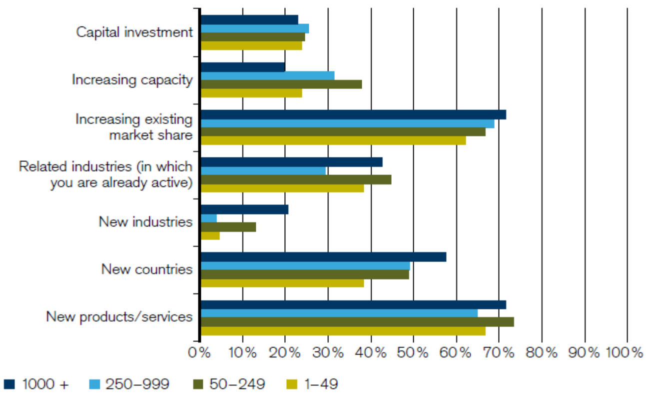

Fig. 2: The focus to expansion (based on size)
Source: (CSRI, 2012, p. 20

Conglomerates from developing countries, or around 48% express the view that they want to expand into new markets and 75% of them plans to introduce new products and services. The first generation of the companies prefers the introduction of a new product, rather than to expand beyond national borders. This behavior is typical for the older companies. In addition, the first generation will more likely choose expansion to new industries compared to the fourth or the older generation of companies (see Figure 3) (CS 2012).

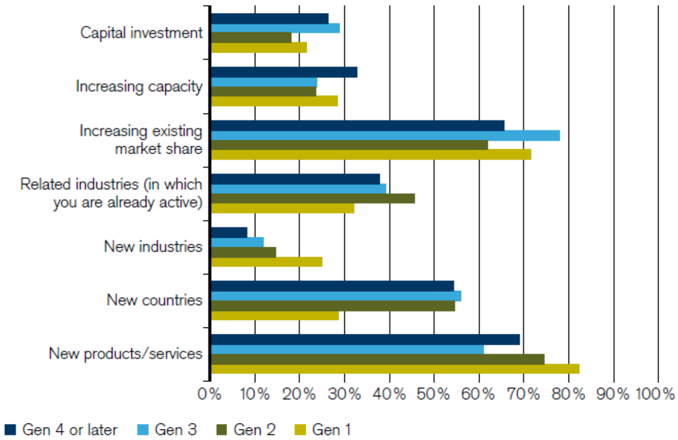

Figure 3: The focus on expansion (based on the generation control)
Source: (CSRI, 2012, p. 20)

In emerging markets governments are very involved in making business decisions. In some cases, they initiate the formation of conglomerates. The examples are the Siam Cement Group in Thailand and the Indonesian Salim, Astra and Lippo. Government protection or government protectionist measures affect the creation of competitive advantage. This advantage may disappear if foreign companies launch local production and thus circumvent trade barriers. Government protection refers to the provision of affordable forms of credit, subsidies, introduction of invisible barriers, tax incentives etc. (Gross, 2003).

For example, the government of India regulates the price of goods, import and export of raw materials and finished products. The Korean government in the 1980-ies used entry barriers to protect manufacturers of toothpaste and so on. However, with the growth of conglomerates the presence of government protectionist measures reduces. Government protective measures are important in the growth of business, but lose strength in the initial phase or maturity.

Conglomerate companies achieve growth in several ways. Some expand production capacity to meet excess demand, enter new markets, develop new products, join or take over other companies. Some of them are diversified in the same industry, while some expand to different industries. For example, LG has started business when the father and son started the production of cosmetics in 1940. At that time there was no company that could offer quality corks for glass bottles so that they themselves had to start to produce plastic products.

Plastic stoppers were not sufficient for the profitable production and they have expanded the production, producing products such as combs, toothbrushes, soap dishes, etc. Jobs with plastics have led to the production of electric fans that is to the development of electric, electronic and telecommunications equipment. The manufacture of plastic products led them to the petroleum refining, and for it they needed tankers. Then they set up the insurance company to pay for their own transport insurance. Here it is about the evolution of family business and the creation of Lucky-Goldstar Group or LG (Lane et al, 1990).

It is completely clear that the expansion strategy is one of the most important drivers of growth and development of conglomerate companies. Conglomerates tend to deepen their participation in one industry in the early stages and spread in different industries during the late stages of growth and maturity. For example, Daewoo started business as a textile export company and moved into the manufacture of clothing by buying Sears, JC Penney and Montgomery Ward. When the Korean economy experienced growth the company started a new business in construction and heavy industry followed by car manufacturing and in financial sector.

The conglomerates are prone to creating strategic alliances in the growth phase or early maturity phase. The need for expansion, access to resources and organizational learning leads to joint ventures, the creation of international alliances, licensing agreements with foreign companies, etc. Conglomerates require new technological skills and are looking for partners who offer knowledge and experience. For example, joint ventures of Ford and Koc, Vitro and Alpha, and DuPont and Sabanci. In these alliances they tend to achieve complementarity between affiliated businesses.

In addition, the conglomerates in the late stages of growth and maturity are faced with domestic and foreign competition. Increased competition drives family conglomerates to satisfy consumers better than their rivals, create new markets and develop their own technologies. Consequently, they diversify and internationalize their business seeking a competitive advantage in the global arena. For example, Goldstar, now part of the LG Group, has enjoyed for a while as an early initiator of production in the Korean electronics market, until Daewoo and Samsung entered the market. After that, the Goldstar affiliates Lucky and performs penetration in the U.S. market.

Given how business is entering a phase of maturation, the conglomerates tend to experience growth outside their home market. Some companies are born global and they internationalize early, while some have a gradual evolutionary path. In the initial phase, the main business includes import of raw materials, while at the growth phase follows technology transfer, licensing, franchising from foreign partners. Intense competition in the mature local market often forces family conglomerates to seek new business in foreign markets. Exporting is the first option in the process. For example, Sabanci and Tata Motors have trading representative offices around the world. In the stage of growth and late maturity, conglomerates become direct investors and expand their international holding. In the mature stage foreign direct investment are present in the manufacturing facilities. The main obstacles to internationalization are the lack of knowledge and resources.

Business internationalization of family conglomerates is not guided only by technology, but also by the expansion of production capacity to meet consumer needs. When the foreign competition appears in the market, then there is pressure to adopt new technologies to increase efficiency and maintain competitiveness. Conglomerate companies come to know-how and technologies through licensing, joint ventures, etc. For example, during the 1960s, Turkey has developed a polyester fiber industry. At the time, Turkey needed foreign currency assets or an increase in exports. Sabanci Holding has realized the idea of installing a plant for the production of polyester fibers. The biggest problem was to get foreign funds. Foreign funds have been allocated by the Chamber of Commerce. To begin with the production Sabanci had to pay a license in an amount 220,000 Deutsch marks. Having signed a licensing agreement with ICI, a British company, the company SASA was founded. ICI delivered technology that could be handled by only British experts. Over time, Sabanci company has improved its training program, increased the capacity, expanded product lines and acquired new technology (Cavusgil, ST, et al, 2012).

In the maturity stage conglomerates will establish high-tech companies and R & D centers, based on their accumulated knowledge.

V. STRATEGIES OF CONGLOMERATE COMPANIES' BUSINESS DIVERSIFICATION

Unrelated diversification of the company is considered, according to conventional thinking, the destruction of values in developed markets. However, the same strategy has been used for decades and gives results in emerging markets (Karaevli, 2010).

Nevertheless, some studies have shown that in emerging markets, in which there is an institutional void, conglomerates can best take advantage of the presence of market imperfections. Therefore, the process of diversification is considered a reasonable strategy in emerging markets. The strategy of diversification of conglomerate companies in emerging markets is associated with the following issues :

- What institutional factors influence positively the development of conglomerates in emerging markets?
- To what extent does the institutional context change due to economic reforms in emerging countries, and is the high level of diversification sustainable?
- What are the alternative strategic responses of adjustment of broadly diversified companies in response to institutional changes?
- What are the recommendations for shareholders and top managers of these companies?

The concentration of power is limited to a number of companies that have slowed the development of market institutions in emerging countries. This enabled additional benefits to conglomerate companies in terms of more efficient investment in strengthening the internal capacity that substitute market failures. The management has developed its own distribution channels, corporate brands, own banks and reliable reputation giving the conglomerates added value relative to foreign competition .

Conglomerate companies from emerging markets have recognized the changes in the environment and that it is therefore necessary to change the scope of the diversification if they want to successfully adapt. They applied three strategies: 1) gather a fairly large portfolio of home-related business, 2) focus on a fairly narrow portfolio of companies that have a regional or international potential, and 3) to build a portfolio of national conglomerates in developing countries .

According to the BCG group (The Boston Consulting Group); conglomerate companies also take into account the following five strategies. The first is to make a brand from local to global importance. For example, a Chinese company Hisense account for over 15% of domestic market share in the TV device market. The company has changed its strategy and focused on the world market with a product range that includes air conditioners, computers and telecommunications equipment. It has production in Algeria, Hungary, Iran, Pakistan and South Africa . The parent Chinese market provides company a cheap production base and also other additional advantages such as design and R&D centers. The second strategy relates to redirecting to local engineering skills. For example, the Brazilian company Embraer best illustrates it. Supported by the Brazilian government and later privatized to a large extent, Embraer has surpassed the Canadian aircraft manufacturer Bombardier and thus became the world's leading manufacturer of commercial or jet aircrafts. The company used the presence of regional airlines excellence of skills and so produced a small jet plane. It is about the largest Brazilian exporter, which combines the low cost of production with advanced R&D. Embraer partnership with the Chinese company China Aviation Industry Corporation II was intended to transform the company into a global manufacturer and the world's largest exporter.

The third strategy is related to global leadership in a narrow product category. We will mention the example of two Chinese companies using this strategy. The first is BYD company that manufactures batteries. This company has a labor-intensive production relative to Japanese companies and uses low labor costs. The second example is the company Johnson Electric. The company manufactures small electric motors for products such as cameras or cars. For example, the BMW 5 uses more than 100 small engines (less than one horsepower) to run rearview mirrors, adjusting seats, sunroof, etc. Johnson has built its strength in part through a well-timed acquisition with the U.S. companies, in order to approach consumers. It now has plants in the U.S. and Western Europe, and R&D centers in Israel, Italy, Japan and America.

The fourth strategy refers to the use of natural resources at home and first-class marketing. For example, the Brazilian company Sadia and Perdigao have built sales offices around the world for the sale of raw materials required for the cultivation of pork and poultry.

The fifth strategy refers to the application of a business model that is adequate for many different markets, for example, a Mexican company CEMEX is the world's largest supplier of concrete concentrates. Industries like cement and other building materials are usually considered "territorial producers," which means that their products are bulky and expensive to transport to remote locations. The company realized that the know-how and investments can go without a hitch in the direction of any market, when the transport of goods does not allow it. CEMEX has bought many companies and built facilities in Colombia, Panama, Venezuela, Indonesia, Philippines, Thailand and the United States. The secret of success lies in the development of the company's own style of managing acquisitions or better known as the "Cemex way". In the first place, the significant application of IT in management is pointed out.

VI. CONGLOMERATE COMPANIES COMPETITIVENESS IN EMERGING MARKETS

Global companies from developed countries have a significant advantage compared to companies from emerging markets. Their advantage lies primarily in the institutional infrastructure. In addition, there is an advantage in a simple approach to financial markets and in obtaining cheaper funding sources. With the help of R&D and market research they create the world famous brands. They have available top technology. Based on the above, the question is whether global companies better used the advantages than the conglomerates in emerging markets (Khanna and Palėpė, 2004).

Conglomerate companies in emerging markets do not have these advantages, however, due to certain specifics of their domestic markets they tend to neutralize certain shortcomings and realize the benefits in relation to global companies. Conglomerates or companies have an advantage in the domestic market because they manage well in the absence of infrastructure, business practices and good well certain legislative gaps (Yoong-Deok-Yong and Young, 2004).

Some research has found that over the last decade, the largest conglomerates in China and India achieved revenue growth of 20%, while in South Korea achieved revenue growth of 10% annually. These companies launch a new business in 18 months on average. In addition, almost more than half of these companies have businesses that are not linked or associated with home business. The average revenue growth for the company, which launched at least one new business during the reporting period, was 25% per annum that is twice higher increase than those companies that have not done it. The entering into new business was strategically motivated. Over 49% of the conglomerates entered into new businesses that are not connected or related to the business of the parent company. For example, a South Korean chemical company took a life insurance company or a Chinese mining company .

Conglomerate companies share common values that are rooted in the vision and that are inherited. The employee loyalty is high as well as the productivity. They have very good knowledge of local market requirements that is of customers. In addition, they are in close relationship with government agencies and the ruling political parties, which gives them a strong competitive advantage (Andrade et al, 2001).

Conglomerate companies managed to build internal organizational mechanisms to circumvent and mitigate institutional gaps in their countries. With the development of the internal mechanisms powerful conglomerate groups have been created in emerging markets such as Samsung Group in Korea, Ayala Group in the Philippines, Turkey's Koc Group and Tata Group in India.

Large conglomerates are present extensively in many emerging markets, but South Korea points out with dozens of giant conglomerates that have multitude of their branches in the country and abroad. Families control mega companies like Samsung, LG, Hyundai, Lotte, SK Group, Hanjin, Doosan and Hanwha, and companies dominate the country's economy. Ten major "chaebols" make up for more than half the value of nearly 2,000 companies listed on the stock exchange in Korea, and 30% of the largest companies accounted for over four-fifths of exports in 2010.

Korean conglomerates, or "chaebols" originate as early since 1960-ties. It is a time when the army had the last word and when it decided to rapidly industrialize the country. In general, the incentive of entrepreneurs was conducted under the auspices of the policy known as "managed capitalism". The word "cheabol" was coined in 1984 and is formed from the word "wealth" and "clan" .

In South Korea, during the last decade the conglomerates account for about 80% of the 50 largest companies. In India, this amount goes to 90%; while in China 40% are the conglomerates of the 50 largest companies in 2010, compared to less than 20% just ten years earlier. The average growth rate of conglomerates in China and India in the last decade was 23% per annum, while the rate of growth in South Korea was only 11%. This growth has led to an increase in revenue of 3 billion dollars in the previous decade, while the revenue growth in 2011 amounted to 12 billion dollars. From 2000 to 2010 in South Korea 119 new conglomerates were established, in India 90 and in China 65 conglomerates (see Figure 4) .

Fig. 4: Number of newly established conglomerates from 2000 to 2010

Source: (http://www.mckinsey.com)

The market value of these companies continues to grow strongly. In the past four years the number of companies that control the largest 35 chaebols has doubled to 600. The company Samsung itself accounts for one-third of the country's exports. The five largest chaebols achieve a sale that is higher than half of South Korea's gross domestic product.

In addition to Asian countries, Turkey has in recent decades highlighted with the strong growth of conglomerates. Turkey's 20 largest holding companies or conglomerates have assets of about 250 billion, which is a third of the Turkish economy. The conglomerates Sabanci, Dogus and Koch are the three largest conglomerates in Turkey. The three holding control over 16 billion dollar of assets abroad (Michael, 2012).

VII. CONCLUSION

Based on our analysis, we found that many conglomerates in the coming years are to face obstacles related to the transfer of control of the company to a third or fourth generation. This transfer of management control causes specific changes that should not be underestimated. First of all, we mean the problem of maintaining control over operations. As shareholders become more numerous in the ownership structure of the conglomerates the strategy of centralized operations and decision-making becomes problematic. In addition, it increases the pressure on the conglomerate companies to expand their business. It is estimated that the conglomerates must grow on average 18% annually in order to maintain the level of wealth through generations.

In addition, we have determined that only the conglomerate companies in emerging markets marked the growth of these economies in the past few decades. They present the engine or are a synonym for economic boom of these countries. Conglomerate companies are also a symbol of business in several different industries.

We also found that the conglomerate companies in its evolutionary process pass through three phases, namely the establishment, growth and maturity. In fact, we distinguish the four generations of conglomerates that are in different evolutionary stages. Among them dominate the fourth, third and second generation conglomerate companies. The fourth and third generation are now in the stage of growth and maturity. This means that they are facing increasing competition and have a need to expand in foreign markets. For this purpose, they strive to find strategic partners abroad through the establishment of strategic alliances and joint ventures. Also, in addition to the above, there is a trend that conglomerate companies in the maturity stage or fourth-generation launches business of founding high-tech companies and R&D centers abroad on the basis of accumulated knowledge.

It is also important to emphasize that we have found that competitive advantage of conglomerate companies stems based on their better knowledge of the local market compared to foreign companies. First of all, they make better use of certain institutional and market failures, that is more efficiently solve local problems, find skilled workforce more easily, are able to better withstand the lack of infrastructure, have knowledge of local customs, local requirements in terms of product attributes, quickly adapt the organizational structure, have better relationships with local governments and better knowledge of the legislation.

At emerging markets, it is evident that the number of newly established conglomerate companies is increasing as well as their increasingly strong presence in the world. Therefore, it is to be expected that the conglomerates with the implementation of necessary organizational and strategic reforms will mark the next decades of emerging markets as well as the world economy.

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