

**T.R.
YILDIZ TECHNICAL UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES
DEPARTMENT OF BUSINESS ADMINISTRATION
BUSINESS MANAGEMENT MASTER PROGRAM**

M.A. THESIS

**THE EFFECT OF COMPETITIVE STRATEGIES AND
THE COMPREHENSIVENESS OF STRATEGIC
ANALYSIS ON FIRM PERFORMANCE: AN
EMPIRICAL RESEARCH ON ISO's TOP 1000 TURKISH
MANUFACTURING FIRMS**

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**İSTANBUL
2014**

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İSTANBUL
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ABSTRACT

THE EFFECT OF COMPETITIVE STRATEGIES AND THE COMPREHENSIVENESS OF STRATEGIC ANALYSIS ON FIRM PERFORMANCE: AN EMPIRICAL RESEARCH ON ISO's TOP 1000 TURKISH MANUFACTURING FIRMS

Prepared by **Metin TOPTAŞ**

May, 2014

The purpose of this study was to investigate the impact of competitive strategies and the comprehensiveness of strategic analysis on firm performance, using a combination of Istanbul Chamber of Manufacturing (ISO) data and a survey method. The study focused on a multi-industry sample of 200 prominent Turkish manufacturing firms. Strategy impacts at the business level were captured using a modification of Porter's typology that classified strategies as *pure* or *hybrid*. Strategic analysis impacts were captured using an existing scale that was modified and factorized. Because of the study's multi-industry design, the dependent variable, firm performance, was controlled for firm size, industry dynamism, and competitive intensity in terms of performance variations. Hypotheses were constructed based on both previous research and conceptual beliefs. Results provided significant insight into the strategic determinants of firm performance. Regarding competitive strategies, findings showed that hybrid strategies were generally preferable to pure strategies, stuck-in-the-middle strategies, and no strategy position. However, pure marketing differentiation strategy, along with hybrid ones, had also a significant effect on firm performance. Additionally, it was found that when more generic strategy dimensions were included in the strategy combination, firm performance increased, provided that at least one of the key components was marketing or innovation differentiation. And, regarding the performance impact of strategic analysis comprehensiveness, among the nine dimensions, it was found that more comprehensive competitor information analysis led to higher firm performance. That is, being competitor-oriented significantly contributed to firm performance in the scope of the manufacturing industry.

Keywords: Competitive Strategy, Porter's Generic Strategies, Hybrid Strategies, Pure Strategies, Comprehensiveness of Strategic Analysis, Subjective Firm Performance, Dummy Variables.

ÖZ

REKABET STRATEJİLERİNİN VE STRATEJİK ANALİZİN KAPSAMLILIĞININ FİRMA PERFORMANSI ÜZERİNE ETKİSİ: İSO'YA KAYITLI EN BÜYÜK 1000 TÜRK SANAYİ FİRMASI ÜZERİNDE AMPİRİK BİR ÇALIŞMA

Hazırlayan **Metin TOPTAŞ**

Mayıs, 2014

Bu araştırmanın amacı, rekabet stratejileri ve stratejik analizin kapsamlılığının firma performansı üzerindeki etkilerinin, İstanbul Sanayi Odası (İSO) verileri ile anket yönetiminin birleştirilerek kullanılması ile araştırılmasıdır. Araştırmanın örneklemini farklı sektörlerden önde gelen 200 Türk Sanayi firması oluşturmaktadır. İşletme düzeyindeki rekabet stratejileri, Porter'in temel rekabet stratejileri tipolojisinin geliştirilmiş bir haliyle, 'saf' ve 'melez' stratejiler olarak ele alınmıştır. Stratejik analizin kapsamlılığının etkileri ise hâlihazırda var olan bir ölçeğin geliştirilip alt boyutlarının belirlenmesi ile değerlendirilmiştir. Bağımlı değişken olan firma performansının, araştırmanın çok sektörlü tasarımı gereği, sektörler göre değişiklik gösterip göstermediği ise firma büyüklüğü, sektörün dinamizmi, rekabetin yoğunluğu değişkenleri ile kontrol edilmiştir. Hipotezler önceki çalışmalar ve kavramsal kestirimler doğrultusunda oluşturulmuştur. Sonuçlar firma performansının stratejik belirleyicileri bakımından derinlemesine bir bakış sağlamıştır. Rekabet stratejileri ile ilişkin bulgular, melez strateji bileşimlerinin, genel olarak, saf stratejilere, arada sıkışmış stratejilere ve belirli bir stratejinin olmadığı durumlara göre açıkça tercih edilebilir olduğunu göstermektedir. Bununla beraber, tek başına pazarlama farklılaştırması stratejisi de, melez stratejilerle birlikte, firma performansında anlamlı fark yaratmaktadır. Ayrıca, strateji bileşiminin, en azından bir bileşeninin, pazarlama farklılaştırması ya da yenileştirme (inovasyon) farklılaştırması olması durumunda, daha fazla sayıda temel strateji bileşeninden oluşan işletme stratejinin daha yüksek firma performansı sağladığı bulunmuştur. Stratejik analizin kapsamlılığı değişkenini oluşturan dokuz alt boyuttan rakiplere ilişkin bilginin kapsamlı biçimde değerlendirilmesi firma performansını arttırmaktadır. Yani, rakip odaklılık, sanayi firmaları kapsamında, performansa anlamlı şekilde katkıda bulunmaktadır.

Anahtar Kelimeler: Rekabet Stratejisi, Porter'in Temel Stratejileri, Melez Stratejiler, Hibrit Stratejiler, Saf Stratejiler, Stratejik Analizin Kapsamlılığı, Öznel Firma Performansı, Subjektif Firma Performansı, Kukla Değişkenleri.

..to my mother who is my second Sun..

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ABBREVIATIONS

ANCOVA	: Analysis of Covariance
ANOVA	: Analysis of Variance
BRS	: Bibliographic Retrieval Services
CSA	: Comprehensiveness of Strategic Analysis
DIALOG	: A patent database
GDP	: Gross Domestic Product
Hyb.	: Hybrid
KOSGEB	: Small and Medium Enterprises Development Organization
KMO	: Kaiser-Meyer-Olkin Measure of Sample Adequacy
MIS	: Management Information Systems
ORBIT	: A patent database
R&D	: Research and Development
SBU	: Strategic Business Unit
SME	: Small and Medium Enterprises
TL	: Turkish Lira

1. INTRODUCTION

In the globalizing world, countries have become closer mainly from economic, commercial and technological aspects. Especially in manufacturing industries, the changing nature of trade relations, international competitive conditions, and liberalization policies have created a new and more dynamic business environment.

Despite being various from one industry to another, the effects of high environmental turbulence, dynamism and competitive intensity are the inevitable realities that any open economy faced. At the same time, generally speaking, it can be claimed that this dynamic environment *selects the fittest ones*, and provides them many opportunities as well as threats. According to Beal, “effective scanning of the environment is seen as necessary to the successful alignment of competitive strategies with environmental requirements and the achievement of outstanding performance.”¹

Performance concept has been addressed in strategic management literature for decades. Research has intended to discover the ways to improve the performance. At this point, determinants and sources of performance come into prominence. The question is “What affects the performance of a firm”? Is a firm a passive unit being directed by market, competition and industry conditions? Or, is it able to make its own way with its own strategies? If a firm, in fact, able to make its own way, how it finds the way? In order to seek answers to these questions, researchers have directed their attentions to competition and strategies since mid-1960.s.

“Ever since Porter published the study in which he proposed three different, mutually exclusive types of ‘generic competitive strategies’², numerous works have fuelled a

¹ R. M. Beal, “Competing Effectively: Environmental Scanning, Competitive Strategy, and Organizational Performance in Small Manufacturing Firms”, **Journal of Small Business Management**, vol.: 38, iss: 1 (2000): 27.

² Porter (1980, 35) theorized three generic competitive strategies to gain competitive advantage in the industry, namely cost leadership, differentiation and focus, which first two of those are basic strategies defining how to compete, and the third one defines where to compete i.e. a particular buyer group, segment of the product line, or geographic market. However, Mintzberg (1988) claims that focus strategy is a decision about market scope, that is, identifies where to compete; but, cost leadership and

debate which revolves around three major aspects: (a) whether the strategy of any firm can be represented by one of the three types of generic strategies outlined by Porter, i.e. cost leadership, differentiation and focus; (b) the compatibility or incompatibility between these strategies; and (c) the convenience of combining these strategies for the purpose of improving the organization's performance and better adapting to the demands posed by the environment.”³

When we look at the literature, it is seen that from the point of performance impact of competitive strategies “the results obtained in previous research are far from being conclusive. Some authors found that many of the most profitable firms had achieved either the lowest costs or the most differentiated position within their industry, which supported Porter's position. However, others have checked that Porter's generic strategies do not represent ways to achieve a higher performance level and that hybrid strategies are the ones entailing an improved performance. Additionally, the studies carried out have usually focused on one sector. This type of study allows one to have a more homogeneous sample, although one cannot generalize the research findings to other industries.”⁴

Regarding the performance impact of strategic analysis, research is limited. Rajagopalan and colleagues⁵ argue that there have been contradictory findings in literature about the presence, and if any, the direction of this performance impact of the comprehensiveness of strategy decision process, the biggest part of which is consisted of strategic analysis. For this reason, to investigate whether or not a comprehensively pursued strategic analysis process assists performance in a direct manner was considered as an interesting research question.

This thesis focus on contributing these debates related to performance impact of both competitive strategies and the comprehensiveness of strategic analysis process. More specifically, first objective of the thesis is to seek whether hybrid strategies⁶ are

differentiation identify how to compete in market. Accordingly, focus strategy is not addressed as a competitive strategy in this study.

³ E. M. Pertusa-Ortega, J.F., Molina-Azorin, E. Claver-Cortes, “Competitive Strategies and Firm Performance: A Comparative Analysis of Pure, Hybrid and ‘Stuck-in-the-middle’ Strategies in Spanish Firms”, **British Journal of Management**, vol. 20, (2009):508-509.

⁴ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 509.

⁵ N. Rajagopalan, Rasheed, A., Datta, D., “Strategic Decision Process: Critical Review and Future Directions”, *Journal of Management*, vol.19, iss.2, 1993.

⁶ The term indicates the strategies that combine low cost and differentiation.

preferable versus pure strategies⁷. And the second objective is to seek whether a comprehensive analysis process directly contributes to reach a higher level of performance. If so, what kinds of information sources provide performance advantage to firms?

To achieve the above mentioned research objectives chapters were organized under two main sections, that is, literature survey and methodology. At the beginning of literature survey section, in Chapter 2, an insight into strategic management was provided; accordingly, concepts of strategy, strategic management phases and the comprehensiveness of strategic analysis were discussed in detail. In Chapter 3, competition, competitive strategies and competitive advantage concepts were addressed, and their linkage to firm performance was disputed. Chapter 4 gave firm performance concept. In Chapter 5, research methodology and findings were presented. Finally, in Chapter 6, conclusion section of the study, the contributions, and possible directions for future research were given.

⁷ The term refers to Porter's two basic generic competitive strategies, namely, cost leadership and differentiation. However, it should be noted that, in this study, low cost strategy term was preferred instead of cost leadership term. The reason for this approach was that the cost leadership strategy not only presents a strategic method, but an aim to reach a strategic position. On the other hand, low cost merely presents a strategy or method to compete.

2. STRATEGIC MANAGEMENT AND COMPREHENSIVENESS OF STRATEGIC ANALYSIS

2.1. The Concept of Strategy

When starting with probably the oldest one, Grant quotes the pioneering strategy definition by Sun Tzu, “strategy is the great work of the organization in situation of life or death, it is the Tao of survival or extinction, its study cannot be neglected.”⁸

The concept of strategy, according to Ülgen, has been borrowed from military literature. For the author, military strategy “is the art of designing and directing the moves and activities of the armies in the battle field. The purpose of military strategy is to gain a victory by using in-hand resources most efficiently and economically.”⁹

For Eren, the term strategy has started to put an appearance in the business word stock since the first half of the 20th Century. Until that time, although the term strategy had been encountered in some works, it was clearly explained from an economic aspect for the first time by Neumann and Morgenstern.¹⁰

However, Montgomery and Porter state that, conceptualization of strategy ideas in modern sense dates back to early 1960.s at the Harvard Business School, and pioneers of these ideas were Kenneth R. Andrews and C. Roland Christensen. In Montgomery and Porter’s own words: “At the time when management thinking was oriented toward individual functions such as marketing, production and finance, Andrew and Christensen identified a pressing need for a holistic way of thinking about an enterprise. They articulated the concept of strategy as a tool for doing so. Andrews and Christensen saw strategy as a unifying idea that linked together the functional areas in a company and related its activities to its

⁸ Robert M. Grant, **Contemporary Strategy Analysis**, (Malden: Oxford Blackwell, 1998), 3.

⁹ Hayri Ülgen, K. Mirze, **İşletmelerde Stratejik Yönetim**, 5. Ed., (İstanbul: Beta Publishing, 2010), 35.

¹⁰ Erol Eren, **İşletmelerde Stratejik Planlama**, (İstanbul : Beta Publishing, 2000), 4.

external environment. Formulating strategy in this approach involved a juxtaposition of the company's strengths and weaknesses and the opportunities and threats presented by its environment.”¹¹

Following these early endeavours related to conceptualization of concept of strategy, several managerial strategy definitions appeared. As another pioneering researcher in the history of strategic management, Chandler defined strategy as, “the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for those goals.”¹²

Andrews, in his widely accepted definition, emphasizes on one hand the concept of strategy as a guide where to go; on the other hand, how to go the intended place, that is, reaching intended vision or goals. According to Andrews, strategy is “the pattern of decisions in an organization that determines and reveals its objectives, purposes or goals and produces the principal policies and plans for achieving those goals. It should also define the range of business or services the organization is to pursue, the kind of economic and human organization it is or intends to be, and the nature of economic and non-economic contribution it intends to make to its stakeholders, employees, customers and communities.”¹³

For Porter, there are three components of strategy: “the first is that a company develops and implements an internally consistent set of goals and functional policies that collectively define its position in the market. Strategy is seen as a way of integrating the activities of the diverse functional departments within a firm, including marketing, production, research and development, procurement, finance, and the like. An explicit and mutually reinforcing set of goals and functional policies is needed to counter the centrifugal forces that lead functional departments in separate directions. Strategy, in modern language, is a solution to the agency problem that arises because senior management cannot participate in or monitor all decisions and directly ensure the consistency of the myriad of individual actions and choices

¹¹ C. A. Montgomery, M. E. Porter, **Strategy, Seeking and Securing Competitive Advantage**, (Boston: Harvard Business School Press, 1991), xii.

¹² Alfred D. Chandler, **Strategy and Structure**, M.I.T. (Cambridge, Massachusetts: M.I.T. Press, 1962), 13.

¹³ K. Andrews, **The Concept of Corporate Strategy** (Homewood, IL: Dow Jones-Irwin Inc., 1980), 18.

that make up a firm's on-going activities. If an overarching strategy is well understood throughout the organization, many actions are obviously ruled out and individuals can devise their own ways of contributing to the strategy that management would be hard pressed to replicate. The second component is that this internally consistent set of goals and policies align the firm's strength and weaknesses with the external (industry) opportunities and threats. Strategy is the act of aligning a company and its environment. That environment is subject to change, as are the firm's own capabilities. Thus the task of strategy is to maintain a dynamic, not a static, balance. The third component is that a firm's strategy be centrally concerned with the creation and exploitation of its so-called distinctive competences, the unique strengths that make possible its competitive success.”¹⁴ In parallel with these words, Porter implies strategy as “the steps taken by an organization to ensure or protect its competitive position in the market.”¹⁵

Mintzberg regards strategy as “a mediating force between the organization and its environment: consistent patterns in streams of organizational decisions to deal with the environment.”¹⁶

In conclusion, for Gimeno and colleagues, strategy definitions emphasise, first, the multi-dimensional nature of strategy; and second, rational and persistent patterns of decisions about “which product markets to target, which input resources to acquire or develop, and how to effectively deploy those resources in selected markets in ways that generate competitive advantages.”¹⁷

2.1.1. Level of Strategies

Rue and Holland stress the hierarchical nature of strategy, which means that levels of strategy are in association with each other. Corporate strategy existing at the top of hierarchy reflects “the broadest statement of how objectives will be achieved and it sets constraints for competitive strategies, and competitive strategies in turn set

¹⁴ M. E. Porter, “Toward a Dynamic Theory of Strategy”, **Strategic Management Journal**, vol. 12, iss. 4 (1991): 96.

¹⁵ M. E. Porter, **Competitive Strategy: Techniques for Analyzing Industries and Competitors**. New York: The Free Press, 1980.

¹⁶ H. Mintzberg, **The Structuring of Organizations**, (Englewood Cliffs, N.J.: Prentice Hall Inc., 1989), 25.

¹⁷ J. Gimeno, M.J. Chen, J. Bae, “Dynamics of Competitive Repositioning: A Multidimensional Approach”, **Ecology and Strategy: Advances in Strategic Management**, vol. 23 (2006): 400-401.

constraints for functional strategies.”¹⁸ However, the decisions to be taken on corporate and business levels differ by their nature. More specifically, “a corporate strategy involves a choice of competitive arenas (usually called businesses or industries) for an organization which wishes to be active more than one competitive arena to spread risk or grow more rapidly. Strategic decisions on the corporate level also require choices about how corporate resources will be allocated among these competitive arenas. This level of strategy indicates where the organization will compete. It identifies corporate investments which compete more than one industry need to be concerned about how they will distribute scarce corporate resources among their individual businesses and whether there are attractive businesses they should enter.”¹⁹

After explained functions and domain of the strategies in corporate level, Rue and Holland proceeded to the middle level, that is, business level strategies. They provides certain insights into how the firms should decide about their competitive strategy configurations in different organization structures. For them, “preparation of a corporate strategy statement is necessary when the organization being analysed competes in more than one industry. If there is more than one product-market-process configuration, a corporate strategy statement is necessary to indicate how businesses are chosen and which businesses are given investment support. If the unit for the analysis is a subunit of a corporation (a strategic business unit or SBU) or if it is an independent business having a single product or product line, a competitive strategy statement must be prepared. In all organizations a third level of strategy which is even more specific is present. This called functional strategy and indicates how particular units or departments (such as marketing or operations) will allocate resources to achieve the objectives of that unit.”²⁰

In Figure 1, which depicts the three levels of strategic management, “the firm is engaged in only one business and the corporate –and business- level responsibilities

¹⁸ Leslie W. Rue, Phyllis G. Holland, **The Strategic Management: Concepts and Experiences**, 2nd Ed., (New York: McGraw Hill, 1989), 75-76.; Since generic strategies, generic competitive strategies, gestalts, business strategies and business level strategies refer to as competitive strategies in the strategic management literature, in this study the competitive strategy term is used in substitution for the aforesaid terms.

¹⁹ Rue, Holland, **Op. Cit.**, 75.

²⁰ Rue, Holland, **Op. Cit.**, 76.

are concentrated in a single group of directors, officers and managers. This is the organizational format of most small businesses.”²¹

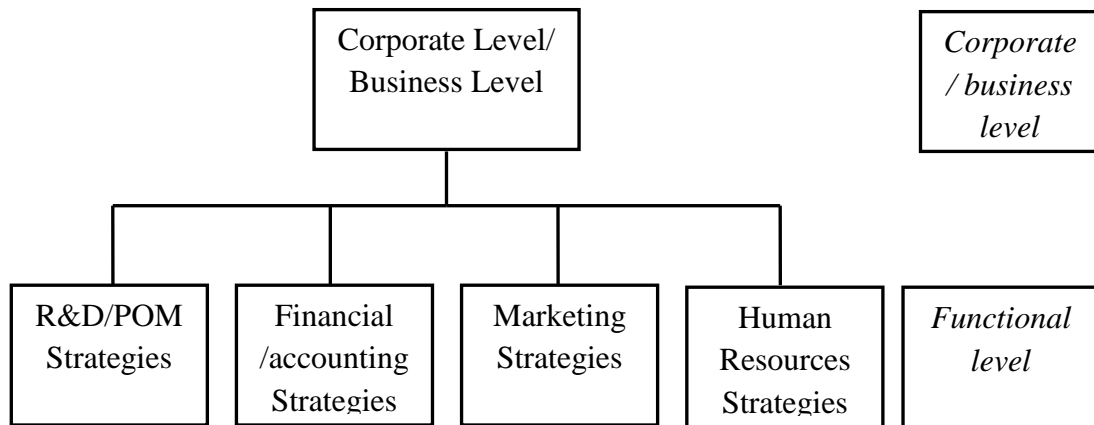


Figure 1: Single Business Firm

Adapted from John A. Pearce II, Richard B. Robinson, **Formulation Implementation and Control of the Competitive Strategies**, 5th Ed., (Boston, MASS: Irwin, 1994), 8.

²¹ John A. Pearce II, Richard B. Robinson, **Formulation Implementation and Control of the Competitive Strategies**, 5th Ed., (Boston, MASS: Irwin, 1994), 7.

Figure 2, the classical corporate structure comprises three fully operative levels: the corporate level, the business level and the functional level.

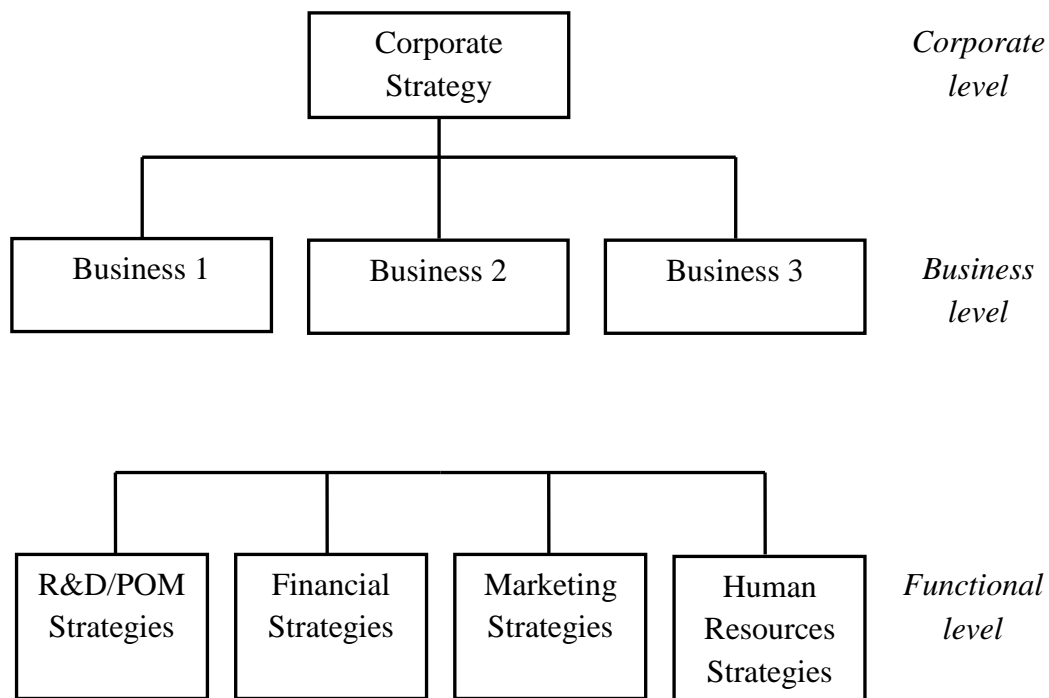


Figure 2: Multiple Business Firm

Adapted from John A. Pearce II, Richard B. Robinson, **Formulation Implementation and Control of the Competitive Strategies**, 5th Ed., (Boston, MASS: Irwin, 1994), 8.

2.1.2. Types of Strategies

Montari and colleagues identify strategies in three general types which are “competitive strategies, master strategies and ancillary strategies. Many of these master strategies in these categories are most appropriate for business level of strategy development. Others apply more directly to the corporate level. Table 1 shows these types along with brief definitions of strategy categories under each type.”²²

“Strategies describe broad ranges of actions available to the organization to accomplish its strategic goals. For example, a cost leadership strategy helps the firm

²² John R. Montari, Cyril P. Morgan, Jeffrey S. Bracker, **Strategic Management: A Choice Approach**, (Orlando, FL.: The Dryden Press, 1990), 15.

be more effective competitor within its industry by incurring the lowest costs to provide its product and services. Internal – growth master strategies promote the firm’s growth through developing new products or services in-house, whereas external- growth master strategies use acquisition or merger as the method for growth. In some cases, a firm may need to shrink to control costs and improve management control before launching into growth mode. This would require rejuvenation master strategies. At other times, it is financially more appropriate to concentrate on maintaining the current level of business performance than to attempt to grow. This frequently happens in times of economic decline and result in the adoption of stabilization master strategy. On occasion, it may be best to harvest or divest all or part of the business, which calls for a termination master strategy. Last, a manager may chose focus on establishing cooperative ventures with other organizations as a means to improve organization performance. These strategies are referred to as ancillary strategies.”²³

Table 1: Types of Strategies

Strategy Type	Definition	Examples of Strategies
Competitive (Business Level)	Generic approaches to outperform industry competitors	Cost Leadership (or Low Cost) Differentiation (Marketing, Innovation, etc.)
Master (Corporate Level)	Strategic action that a single business (corporate) or SBU takes to achieve its strategic goals.	Vertical Integration Concentration Concentric Diversification Conglomerate Diversification Rejuvenation via Retrenchment Stabilization via Maintenance Termination via Divestment
Ancillary	Strategies that work in conjunction with other strategies and facilitate	Rationalization via Consolidation Cooperation via Joint Venture

²³ Montari, Morgan, Bracker, **Op Cit**, 15.

	achievement of strategic goals.	
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Adapted from John R. Montari, Cyril P. Morgan, Jeffrey S. Bracker, **Strategic Management: A Choice Approach**, (Orlando, FL.: The Dryden Press, 1990), 15.

2.1.3. Strategies versus Tactics

“Strategies normally exist at many different levels in any organization. For example, in government there are world trade, national economic, treasury department, military spending, investment, fiscal, monetary supply, banking regional development and local reemployment strategies – all related to each other somewhat hierarchically yet imperatives of its own. Similarly, businesses have numerous strategies from corporate levels to department levels within divisions. Yet if strategies exists at all these levels, how do strategies and tactics differ? Often the primary difference lies in the scale of action or the perspective of a leader. What appears to be a ‘tactic’ to the chief executive officer (or general) may be ‘strategy’ to marketing head (lieutenant) if it determines the ultimate success and viability of his or her organization. In a more precise sense, tactics can occur at either level. They are the short duration, adaptive, action-interactions realignments that opposing forces to accomplish limited goals after their initial contact. Strategy defines more broadly conceived purposes.”²⁴

2.2. Historical Developments of Strategic Management

Focusing the historical evolvement and essential ideas of strategic management may be beneficial so as to comprehend the strategic management concept.

“Thinking and writing about strategy has a history stretching back far earlier than management studies, a history which is interesting in its own right.”²⁵

“Strategic management grew out of both teaching and research in business administration. On the teaching side, the roots were the business policy or general management classes; by the 1960s most business schools required a ‘capstone’

²⁴ James B. Quinn, **Strategies for Change: Logical Incrementalism**, (Homewood, I.L.: Irwin Inc., 1980), 4.

²⁵ C.C.M. White, **Strategic Management**, (Basingstoke: Palgrave Macmillan Publishing, 2004), 8.

course at the end of the business curriculum. These courses led students' to consideration of the "big picture" and tried to break down the traditional boundaries between management functions (marketing, finance, personnel, and so on). The focus was decision making by top executives in the Fortune 500 companies."²⁶

According to Cool and Schendel, "as officers charged with broad responsibility for the well-being of whole companies, top executives naturally spend much of their time strategizing-that is they concern themselves with the general direction and long-term policy of their enterprises. Business policy professors thus were forced to try to think systematically about companies' strategies, which eventually led to them into the self-styled study of strategic management."²⁷

Greenley expresses that four major stages are commonly recorded as representing the development of strategic management to the current level of understanding:

- **"Budgeting and Control:** This represents early approaches to systematic management and is associated with the early years of 20th century. Based upon the assumption that past conditions will prevail in the future, the approach was simply to establish standard levels of performance in budgets and to compare these with actual levels. Reasons for any variations provided the only learning experiences.
- **Long-range Planning:** This is generally associated with the 1950s. The approach was based on the identification of past trends, particularly business growth, as well as methodology to project these trends into the future. Resources would then be planned either to exploit potential growth or to accommodate anticipated contraction.
- **Strategic Planning:** This generally associated with the 1960s-70s. At this stage of development past trends were considered to be inadequate, so that attention was focused on the total, albeit complex, market and business environment in which firm participates. The focus was also placed upon identifying changes of direction, developing capabilities and creating

²⁶ Arthur A. Goldsmith, **Making Managers More Effective: Applications of Strategic Management**. A Publication of USAID's Implementing Policy Change Project, Working Paper No. 9 (March 1995): 2.

²⁷ Goldsmith, **Op. Cit.**, 2.

strategic thrusts for competitive advantage. It was based on planning cycles, with the annual planning cycle being of particular importance.

- **Strategic Management:** This is associated with the period from the mid-1970s onwards. Like strategic planning, it is based on the complexities of the total business environment. However, the approach is not to accept current conditions as restricting. Rather, the approach is led by well-defined aims, well-developed means to achieve them, and by pursuing viable opportunities wherever they can be identified, which may be regardless of nature of current operations. The approach relies upon a continuous supply of information about the environment and avoids the use of planning cycles in preference to being based upon a continuous process.”²⁸

2.3. Defining Strategic Management

Many definitions of strategic management have been offered in the literature, although three major approaches are evident across the body of knowledge. These approaches are classified as being: ²⁹

i. The Environmental Approach is taken from Rowe et al.: “The decision process that conjoins the organization’s internal capability with the opportunities and threats it faces in its environment.”³⁰ “The strength of this approach that the firm becomes oriented to its external environment, so that threats in current markets are likely to lead the pursuit of other opportunities, some of which may be in markets that internal organizational capabilities may become constraining parameters in business development. Although, firms obviously need to be realistic in relation to both resource availability and managerial capability when planning future developments, internal constraints may be detrimental, leading to risk aversion rather than risk evasion. However, this approach is consistent with explanation of strategic management given in the description of its historical development.”³¹

ii. The Aims and Means Approach is epitomized by Glueck and Jauch: for them strategic management is “stream of a decision and action which leads to the

²⁸ Gordon Greenley, **Strategic Management**, (Hertfordshire: Prentice Hall, 1989), 10-11.

²⁹ Greenley, **Op. Cit.**, 11.

³⁰ A.J. Rowe, R.O. Mason, K.E. Dickel, **Strategic Management**, (Reading, M.A.: Addison-Wesley, 1982), 2.

³¹ Greenley, **Op. Cit.**, 12.

development of an effective strategy, or strategies, to help achieve corporate objectives.”³² “The use of the word ‘stream’, in connection with decisions, is to show that strategic management involves range of decisions each following a logical progression. The outcomes of these decisions is that action throughout the hierarchy will be instigated, as already indicated. The word ‘objective’ is that used for the aims to be established by the firm, while the word ‘strategy’ is that used to denote their means of achievement. As with the previous approach to defining strategic management, all the aspects of this definition are consistent with the description of its historical development.”³³

iii. The Actions Approach taken by Johnson and Scholes has been selected as being representative of the actions-approach group definitions. This explains strategic management as being concerned with deciding on strategy and planning how that strategy is to be put into effect. The actions are classified into three broad areas.”³⁴

- Strategic analysis to understand the current position of the organization.
- Strategic choice, which is concerned with the formulation and evaluation of alternative strategies, followed by strategy selection.
- Strategic implementation, which is directed towards pursuing the selected strategy.

“The analysis stage is similar to the environment approach, in that this area of activity is directed towards pursuing an understanding of the full range of variables that are likely to be pertinent to strategic management of organizations. The stage of choice equates to the logical stages of decision-making. Here the actions are concerned with establishment of an optimum strategy, or means, for tackling the opportunities identified in the analysis. Finally, actions are needed to execute these stages. Initial actions would be concerned with planning throughout the company as a result of the chosen strategy, followed by its execution over specified period of time. Actions to complete the stage of implementation involve control, being those actions which have already been discussed. Again this approach is consistent with

³² W.F. Glueck, L.R. Jauch, **Business Policy and Strategic Management**, (New York: McGraw Hill, 1988), 5.

³³ Greenley, **Op. Cit.**, 12.

³⁴ Greenley, **Op. Cit.**, 12.

the explanation of strategic management, as given in the description of its historical development.”³⁵

2.4. Features of Strategic Management

Boseman and colleagues express that strategic management differs from other management activities in terms of following aspects:

- **“Organisational Level:** The impact of strategic decisions is felt throughout the organization and across all functional areas. Only top management has a broad enough perspective to understand the broad ramifications and implications of strategic decisions. Top management also has the power to allocate resources to implement strategic decisions.
- **Temporal Impact:** Strategic decisions have long-term consequences for the firm. When a firm decides to engage in a certain line of business and to compete in a well-defined market segment with a distinctive strategy designed to give it a competitive advantage, it has decided on a course of action that it will pursue for many years.
- **Future Orientation:** Strategic decisions are future oriented. Management is required to make a forecast of the future environmental characteristics and an objective assessment of the threats and opportunities embedded in it.
- **System Perspective:** Strategic decisions are made after a thorough evaluation of their impact and consequences on the whole organization as well as its component parts. In making strategic decisions, management recognizes that the organization is a system of interrelated and interdependent parts; decisions that impact on one part (for example, a production unit) have repercussions on the operations of another part (e.g. marketing) and vice versa.
- **Open-System Orientation:** An organization is said to be "open" to its external environment in the sense that the internal functioning and operations of every firm affects and is in turn affected by the external environment. For instance, a dramatic drop in the birth rate will most certainly adversely affect the sales of a company that markets baby food or diapers.

³⁵ Greenley, **Op. Cit.**, 12.

- **Framework for Lower-Level Decision Making:** Strategic decisions provide the umbrella under which managers at lower levels can make decisions that are consistent with the thinking and wishes of top management and contribute towards the total organization's objectives.
- **Deployment of Resources:** Typically the implementation of strategic decisions involves the allocation of substantial resources. Strategic decisions commit the organization to a stream of actions, extending far into the future, that require substantial resource support.”³⁶

2.5. Stages of Strategic Management Process

Boseman and colleagues consider the strategic management process as three main stages, which are “strategy formulation, strategy implementation and strategy evaluation. Strategy formulation includes developing a vision and mission, identifying an organization’s external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives generating alternative strategies, and choosing particular strategies to pursue. Strategy formulation issues include what new businesses to enter, what business to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, whether to merge or form a joint venture, and how to avoid a hostile takeover.”³⁷

For Ansoff expresses that strategic management is “a procedure which starts with a strategic diagnosis and guides a firm through a series of additional steps which culminate in new products, markets and technologies, as well as new capabilities.”³⁸ However, sophistication of this procedure is associated with many factors, in other words, “businesses vary in the processes they use to formulate and direct their strategic management activities. Sophisticated planners, such as General Electric, Procter & Gamble, and IBM have developed more detailed processes than less-formal planners of similar size. Small businesses that rely on the strategy formulation skills and limited time of an entrepreneur typically more basic planning concerns

³⁶ Glenn Boseman, Arvind Phatak, Robert E. Schellenberger, **Strategic Management: Text and Cases**, (New York: John Wiley-Sons, 1986), 12-14.

³⁷ Fred R. David, **Strategic Management**, 11th. Ed., (Upper Saddle River, N.J. : Prentice Hall, 2009), 37.

³⁸ Costas Markides, “Strategic Management”, **Handbook of Management**, (London: Financial Times Pitmann Pub., 1999), 120.

than those of larger firms in their industries. Understandably, firms with multiple products, markets, or technologies tend to use more complex strategic management systems.”³⁹

“In studying process of strategic management and its components, various authors have developed models representing their view of the process. For example, Kenneth Andrews,⁴⁰ and his co-workers at Harvard, William F. Glueck,⁴¹ George Steiner,⁴² A.A. Thompson and A.J. Strickland,⁴³ and D.E. Schendel and C.W. Hofer⁴⁴ have all made major contributions in furthering development of a comprehensive model of strategic management.”⁴⁵

However, “despite differences in detail and the degree of formalization, the basic components of the models used to analyse strategic management operations are very similar. Because of this similarity among the general models of the strategic management process, it is possible to develop an eclectic model representative of the foremost thought in the strategic management area.”⁴⁶

“The strategic management process can best be studied and applied using a model. Every model represents some kind of process. The framework illustrated in Figure 1 is a widely accepted, comprehensive model of strategic management process.”⁴⁷ However, “this model does not guarantee success, but it does represent a clear and practical approach for formulating, implementing and evaluating strategies. Relationships among major components of strategic management process are shown in the following model:”⁴⁸

³⁹ Pearce II, Robinson, **Op. Cit.** 12-13.

⁴⁰ Kenneth Andrews, **The Concept of Corporate Strategy**, Homewood, IL: Richard D Irwin, 1980.

⁴¹ W.F. Glueck, **Business Policy and Strategic Management**, 3rd Ed., New York: McGraw Hill, 1980.

⁴² G.A. Steiner, **Strategic Planning: What Every Manager Must Know**, New York: McGraw Hill, 1979.

⁴³ A.A. Thompson, A.J. Strickland III, **Strategy Formulation and Implementation**, Plano, Tex.: Business Publications, 1980.

⁴⁴ D.E. Schendel, C.W. Hofer, **Strategic Management: A New View Of Business Policy and Planning**, Boston: Little Brown, 1979.

⁴⁵ Lester Digman, **Strategic Management: Concepts, Decisions, Cases**, 2nd Ed., (Boston: Richard D. Irwin, 1990), 45.

⁴⁶ Pearce II, Robinson, **Op. Cit.**, 12-13.

⁴⁷ Fred R. David, “How Companies Planning Improve Company Performance”, **Long Range Planning**, Vol. 22, iss. 1, (1989): 91.

⁴⁸ David, **Strategic Management: Concepts and Cases**, 45.

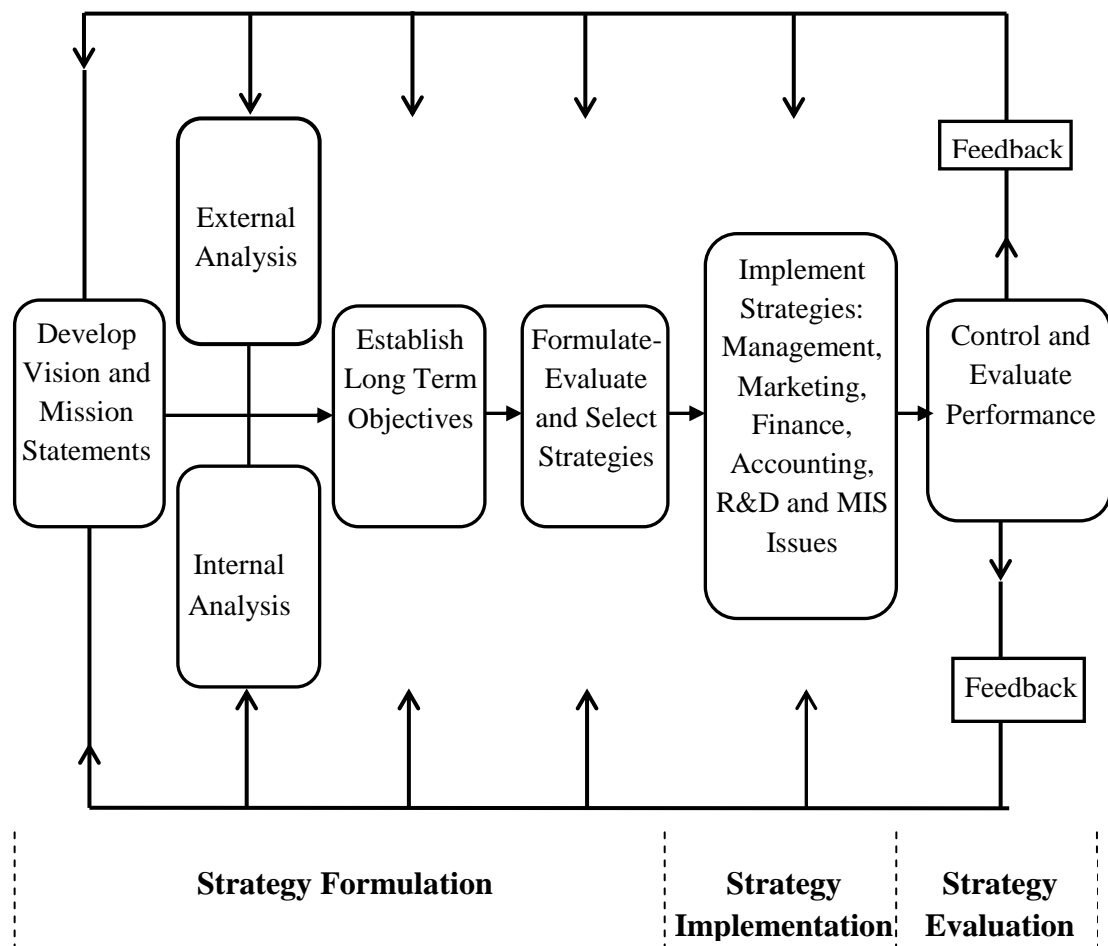


Figure 3: A Comprehensive Strategic Management Model

Adapted from Fred R. David, "How Companies Define Their Mission". **Long Range Planning**. vol. 22, iss. 3, (1989): 40.

As shown in Figure 3 in a very general sense, "strategic management involves identifying situation requirements – internal and external factors affecting a specific individual enterprise – and then using that knowledge to formulate and implement enterprise wide strategies for that specific enterprise. Although it can be structured as shown in Figure 3 for discussion purposes, in practise strategic management is a flexible, adaptive context - specific process which can vary substantially in execution from situation to situation."⁴⁹

⁴⁹ Robert Mockler, **Strategic Management: An Integrative Context-Specific Process**, (London: Idea Group Pub., 1993), 3-4.

The strategic management process is dynamic and continuous. A change in any one of the major components in the model can necessitate a change in any or all of the other components. For instance, a shift in the economy could present a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or major competitor's change in strategy could require a change in firm's mission. Therefore, strategy formulation, implementation and evaluation activities should be performed on continual basis, not just at the end of the year or semi-annually. The strategic management process never really ends.⁵⁰

2.5.1. Strategy Formulation

2.5.1.1. Developing Mission and Vision

“Identifying an organization’s existing vision, mission, objectives, and strategies is the logical starting point for strategic management because a firm’s present situation and condition may preclude certain strategies and may even dictate a particular course of action. Every organization has a vision, mission objectives and strategy, even if these elements not consciously designed, written or communicated. The answer to where an organization is going can be determined largely by where the organization has been!”⁵¹

The mission, “the business definition, or the purpose, no matter how it is called; all organizations have a fundamental reason for existence.”⁵² This mission “sets a business apart from other firms of its type and identifies the scope of its operations in product and market terms.”⁵³ “While many organizations explicitly record their mission statements, mission may also be implicit. The term ‘mission’ is used to refer to an explicit statement or implicit understanding of why the organization exists. When this understanding shared and agreed upon by top management, it provides a common framework for decision making which provides direction for organization. A written mission statement should identify the product, market and technological

⁵⁰ David, **Strategic Management: Concepts and Cases**, 46.

⁵¹ David, **Strategic Management: Concepts and Cases**, 45.

⁵² Rue, Holland, **Op. Cit.**, 65.

⁵³ John. A. Pearce II, “The Company Mission as a Strategic Tool”, **Sloan Management Review**, (Spring 1982): 14

scope of organization and any pervasive aims, designs or thrusts which indicate the fundamental character role of the organization.”⁵⁴

In another point of view, “an organization’s mission is the definition of the organization’s role in society and the economy. The mission flows from the values of stake holders, the people within an interest in organization, including the public and their representatives (the government). For any but a newly formed organization, the past plays a major role in the current mission or purpose of the firm; the basic mission reflects previous competitive practises and performance.”⁵⁵

The mission should be stated in light of at least five key factors: “(1) the firm’s history, (2) current preferences of management and owners, (3) environmental consideration, (4) available resources, and (5) distinctive competences.”⁵⁶ In addition to this point of view, for McGinnis expresses that “a mission statement should be limited enough to exclude some ventures and broad enough to allow for creative growth and it should be stated in term sufficiently clear to be widely understood throughout the organization.”⁵⁷

A Vision, “is a road map of a company’s future- providing specifics about technology and costumer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of the company that managers is trying to create. Very early in the strategy making process, company managers need to pose a set of questions: ‘What is our vision for the company – where should the company be headed, what should its future technology-product-costumer focus be, what kind of enterprise do we want to become, what industry standing do we want to achieve in five years?’ Drawing a carefully reasoned conclusion about what the company’s long term direction should be pushes managers to take a hard look at the company’s external and internal environment and form of a clearer sense of whether and how its present business needs will change over the next five years and beyond.”⁵⁸

⁵⁴ Rue, Holland, **Op. Cit.**, 65.

⁵⁵ Digman, **Op. Cit.**, 49.

⁵⁶ Philip Kotler, **Marketing Management**, 9th Ed., Englewood Cliffs, N.J.: Prentice Hall, 1997), 69.

⁵⁷ Vern McGinnis, “The mission Statement: A key Step In Strategic Planning”, **Business**, vol. 31, iss. 6 (November-December, 1981): 41.

⁵⁸ A.A. Thompson, A.J. Strickland III, **Strategic Management: Concepts and Cases**, 13th Ed., (New York: McGraw Hill, 2004), 6.

“It is sensible to differentiate between the terms vision and mission as two different concepts: a mission statement describes what the organization is now and what it does”⁵⁹; “a vision statement describes what the organization want to become.”⁶⁰

2.5.1.2. Strategic Analysis

Analysis stage or process in strategic management comprises two set of scanning activities, namely, external analysis⁶¹ and internal analysis⁶².

Digman emphasises the importance of understanding both general and external environment, in addition to organizational factors to create a productive match between organization and its external environment.⁶³

“For input in formulating specific strategies, strategy makers must search the environment for opportunities that offer important avenues of growth. They need to be on the lookout for outside threats to their well-being. But strategy makers also must identify variables within their organization that are important strengths or weaknesses. A strength (or distinctive competence) is something the organization does particularly well compared to its rivals; a weakness is the opposite, something it does relatively poorly or not at all.”⁶⁴

“Environmental scanning is the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the corporation. Its purpose is to identify strategic factors- external and internal elements that will determine the future of the corporation.”⁶⁵

i. The external environment “consists of variables (opportunities and threats) that are outside the organization and not typically within the short-run control of top management. These variables from the context within which corporation exists. Figure 2 depicts key environmental variables. They may be general forces and trends

⁵⁹ Thompson, Strickland III, **2004**, 6.

⁶⁰ Farhad Analiou, Azdhar Karami, **Strategic Management in Small and Medium Enterprises**, (London: Thompson, 2003), 112.

⁶¹ The term is also known as environmental scanning or external appraisal.

⁶² The term also refers to strategic audit or self-examination.

⁶³ Digman, **Op. Cit.**, 50.

⁶⁴ Goldsmith, **Op. Cit.**, 8.

⁶⁵ Wheelen, Hunger, **Strategic Management and Business Policy: Concepts and Cases**, 10-11.

within the societal environment or specific factors that operate within organization's specific task environments- often called its industry.”⁶⁶

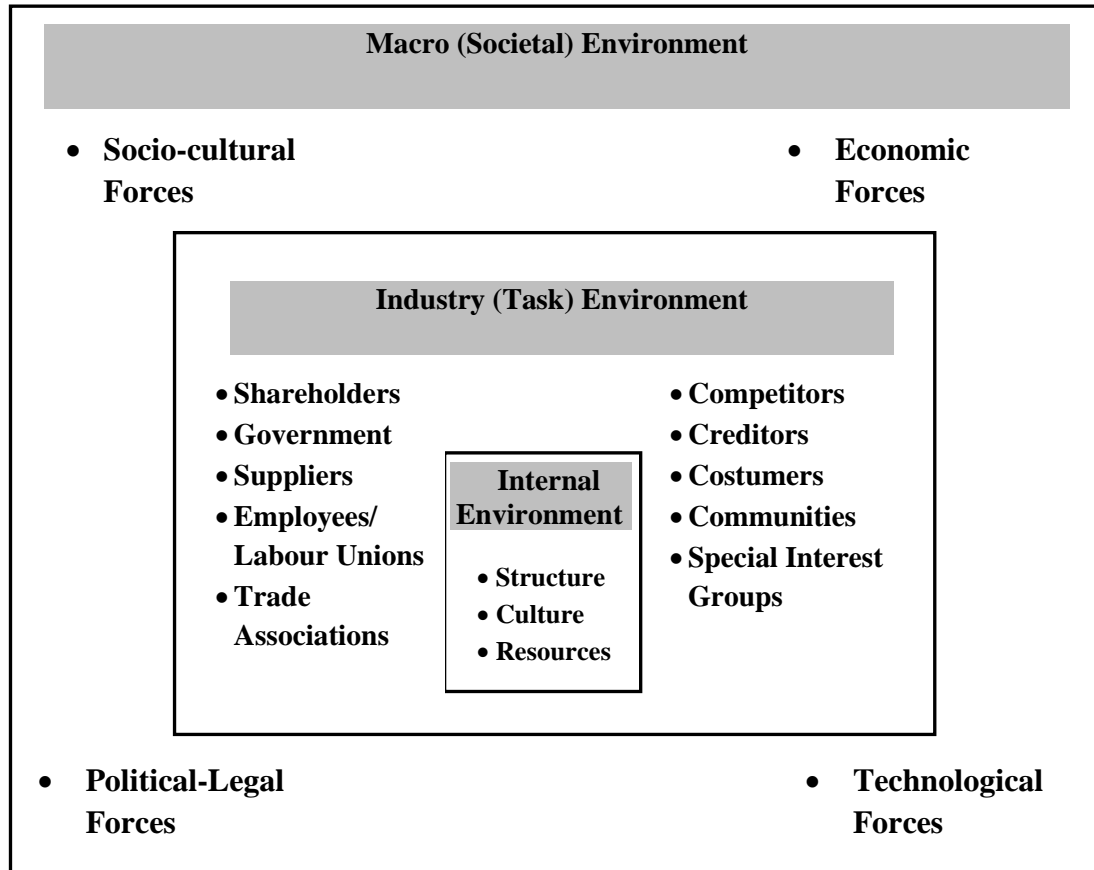


Figure 4: Environmental Variables

Adapted from T. Wheelen, L., J. David Hunger. **Strategic Management and Business Policy: Concepts and Cases**. 10th Ed. (Upper Saddle River, N.J.: 2006), 12.

Hill and Jones propose to break down a company's external environment into two parts as to be “the industry environment that the company competes in, and the macro environment. This distinction can be thought as a result of difference in interaction of firm with those denoted parts of its environment, that is, a firm's industry environment consist of element that directly affect the firm, such as competitors, customers, and suppliers. The macro environment consists of the

⁶⁶ Wheelen, Hunger, **Strategic Management and Business Policy: Concepts and Cases**, 10-11.

broader economic, social, demographic, political, and technological setting within which the industry and the firm are placed.”⁶⁷

Wheelen and Hunger depict elements of this remote (societal) environment as follows:

- “**Economic forces** regulate the exchange of materials, money, energy and information. GDP trends, interest rates, inflation rates, unemployment levels, wage/price controls, energy availability and costs, disposable and discretionary income etc. can be mentioned as some important examples of economic variables.
- **Technological forces** generate problem-solving inventions. Some important technological variables in the remote environment can be listed as; new products, new developments in technology transfer from lab to marketplace, total government spending for R&D, total industry spending for R&D, productivity improvements through automation, patent protection, internet availability, telecommunications infrastructure and so on.
- **Political-Legal forces** allocate power and provide constraining and protecting laws and regulations. Tax laws, special intensives, foreign trade regulations, antitrust regulations, environmental protection laws, outsourcing regulations, attitudes towards foreign companies, terrorism and privacy issues can be expressed as major political-legal environment variables in the remote environment of companies.
- **Socio-cultural forces** regulate the values, mores and customs of society. These forces consist of birth rates, level of education, lifestyle changes, career expectations, age distribution of population, regional shifts in population, consumer activism, rate of family formation, size and growth rate of population, life expectancies, pension plans, and healthcare.”⁶⁸

ii. “**The task environment** includes those elements or groups that directly affect the corporation and in turn affected by it. These groups include governments, local communities, suppliers, competitors, customers, creditors, employees and labour

⁶⁷ C. Hill, G. Jones, **Strategic Management**, (Boston: Houghton Mifflin Comp., 1989), 60.

⁶⁸ Thomas L. Wheelen, J. David Hunger. **Essentials of Strategic Management**. 4th Ed. (Upper Saddle River, N.J.: Prentice Hall, 2007) , 33-35.

unions, special interest groups, and trade associations. A corporation's task environment can be thought of as the industry within which it operates."⁶⁹

"Compared to general environment, the task environment has a more direct effect on strategic competitiveness and above-average returns. The intensity of industry competition and industry's profit potential (as measure by the long-run return on invested capital) are function of six competitive forces which is shown in Figure 3."⁷⁰

"The most widely used way to model the environment in the private sector is through industry analysis, as developed by 'Porter'⁷¹. He contends that companies need to be concerned with the intensity of competition, which in turn is driven by five competitive forces. They include 1) the rivalry among existing competitors, 2) the threat of new entrants coming into the industry, 3) the possibility of substitute products that appear to be different but can satisfy the same need as the existing product, 4) the bargaining power of suppliers, and 5) the bargaining power of buyers. The combined power of these forces determines the profit potential in the industry (defined as a group of companies producing similar products or services). The five forces are not all equally relevant to the not-for-profit and public sectors, but they still can insight about where a charitable or essential public service 'industry' is heading."⁷² "This model not only analyses the intensity of rivalry among competitors, but also identifies the key variables forming a certain industry. For this reason, Porter's Five Forces (or six forces) model contends that a corporation is most concerned with the intensity of competition within its industry. Basic competitive forces which depicted in Figure 5, determine the intensity level. 'The collective strength of these forces', he notes, 'determines the ultimate profit potential in the industry, where profit potential is measured in terms of long-term return on invested capital'. The stronger each of these forces is, the more companies are limited in their ability to raise prices and earn greater profits. Although Porter mentions only five forces, a sixth –other stakeholders- is added here to reflect the power that governments, local communities and other groups from the task environment wield

⁶⁹ Wheelen, Hunger, . **Essentials of Strategic Management**, 33.

⁷⁰ Michael A. Hitt, R. D. Ireland, R. E. Hoskinsson, **Strategic Management: Competitiveness and Globalization**, 8th Ed., (Cincinnati:South-Western College Pub., 2007), 61.

⁷¹ Michael E. Porter, **Competitive Strategy Techniques for Analysing Industries and Competitors**, New York: Free Press, 1980.

⁷² Goldsmith, **Op. Cit.**, 8.

over industry activities. Using the model in Figure 5, a strong force can be regarded as a threat because it is likely to reduce profits. In contrast, a weak force can be viewed as an opportunity because it may allow the company to earn greater profits. In the short run, these forces act as constraints on a company's activities. In the long run, however, it may be possible for a company, though its choice of strategy, to change the strength of one or more of the forces to the company's advantage."⁷³

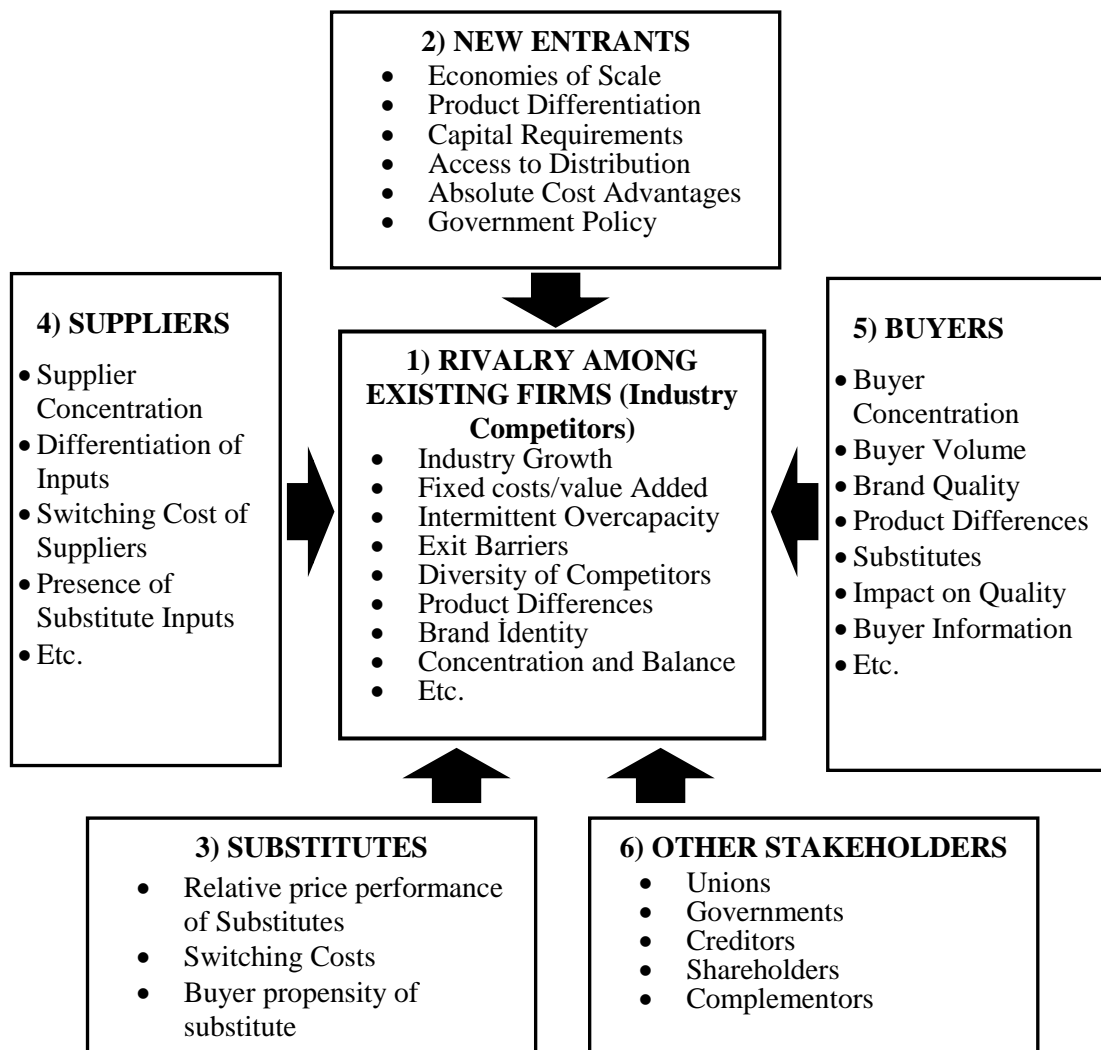


Figure 5: Forces Driving Industry Competition

Adapted from Thomas L. Wheelen, J. David Hunger. *Essentials of Strategic Management*. 4th Ed. (Upper Saddle River, N.J.: Prentice Hall, 2007) , 39.

⁷³ Wheelen, Hunger, *Essentials of Strategic Management*, 39.

Effectiveness of this analysis technique, for Montari and colleagues, depends on “determining which stakeholder is most critical and the primary competitive issues operating within that stakeholder group.”⁷⁴

iii. “The internal environment of a corporation consists of variables (strengths and weaknesses) that are within the organization itself and are not usually within the short-run control of the top management. These variables from the context in which work is done. They include the corporation’s structure, culture and resources. Key strengths from a set of core competencies that the corporation can use to gain competitive advantage.”⁷⁵

SWOT Analysis is widely accepted as a simple and effective method to conduct environmental diagnosis, the term “SWOT is an acronym used to describe the particular strengths, weaknesses, opportunities and threats that are strategic factors for a specific company.”⁷⁶

Table 2: SWOT Analysis – What to Look for in Sizing up a Company’s Strengths, Weaknesses, Opportunities and Threats

Potential Internal Strengths	Potential Internal Weaknesses
Core competencies in key areas	Obsolete facilities
Adequate financial resources	Subpar profitability because...
Well thought of by buyers	Lack of managerial depth and talent
An acknowledged market leader	Missing some key skills or competencies
Well-conceived functional area strategies	Poor track record in implementing strategy
Access to economies of scale	Plagued with internal operating problems
Insulated (at least somewhat) from strong competitive pressures	Falling behind in R&D
Proprietary technology	Too narrow a product line
Cost advantages	Weak market image
Better advertising campaigns	Weak distribution network
Product innovation skills	Below-average marketing skills
Proven management	Unable to finance needed changes in strategy
Ahead on experience curve	
Better manufacturing capability	

⁷⁴ Montari, Morgan, Bracker, **Op. Cit.**, 51.

⁷⁵ Wheelen, Hunger, **Strategic Management and Business Policy: Concepts and Cases**, 11-12.

⁷⁶ Wheelen, Hunger, **Strategic Management and Business Policy: Concepts and Cases**, 11-12.

Superior technological skills Other	Higher overall unit costs relative to key competitors Other
Potential External Opportunities Serve additional customer groups Enter new markets or segments Expand product line to meet broader range of customer needs Diversify into related products Vertical integration (forward or backward) Falling trade barriers in attractive foreign markets Complacency among rival firms Faster market growth Other?	Potential External Threats Entry of lower-cost foreign competitors Rising sales of substitute products Slower market growth Adverse shifts in foreign exchange rates and trade policies of foreign governments Costly regulatory requirements Vulnerability to recession and business cycle Growing bargaining power of customers or suppliers Changing buyer needs and tastes Adverse demographic changes Other?

Adapted from A.A. Thompson, A.J. Strickland III., **Strategic Management: Concepts and Cases**, (Homewood, IL.: Irwin, 1992), **88**.

After discussing ‘what to look for in sizing up a firm’s SWOT’ in Table 2, it can also be beneficial to discuss ‘where to look for in it’, that is, to look at the sources of information.

Davis and Frederick exemplify verbal information sources as of radio and television broadcasts, people inside the organization (peers, subordinates, and superiors), and others outside the organization (customers, employees of other organizations, suppliers, consultants, financial analysts). And the Authors also state that most commonly used information sources by the upper echelon managers are verbal ones.⁷⁷

“Written information is obtained by reading a variety of materials. These may include published sources available to general public (The Wall Street Journal, Fortune, Forbes and many government publications), members of specific groups

⁷⁷ K. Davis, W.C. Frederick, **Business and Society: Management, Public Policy, Ethics**, 5th Ed., (New York: McGraw Hill, 1984).

(subscription services such as Dun and Bradstreet or Standard and Poor's), and trade and professional associations. A relatively quick and inexpensive way to obtain published data is by using online computer searches of various databases. The most comprehensive online computer searches are performed by BRS, ORBIT, DIALOG. Online computer searches provide up-to-date, in some cases even up-to-the-minute information from a variety of sources, both domestic and international. Written information may also be obtained from research conducted by organization to address a specific problem. Annual reports, memos, minutes of meetings, and other documents are potentially useful sources of written information sources within the organization.”⁷⁸

In addition to those aforesaid sources, a variety of public institutions, such as ministries, governmental scientific research councils, governmental planning organizations and state statistics institutes, provide both verbal and written information.

Interpretation of environmental information is “using previously analysed environmental information that has been determined to be relevant for the firm, to project future he conditions and set future directions for the organization. That is, strategic managers use environmental information in two ways: to forecast future events and to formulate strategy to prepare the firm for those events. Forecasting is predicting, projecting or estimating some future event, series of events or condition that is outside the direct control of organization. It is not planning, because planning is involves actions, events, or conditions over which the organization has some control. Managers plan because to take some action because they have forecast that certain environmental events will occur. If the events fail to happen as predicted, the plans must be altered.”⁷⁹

“Most popular forecasting techniques currently in use by managers are: *judgement techniques* (such as scenario, Delphi, historical analogy), *time series techniques* (moving averages, exponential smoothing, time-series extrapolation, etc.), *counting techniques* (market testing, consumer market survey, industrial market survey, etc.)

⁷⁸ Joe G. Thomas, **Strategic Management: Concepts, Practises and Cases**, (New York: Harper and Row, 1988), 122.

⁷⁹ D. Waddell, A.S. Sohal, “Forecasting: The Key to Managerial Decision Making”, **Management Decision**, vol.32, iss.1 (1994):41.

and association/causal techniques (correlation, regression, econometric models and so on.). These techniques vary in their sophistication and conditions under which they are most appropriate.”⁸⁰

2.5.1.2.1. The Comprehensiveness of Strategic Analysis Process

Beal stresses that need for information, thus scanning activities are highly related to the new situations that organization faced. The states that “when a decision opportunity arises one of the main activities is the collection of information about the issue and possible alternative solutions. This aspect of the decision-making process, which we call scrutiny, includes a number of routines that may be used by the organization.”⁸¹ Hence, environmental scanning, the managerial activity of learning about events and trends in the organization’s environment, is one of the task comprising the broader boundary spanning role.⁸² “Environmental scanning is widely viewed as the first step in the process linking strategy and environment. The underlying premise is that scanning the task and general environment allows a firm to learn about (1) opportunities that it may be positioned to take advantage of and (2) conditions or events that threaten its performance or survival, thus enabling the firm to formulate a competitive strategy congruent with critical environmental conditions. Environmental scanning is generally viewed by strategic management scholars as a prerequisite for formulating effective competitive strategies. Moreover, effective scanning of the environment is seen as necessary to the successful alignment of competitive strategies with environmental requirements and the achievement of outstanding performance.”⁸³

“The philosophical roots of the scanning concept date back to the ancient Greeks, who believed that success in combat was dependent upon adequate intelligence for the purpose of making good tactical and strategic decisions. Today scanning is important to managers for more benign, yet similar reasons. Scanning provides

⁸⁰ Montanari, Morgan, Bracker, **Op. Cit.**, 60.

⁸¹ David Cray et al., “Sporadic, Fluid and Constricted Process: Three Types of Strategic Decision Making in Organizations”, **Journal of Management Studies**, vol:25, iss:1 (1988), 13.

⁸² Donald C. Hambrick, “Specialization of Environmental Scanning Activities among Upper Level Executives”, **Journal of Management Studies**, vol. 18, iss. 3 (1981): 299.

⁸³ Beal, **Op. Cit.**, 27.

managers with information about events and trends in their relevant environments, which facilitates opportunity recognition.”⁸⁴

For Barringer and Bluedorn, “the extent to which scanning devices are used by a firm to gather information about its business environment should be examined in order to determine the scanning intensity of the environment. These scanning devices are: Routine gathering of opinions from clients; explicit tracking of the policies and tactics of competitors; forecasting sales, customer preferences, technology, etc.; special marketing research studies; trade magazines, government publications, news media; gathering of information from suppliers and other channel members. In addition to these, frequency of collecting information to remain abreast of changes in areas such as; economic trends, technological trends, demographic trends, customer needs and preferences, competitor strategies, supplier strategies are measures of scanning comprehensiveness.”⁸⁵

Hrebiniak and Joyce claimed that, “different strategic choices lead to different type of environmental scanning activities accordingly, that is, a firm pursuing low cost strategy conducts environmental scanning activities in order to solve specific problems related to product costs. And, Miller stresses that a firm pursuing differentiation strategy focuses on observing stimulant information for new market opportunities and innovative ideas. Moreover, he could verify this claim by an empirical research. Jennings and Lumpkin’s study also supports the same findings. As the aforementioned studies demonstrate, the presence of the effect of strategic choices on scanning behaviour also indicates that the interactivity among strategic management stages is not simple and unidirectional. Additionally, according to Dean and Sharfman, another factor for the comprehensiveness of strategic analysis is to make the most detailed analyses for those choices that being considered as the most important.”⁸⁶

⁸⁴ A. C. Bluedorn et al., ‘The Interface and Convergence of the Strategic Management and Organizational Environment Domains’, **Journal of Management**, vol 20: (1994), 201.

⁸⁵ B. Barringer, A. Bluedorn, “The Relation Between Corporate Entrepreneurship and Strategic Management”, **Strategic Management Journal**, vol. 20, iss. 5 (1999): 441.

⁸⁶ L. Alpkan. “Stratejik Yönetimin Kapsamlılığı, Stratejik Tercihler ve Yönetici Özellikleri Arasındaki İlişkiler”. (Doctorate Thesis, GYTE Social Sciences Institute, 2000), 17.

2.5.1.3. Establishing Objectives and Goals

For Digman, “goals must be developed within a defined mission and objectives must be developed to support specific goals. It is important that goals and objectives consistent and support one another.”⁸⁷

Objectives are “an organization’s performance targets – the results and outcomes it wants to achieve. They function as yard-sticks for tracking an organization’s performance and progress. The purpose of setting objectives is to convert managerial statements of strategic vision and business mission into specific performance targets.”⁸⁸ “That is, objectives represent a managerial commitment to achieve specific performance targets by a certain time. They spell out how much of what kind of performance by when. They direct attention and energy to what needs to be accomplished.”⁸⁹

Objectives are needed for each key result that managers deem important to success. Two types of key result areas stand out: those relating to financial performance and those relating to strategic performance. Achieving financial performance is a must; otherwise the organization’s survival ends up at risk. Some of the areas in which a company might establish its financial objectives are faster revenue growth, bigger cash flow, and wider profit margins. Achieving acceptable strategic performance is essential to sustaining and improving the company’s long term market position. And also some of the areas in which a company might establish its strategic objectives are a bigger market share, higher product quality, and lower costs relative to key competitors. As it is understood from the examples, strategic objectives tend to be competitor- focused, often aiming at unseating a competitor considered to be the best in a particular category.⁹⁰

“**The term Goal** is often used interchangeably with the term objective. In contrast to objective, it could be considered a goal is an open-ended statement of what one wants to accomplish, with no quantification of what is to be achieved and no time criteria for completion. For example, a simple statement of ‘increased profitability’ is thus a goal, not an objective, because it does not state how much profit the firm

⁸⁷ Digman, **Op. Cit.**, 49.

⁸⁸ Thompson, Strickland III, **2004**, 9.

⁸⁹ Thompson, Strickland III, **1992**, 27.

⁹⁰ A.A. Thompson, A.J. Strickland III, **1992**, 27-28

wants to make or when. A good objective should be action oriented and begin with the word *to*. An example of an objective is *to* increase the firm's profitability in 2007 by 10 % over 2006.”⁹¹

“Two types of ‘goals’⁹² are discussed: long-run and short-run goals. These are normally distinguished by specific number of years. Short- term goals are often defined as those goals that should be accomplished within one year; whereas long term goals are those that should be accomplished more than one year. Sometimes a third category, immediate-term goals, is also defined. Intermediate-term goals may range from one year to five years. This simplistic approach, however, does not fully clarify the distinction between short and long-run goals. Short-run and long-run goals must be defined relative to the length of the specific firm's normal decision cycle. A decision cycle refers to the time takes for a decision to reach full implementation. Automobile manufacturers, for example, face a decision cycle of about five years for introducing new models because some resources must be committed about five years prior to introducing a new model. Consequently, any goal related to new models that should be accomplished in five years or less can be viewed as short-run goal. The key issue is that the short-run and long run designations are dependent upon the industry and on specific businesses rather than on some arbitrary number of years.”⁹³

2.5.1.4. Formulating and Selecting Strategies

Strategy formulation, according to Wheelen and Hunger, is “a decision making process that builds on the analysis of strategic situation, as determined by general, industry and internal factors. It involves a determination of strategic alternatives, or the means by which the organization is able to meet its goal and objectives, given its available resources and competencies. Strategy formulation is essentially is problem solving in unstructured situations, and most important, involves selecting the right problems to solve. The key to effective strategy formulation lies finding the major variables the firm can manipulate to improve its match with the environment. This requires an understanding of which strategic decisions and alternatives are

⁹¹ Thomas L. Wheelen, J. David Hunger, **Strategic Management and Business Policy: Concepts and Cases**, 10th Ed. (Upper Saddle River, N.J.: 2006), 14.

⁹² The Author takes the term goal as a subdimensions of the term objective. That is the reason why the time frame of these interlocking terms is considered as the same.

⁹³ G.D. Smith, D.R. Arnold, B.G. Bizzell, **Business Strategy and Policy**, 2nd Ed., (Boston, M.A.: Houghton Mifflin Comp., 1988), 93-94.

appropriate for the current and future situation facing the firm. At the business level, for example, strategies for positioning and distinguish the business, plus strategies for increasing, refining or reducing its scope. At the corporate level, strategies of business integration, diversification, concentration and restructuring are included. It includes analysing factors for each level of strategy – corporate, business, and functional – and is both a social/political and analytical/conceptual process. That is, strategy formulation may employ analytical tools such as financial analysis and management science techniques, but is still the result of the values, goals, and judgments of group of individual comprising the firm.”⁹⁴

“Evaluating strategic alternatives requires criteria for acceptance or rejection. These may be ‘go/no go’, absolute criteria for acceptance or rejection; for example, that all alternatives must result in a certain level of return on investment and not require that the firm borrow more than a given amount of money. Any alternative not meeting these criteria will be rejected and dropped from further evaluation. Other criteria may not be so clear-cut. In these instances, a “scorecard” for each alternative may be developed and used as a basis for selecting the strategy with the best overall score. In evaluating alternatives, as in quality control testing, candidates should be subjected to the most demanding criteria first, with as many alternatives as possible rejected as early as possible.”⁹⁵

2.5.2. Strategy Implementation

“After a strategy has been evaluated and selected, the critical implementation phase begins. Implementation is vitally important because a brilliant strategy poorly put into the action may be no effective than a well-implemented but otherwise less desirable strategy. In short, a strategy is only as good as its implementation.”⁹⁶

Thompson and Strickland assert that, “the managerial task of implementation and executing the chosen strategy entails assessing what it will take to develop the needed organizational capabilities and to reach the targeted objectives on schedule. The managerial skills is figuring out what must be done to put the strategy in place, carry it out proficiently, and produce good results. Managing a strategy execution

⁹⁴ Digman, **Op. Cit.**, 53.

⁹⁵ Digman, **Op. Cit.**, 54.

⁹⁶ Digman, **Op. Cit.**, 54.

process is primarily a hands-on, close-to-the-scene administrative task that includes the following principal aspects:”⁹⁷

- Building an organization capable of carrying out the strategy successfully.
- Allocating company resources so that organizational units charged with performing strategy-critical activities and implementing new strategic initiatives have sufficient people and funds to do their work successfully.
- Motivating people in ways that induce them to pursue the target objectives energetically and, in need be, modifying their duties and job behaviour to better fit the strategy requirements of successful execution.
- Tying the reward structure to the achievement of targeted results.
- Creating a company culture (also known as company, organizational or firm culture) and work climate conducive to successful strategy implementation and execution.
- Installing information, communication and operating systems that enable company personnel to carry out their strategic roles effectively day in, day out.
- Instituting best practises and programs for continuous improvement.
- Exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed.

In brief, “the major implementation issues are motivation, structure, systems/processes, cross-functional groups/task forces, policies and corporate culture/shared values.”⁹⁸

- “*The motivation* of both manager and non-managers to implement new strategy needs to be considered in the strategy implementation program. Training and alignment of individual goals with new strategic goals are used to address motivation.”⁹⁹
- “*Systems/processes* are viewed as an important issue in the implementation. Budgets communicate the importance of strategies by resources they

⁹⁷ Thompson, Strickland, **2004**, 18-19.

⁹⁸ Michael Stahl, David Grigsby, **Strategic Management for Decision Making**, (Boston: PWS-Kent Comp., 1992), 155.

⁹⁹ Stahl, Grigsby, **Op. Cit.**, 155.

command. Procedures communicate strategies and put them into practise at the operating level.”¹⁰⁰

- “*Cross functional group/task forces* are frequently used in the implementation of new strategy. In implementing a new strategy, some firms bring together temporary groups of high profile personnel to start the implementation. Such groups, typically drawn from the every function throughout the organization to signal to the entire organization that new strategy affects all, and communicate the cross-functional nature and importance of the new strategy.”¹⁰¹
- *Policies* are guidelines for action that are more detailed than strategies. Corporate culture consists of shared corporate values that guide action throughout the firm. Such values, if consistently implemented, are characteristic of successful firms. Although, changing corporate culture is not easy, many firms recognize the importance of such change if a major new strategy is to be implemented.
- “Implementation does not occur automatically; it requires careful analysis and planning. Much of the implementation is performed by the functional areas. There are some responsibilities relative to implementation that are more easily handles by top-level management”¹⁰² “Implementing process is a process which strategies and policies are put into action through the development of programs, budgets, and procedures:”¹⁰³

“A **program** is statement of the activities or steps needed to accomplish a single-use plan. It makes a strategy action oriented. It may involve restructuring the corporation, changing the company’s internal culture, or beginning a new research effort. An example is discount retailer Dollar General’s programs to double the amount of space in the company’s distribution centres in order to reduce the number of truck deliveries and to redesign its stores to provide wider aisles and brighter, cleaner appearance.”¹⁰⁴

¹⁰⁰ Stahl, Grisby, **Op. Cit.**, 156.

¹⁰¹ Stahl, Grisby, **Op. Cit.**, 152-156.

¹⁰² Smith, Arnold, Bizzel, **Op. Cit.**, 226.

¹⁰³ Hunger, Wheelen, **Strategic Management and Business Policy: Concepts and Cases**, 16.

¹⁰⁴ Hunger, Wheelen, **Strategic Management and Business Policy: Concepts and Cases**, 16

“**A budget** is a statement of a firm’s¹⁰⁵ program in terms of money.¹⁰⁶ Used in planning and control, a budget lists the detailed cost of each program. Many firms demand a certain percentage return on investment, or often called “hurdle rate”, before management will approve a new program. This ensures that the new program will significantly add to the corporation’s profit performance and thus builds shareholder value. The budget thus not only serves as a detailed plan of the new strategy in action, it also specifies through pro forma financial statements the expected impact on the firm’s financial future.”¹⁰⁷

“**Procedures**, sometimes termed Standard Operating Procedures (SOP), are a system of sequential steps or techniques that describe in detail how a particular task or job is to be done. They typically detail the various activities that must be carried out in order to complete the firm’s program.”¹⁰⁸

According to Smith and colleagues, strategy implementation stage is very dynamic and “frequently requires various changes in organization and its activities. To achieve managed change, top management must first recognize that most changes encounter resistance within the organization. Management must forecast the nature and level of potential resistance, try to reduce the potential resistance, and then manage the resistance that actually occurs. The last step is to see that the desired change is executed and becomes the new status quo.”¹⁰⁹

“The strategy-implementing/strategy-executing task is easily the most complicated and time-consuming part of strategic management. It cuts across virtually all facets of managing and must be initiated from many points inside the organization. The action agenda for executing strategy emerges from carefully assessment of what organization needs to do differently or better. Each manager has to answer the question ‘what has to be done in my area to execute my piece of strategic plan, and how can I best get it done?’ How much internal changes is needed depends on how much of the strategy is new, how far internal practises and competences deviate from what the strategy requires, and how well strategy and organizational culture already

¹⁰⁵ Originally termed as ‘corporation’ by the Author.

¹⁰⁶ Originally termed as ‘dollars’ the Author.

¹⁰⁷ Hunger, Wheelen, **Strategic Management and Business Policy: Concepts and Cases**, 16

¹⁰⁸ Hunger, Wheelen, **Strategic Management and Business Policy: Concepts and Cases**, 16

¹⁰⁹ Smith, Arnold, Bizzel, **Op. Cit.**, 226.

match. Depending on the amount of the internal change involved, full implementation and proficient execution can take several months to several years.”¹¹⁰

2.5.3. Control and Evaluation

As the last stage of the strategic management process, “strategic control involves evaluation of whether or not a strategy is being implemented as intended, and whether or not the desired results are being achieved. If not, corrective action may be required to modify the implementation activities or even the strategy itself. In addition, the internal situation and external environment of the firm likely will change with time, and their impacts must also be periodically re-evaluated as part of the strategic control process.”¹¹¹ Wheleen and Hunger propose to view this process as a five-step feedback model:

- **“Determine what to measure.** The top managers and operational managers must specify implementation process and results to be monitored and evaluated. The processes and results must be measurable in a reasonably objective and consistent manner. The focus should be on the most significant elements in a process- the ones that account for the highest proportion of expense or the greatest number of problems. Measurement must be found for all important areas regardless of difficulty.
- **Establish standards of performance.** Standard used to measure performance are detailed expressions of strategic objectives. They are measures of acceptable performance results. Each standard usually includes a tolerance range, which defines any acceptable deviations. Standards can be set not only for final output, but also for intermediate stages of production output.
- **Measure actual performance.** Measurements must be made at predetermined times.
- **Compare actual performance with standard.** If the actual performance results are within the desired tolerance range, the measurement process stops here.
- **Take correction action.** If the actual results fall outside the desired tolerance range, action must be taken to correct the deviation. The action must not only

¹¹⁰ Thompson, Strickland, 2004, 19.

¹¹¹ Digman, Op. Cit., 55.

correct the deviation, but also prevent its recurrence. The following issues must be resolved:

- Is the deviation only a change fluctuation?
- Are the processes being carried out incorrectly?
- Are the processes appropriate for achieving the desired standard?”¹¹²

2.5.3.1. Learning and Feedback Process

“The strategic management model depicted in Figure 3 includes a feedback/learning process. Arrows are drawn coming out of each part of the model and taking information to the each of the previous parts of the model. As a firm or business unit develop strategies, programs and the like, it often must go back and to revise and correct decisions made earlier in the process. For example, poor performance usually indicates that something has gone wrong with earlier strategy formulation or implementation. It could also mean that a key variable, such as a new competitor, was ignored during environmental scanning and assessment.”¹¹³

¹¹² Hunger, Wheelen, **Strategic Management and Business Policy: Concepts and Cases**, 17-18.

¹¹³ Hunger, Wheelen, **Strategic Management and Business Policy: Concepts and Cases**, 18.

3. COMPETITIVE STRATEGIES

3.1. Concept of Competitive Strategy

“Competitive strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.”¹¹⁴

Pearce and Robinson indicated that “competitive strategy strives to identify and secure the most prominent market segment within such a product-market arena. Thus, competitive strategies determine how the firm (or business unit) must compete within such a segment in order to establish a competitive advantage. Each business unit within a multi-business firm could have its own specially tailored competitive strategy designed to strengthen the individual business units’ use of distinctive competencies as competitive weapons.”¹¹⁵

The origin of research on competitive strategies can be date back to second half of the 1950s, to the date which Bain’s¹¹⁶ and Mason’s¹¹⁷ pioneering works led to reveal the Industrial Organization Economics. From the 1950s till the early 1970s, the structure-conduct-performance (also known as SCP) model was the dominant paradigm for two decades. In the model, structure refers to characteristics of industry such as market concentration, barriers to entry, and composition of competitors. According to this view industry structure affects firms’ strategies of pricing, product development, R&D and advertising; and by these ways, the industry structure finally influences firm performance.

Building on the traditional Industrial Organization Economics, “according to Porter, there are three potentially successful generic approaches to outperforming other

¹¹⁴ Michael A. Hitt, R. D. Ireland, R. E. Hoskinsson, **Strategic Management: Competitiveness and Globalization**, 6th Ed., (Mason, OH.:South-Western College Pub., 2005), 7.

¹¹⁵ Olivier Furrer et al., “Resource Configurations, Generic Strategies, and Firm Performance”, **Journal of Strategy and Management**, vol. 1, iss. 1 (2008): 18.

¹¹⁶ J. S. Bain, **Barriers to New Competition**. Cambridge MA.: Harvard University Press, 1956.

¹¹⁷ E. Mason, **Economic Concentration and the Monopoly Problem**. Cambridge MA.: Harvard University Press, 1957.

firms in an industry: ‘overall cost leadership’¹¹⁸, differentiation, and focus. He further explains that if sometimes a firm can successfully pursue more than one approach as its primary target, it is rarely possible. This is because the effective implementation of any of these competitive strategies usually requires total commitment and supporting organizational arrangements that are diluted if there is more than one primary target.”¹¹⁹

“A low cost strategy emphasizes the need to incur the lowest costs in an industry; Commodore exemplifies this strategy in business machines. This strategy requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in area like R&D, service, sales force, advertising, and so on. In a differentiation strategy, a firm seeks to be unique in its industry along dimensions that are widely valued by buyers; Mercedes exemplifies this strategy in automobiles. Under this strategy, a firm selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.”¹²⁰

“There is considerable evidence supporting the presence in a managerial context of the two primary strategies of differentiation and low cost, but little evidence of a strategic orientation that can be uniquely linked to Porter’s third competitive strategy, focus. Rather, it appears that a focus strategy requires firms to employ either a differentiation or cost leadership strategy within a selected target or ‘niche’ market.”¹²¹ In other saying, “there are two different and independent decisions: one about how to compete (costs and/or differentiation) and another about where to compete (market scope). In line with this idea, Mintzberg argues that a focus strategy defines the scope of a market domain; whereas Porter’s other two competitive

¹¹⁸ In the strategic management literature, this concept has various denominations such as cost minimizing, cost leadership, maintenance, cost leaders, cost reduction, price differentiation, efficiency and service, low cost, low cost provider, low-cost/follower. However, in this study, the low cost and overall cost leadership terms are used in different meanings, the former states a competitive strategy that is aiming to reduce costs, but the latter states an advanced type of overall low cost strategy that is aiming to reach lowest cost position in a given industry.

¹¹⁹ Furrer et al, **Op. Cit.**, 18.

¹²⁰ Vijay Govindarajan, “A contingency Approach to Strategy Implmentation at Business Unit Level: Integrating Administrative Mechanisms with Strategy”, **Academy of Management Journal**, vol. 31, iss. 4 (1988): 830.

¹²¹ P. S. Davis, C.C. Dibrel, B.D. Janz, “The impact of Time on The Strategy–Performance Relationship Implications for Managers”, **Industrial Marketing Management**, vol. 31 (2002): 340.

strategies reflect how a firm competes in that market domain. Therefore, focus strategy is not a decision about competitive advantage but about market scope. Examples for studies that have not considered focus strategy are Bayo-Moriones and Lera-Lo'pez, Dess, Lumpkin and Covin, Gopalakrishna and Subramanian, Hall, Hill, Karnani, Marlin, Lamont and Hoffman, McGee, Dowling and Megginson, Miller, Phillips, Chang and Buzzell, Spanos- Zaralis and Lioukas, White and Wright et al.”¹²²

“One issue that has raised considerable debate in the extant literature is the question of low cost and differentiation being mutually exclusive or not. Porter has generally urged against the simultaneous pursuit of both strategies on the ground that each of these involves a different set of resources and organizational arrangements. Others, however, have shown that cost and differentiation may be compatible approaches to dealing with competitive forces, and postulated the pursuit of what has been termed hybrid, mixed, or combination strategies.”¹²³

3.1.1. Typologies and Taxonomies in of Competitive Strategies

So as to categorize the strategies to conduct at business level as competitive strategies, several of typologies and taxonomies have been builded:

i. “Typologies at their best are memorable, neat and evocative. Among the more prominent of these are those of Burns and Stalker, Miles and Snow, and Mintzberg. These scholars differentiated among types of strategies, organizations, or decision-making styles. They made distinctions that furthered theory and had implications for important organizational outcomes. And with varying success, they showed how and why the attributes in each of their types interrelated the way they did. Indeed it is this last aspect of configuration that is so often lacking in most typologies.”¹²⁴

In addition to the aforesaid typologies, “Porter's strategy conceptualization is academically well accepted and internally consistent and empirically congruent with

¹²² Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 508-509.

¹²³ Y. E. Spanos, G. Zaralis, S. Lioukas, “Strategy and Indusrty Effect on Profitability: Evidence From Greece”, **Strategic Management Journal**, vol.25 (2004): 141.

¹²⁴ Danny Miller, “Configurations Revisited”, **Strategic Management Journal**, vol. 17(1996): 506.

other frameworks.”¹²⁵ Moreover, “Porter’s competitive strategy types have received more empirical support from previous research than other constructs have.”¹²⁶

“The strategy field presents various typologies to describe the competitive strategies of firms - how firms compete in specific businesses or industries by exploiting their competitive advantage in order to realize their goals.”¹²⁷ Sumer and Bayraktar’s literature review gathers those various approaches and presents a comprehensive outline for both typologies and taxonomies.

Table 3: Typologies of Competitive Strategies

Typologies	Strategies proposed	Classification variables
Ansoff (1965)	Market Penetration	Growth according to existing and new products, as well as existing and new markets
	Product Development	
	Market Development	
	Diversification	
Buzzell et al. (1975)	Building	Market share goals
	Holding	
	Harvesting	
Utterback and Abernathy (1975)	Performance Maximizing	Product and process innovation
	Sales Maximizing	
	Cost Minimizing	
Miles and Snow (1978)	Prospector	Patterns of adaptation
	Analyzer	
	Defender	
	Reactor	
Hofer and Schendel (1978)	Share Increasing	Stage of the product/market evolution of the industry, competitive position
	Growth	
	Profit	
	Market Concentration and Asset Reduction	
	Turnaround	
	Liquidation	
Patel and Younger (1978)	All out push for share	Industry maturity and competitive position
	Hold position	
	Grow with industry	
	Harvest	
	Selectively push for position	
	Phased out withdrawal	
	Turnaround	
	Find niche and protect it	

¹²⁵ Julie S. David et al., “The Performance Effects of Congruence Between Product Competitive Strategies and Purchasing Management Design”, **Management Science**, vol. 48, iss. 7 (2002): 872.

¹²⁶ Linsu Kim, Yooncheol Lim, “Environment, Generic Strategies and Performance in A Rapidly Developing Country: A Taxonomic Approach”, **Academy of Management Journal**, vol. 31, iss. 4 (1988): 805.

¹²⁷ K. Amoako-Gyampah, M. Acquah, “Manufacturing Strategy, Competitive Strategy and Firm Performance: An Empirical Study in A Developing Economy Environment”, **International Journal of Production Economics**, vol. 111:(2008), 578.

	Abandon	
Vesper (1979)	Multiplication	Strategic postures based on superiority and flexibility in adapting to the environment.
	Monopolizing	
	Specialization	
	Liquidation	
	Abandon	
Porter (1980)	Cost Leadership	Strategic scope and strategic strength
	Differentiation	
	Focus	
	Stuck In the Middle	
Wissema et al.(1980)	Explosion	Situation of the market and situation of the company (possible routes to the desired strategic position.)
	Expansion	
	Continuous Growth	
	Slip	
	Consolidation	
Miles and Cameron (1982)	Contraction	Organizational adaptation
	Domain Defence	
	Domain Offense	
	Domain Creation	
Miller (1988)	Innovators	Business focus, Asset parsimony, Asset intensity
	Marketers	
	Cost Leaders	
	Niche Marketers	
Schuler and Jackson (1987)	Innovation	Dimensions of competitive advantage
	Quality Enhancement	
	Cost Reduction	
Herbert and Deresky (1987)	Develop	Product/market evolution
	Stabilize	
	Turnaround	
	Harvest	
Mintzberg (1988)	Price Differentiation	Differentiation and scope
	Image Differentiation	
	Support Differentiation	
	Quality Differentiation	
	Design Differentiation	
	Undifferentiation	
Venkatraman (1989)	Aggressiveness	Strategic orientation
	Analysis	
	Defensiveness	
	Futurity	
	Proactiveness	
	Riskiness	
Wright et al. (1992)	Low cost	Firm size, scope and strength
	Differentiation	
	Low cost Differentiation	
	Mixed	
	Focus Low Cost	
	Focus Differentiation	
	Focus low cost- Differentiation	
Ward et al. (1996)	Niche Differentiation	Emphasis on quality and price, asset parsimony, innovation - R&D, narrow product - market scope
	Broad Market Differentiation	
	Cost Leadership	
	Lean Competitiveness	
Thompson and	Cost Leadership	Strategic scope and strategic

Strickland (1999)	Differentiation	strength
	Focus	
	Best Cost Provider	
Kim and Mauborgne (1999)	Value Innovation	Competitive advantage
Chang et al. (2002)	Pre-emptive/First mover	Dimensions of competitive advantage, timing of entry into the marketplace
	Low Cost/ Follower	
	Differentiation/Follower	
Hitt et al. (2007)	Cost leadership	Strategic scope and strategic strength
	Differentiation	
	Focus	
	Integrated Cost Leadership and Differentiation	

Adapted From Kerem Sumer, C. Ali Bayraktar, “Business Strategies and Gaps in Porter’s Typology: A Literature Review”, **Journal of Management Research**, vol. 4, iss. 3 (2012): 102-103.

ii. “*Taxonomic approach* is empirical. Scholars employ methods of numerical taxonomy and an assortment of clustering algorithms and hypothesis testing techniques to identify natural clusters in the data. Compared to typologies, taxonomies tend to be more firmly based on facts—or at least, on quantitative data. Their large sets of variables and sizeable samples can disclose important empirical regularities. Indeed, the merit of the taxonomy approach is that when it is well executed it discovers reliable and conceptually significant clusterings of attributes.”¹²⁸

Table 4: Taxonomies of Competitive Strategies

Taxonomies	Strategies Proposed	Classification Variables
Galbraith and Schendel (1983)	Harvest	Strategy posture and strategy direction (Total 26 variables) For the consumer goods industry
	Builder	
	Continuity	
	Climber	
	Niche	
	Cashout	Strategy posture and strategy direction (26 variables) For the industrial product industry
	Low Commitment	
	Maintenance	
	Growth	
	Niche	
Hambrick (1983)	Cost Leadership	Strategic choice and strategic position attributes For
	Asset Conscious Followers	

¹²⁸ Danny Miller, **Op. Cit.**, 107.

	High Quality Gendarme	disciplined capital goods
	Broad Based Differentiation	Strategic choice and strategic position attributes For
	Prospectors	aggressive makers of complex capital goods
	Asset Conscious Focusers	capital goods
Robinson and Pearce (1988)	Efficiency and Service	27 competitive methods
	No Clear Strategy	
	Service/high-price markets and Brand Channel Influence	
	Product Innovation and Development	
	Brand Identification/Channel Influence and Efficiency	
Kim and Lim (1988)	Product Differentiators	15 strategy variables
	Market Differentiators	
	Overall Cost Leaders	
	Stuck In the Middle	
Douglas and Rhee (1989)	Broad Liner	Marketing tactics, market scope, business synergy (17 strategy variables)
	Innovator	
	Integrated Marketer	
	Low Quality	
	Nicher	
	Synergist	
Huang (2001)	Innovation	Eight statements about strategy
	Cost leadership	
	Stuck in the Middle	
Lillo and Lajara (2002)	Differentiation	Nineteen variables describing a firm's competitive strategy
	Innovation	
	Product Offering	
	Aggressive growth with narrow special product	
Powers and Hahn (2004)	General Differentiation	26 competitive methods
	Focus	
	Stuck In the Middle	
	Cost Leadership	
	Customer Service Diff.	

Adapted From Kerem Sumer, C. Ali Bayraktar, "Business Strategies and Gaps in Porter's Typology: A Literature Review", **Journal of Management Research**, vol. 4, iss. 3 (2012): 102-103.

"The distinction between 'taxonomical' and 'dimensional' approaches becomes essential to understand the concept of hybrid strategies. Porter seems to defend a 'taxonomical' approach when he argues that low costs and differentiation strategies are two alternative, inconsistent or incompatible methods to achieve a competitive advantage and outperform other companies in their industry. However, various authors defend a 'dimensional' approach, according to which Porter's competitive strategies should not be regarded as two unique strategies but as two dimensions with respect to which each firm must choose its position. Thus, according to Miller and

Dess, Porter's framework could be improved by viewing it as providing two important dimensions of strategic positioning (costs and differentiation) rather than as two distinct strategies.”¹²⁹

3.2. Competitive Advantage

Michael Porter was “the first writer to introduce the term competitive advantage to the vocabulary of the strategy discipline. The term competitive advantage is another of the strategy ‘buzzwords’ words that cause confusion for academics, business executives and consultants.”¹³⁰

Barney makes a useful connection when he says: “a firm experiences competitive advantages when its actions in an industry or market create economic value and when competing firms are engaging in similar actions. Barney argues competitive advantage is achieved when a firm is implementing a value creating strategy that is not being simultaneously implemented by any current or potential competitors. A sustained competitive advantage occurs where the firm is implementing a value creating strategy not being implemented simultaneously by rivals and other firms are unable to duplicate the benefits of this strategy. It is of interest that Barney does not comment on the possibility of competitive advantage being eroded by the innovation efforts of rival firms changing the market.”¹³¹

Porter considered that “in the long-term the extent to which the firm is able to create a defensible position in an industry is a major determinant of the success with which it will out-perform its competitors. He proposed competitive strategies by which a firm can develop a competitive advantage and create a defensible position.”¹³² He asserted that “firms could achieve competitive advantage through either cost leadership or differentiation, and he advised firms to avoid being stuck in the middle.”¹³³

¹²⁹ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 509-510.

¹³⁰ Tim O'Shannassy, “Sustainable Competitive Advantage or Temporary Competitive Advantage: Improving Understanding of An Important Strategy Construct”, **Journal of Strategy and Management**, vol. 1 iss. 2 (2008): 169.

¹³¹ O'Shannassy, **Op. Cit.**, 169.

¹³² S. Yamin, A. Gunasekaran, F.T. Mavondo, “Relationship between Generic Strategies, Competitive Advantage and Organizational Performance: An Empirical Analysis”, **Technovation**, vol. 19 (1999): 508.

¹³³ Jeremy Klein, “Beyond Competitive Advantage”, **Strategic Change**, vol. 11 (2002): 318.

For Lippman and Rumelt, “a competitive advantage is ‘sustainable’¹³⁴ only if it continues to exist after efforts to duplicate that advantage have ceased. Theoretically, this equilibrium definition of sustainable competitive advantage has several advantages, not the least of which is that it avoids the difficult problem of specifying how much calendar time firms in different industries must possess competitive advantages in order for those advantages to be ‘sustainable.’ Empirically, sustainable competitive advantages may, on average, last a long period of calendar time. However, it is not this period of calendar time that defines the existence of a sustainable competitive advantage, but the inability of current and potential competitors to duplicate that strategy that makes a competitive advantage sustainable.”¹³⁵

“A competitive advantage is meaningful if it is related to an attribute valued by the market. Customers need to perceive a consistent difference in important attributes between the producer’s products or services and those of its competitors. These differences must relate to some product/delivery attributes which are among the key buying criteria for the market.’ Product/delivery attributes are those variables that impact the customers’ perceptions of the product or service, its usefulness and its availability. Some examples of such attributes are product quality, price and after-sale service. Key buying criteria are those variables and criteria that customers use in making their purchase decisions. They are different for different industries and different market segments. Gupta and colleagues point out, that resources alone are frequently not enough to generate competitiveness over other firms. In creating a competitive advantage, a firm needs the ability to make good use of resources – defined as the capability to handle a given matter – and, as the ability grows over time, to utilize the available resources to create new resources, such as skills (through new technology or software application), or to open new doors to the development of new types of product. ‘A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player’. To gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these

¹³⁴ Since the sustained competitive advantage and the sustainable competitive advantage terms can be used interchangeably in the literature, in this study the sustainable competitive advantage term is preferred.

¹³⁵ Jay Barney, “Firm Resources and Sustained Competitive Advantage”, **Journal of Management**, vol.:17, iss.:1 (1991): 102-103.

resources have the ability to generate competitive advantage. Superior performance outcomes and superiority in production resources reflects competitive advantage. Most of authors have focused on two dimensions of Competitive advantage: Flexibility and Responsiveness. Therefore, our study focuses on these two key dimensions of competitive advantage. Flexibility defined as the firm's intent and capabilities to generate firm-specific real options for the configuration and reconfiguration of appreciably superior customer value propositions. Responsiveness refers to the firm's ability to respond quickly to customer needs and wants.”¹³⁶

“A number of the challenges for the strategy discipline in relation to understanding competitive advantage identified by Rumelt and Powell have been addressed. First, insight from Barney, Powell and Newbert is leveraged to advance and clarify terminology in an area of some debate in the strategy discipline. Competitive advantage is not organization performance. The synthesis of the literature here evidences that competitive advantage and organization performance are different constructs with the attainment of competitive advantage predicting strong organization performance. This point of clarification on terminology makes possible the development of the further research propositions presented. Second, we have seen competitive advantage can come from a firm making a sound decision or sound decisions overtime in relation to its generic position. Firm scale in an industry can be the source of competitive advantage helping the firm to be the lowest cost producer or have proximity to the lowest cost producer while giving greater benefits to customers in the provision of goods and/or services. Either of these outcomes increases the probability of a firm achieving and sustaining competitive advantage and the promise of strong performance. Firms making sound strategic decisions introduces a third argument in this paper, that firms with rare and valuable strategy resources give themselves the best probability of making sound positioning choices, achieving competitive advantage and in time strong organization performance. Fourth, the dynamic nature of the business environment, especially in relation to the influence of competitors, customers, regulation, technology and supply of finance is such that the achievement of competitive advantage is a dynamic bargain – dynamic in terms of some firms in some circumstances being able to achieve sustained

¹³⁶ S. Agha, L. Alrubaiee, M. Jamhour, “Effect of Core Competence on Competitive Advantage and Organizational Performance”, **International Journal of Business and Management** , vol. 7, iss. 1 (2012): 195.

competitive advantage and some firms in some industries achieving only temporary competitive advantage. An argument has been presented that not all of the elements of environmental uncertainty act in the same direction on strategic resources, competitive advantage and organization performance. Sustaining a permanent competitive advantage is very difficult, particularly in the age of the some uncertainty on supply of finance from the sub-prime crisis and the impact of the internet on customer behaviour and transaction capability.”¹³⁷

3.3. Types of Competitive Strategies

3.3.1. Pure Strategies

Porter argues that “firms have two primary types of competitive advantage: differentiation or low cost. Firms that follow one of these strategies, which are also often labelled as pure strategies, should achieve above-average firm performance.”¹³⁸

3.3.1.1. Low Cost Strategy

“The overall cost leadership strategy attempts to increase market share by emphasizing low cost relative to competitors. Generally, a low cost leadership strategy is most viable for larger firms capable of taking advantage of economies of scale, greater access to resources, and lower overhead resulting in overall lower per-unit cost. Gallo, a wine producer, provides an example of a firm that has achieved a cost-leader position in its industry. Its competitive advantage is attained from its proprietary technology for blending wines, the large volume of grapes that it purchases, its strong national advertising, its diversification into bottle making, and many other scale economies. It has consistently maintained at least a 15 per cent cost advantage over its largest domestic rivals. Cost advantages as significant as this require that firms apply a wide range of cost-reducing tactics covering all phases of the firm’s operation.”¹³⁹

“These strategies are about cost reduction. By referring to the literature, it is possible to divide cost strategies into two groups. The first group is cost leadership. Porter

¹³⁷ O’Shannassy, **Op. Cit.**, 175-176.

¹³⁸ Karl-Heinz Leitner , Stefan Guldenberg, “Generic Strategies and Firm Performance in SMEs: A Longitudinal Study of Austrian SMEs”, **Small Business Economics**, vol.:35 (2010): 170.

¹³⁹ A. Miller, G.G. Dess, “Asssesing Porter’s Model in terms of Its Generalazability, Accuracy and Simplicity”, **Journal of Management Studies**, vol. 30, iss. 4 (1993): 554.

broadly propounded this strategy for the first time. Cost leadership aims at reducing costs throughout ‘the value chain’¹⁴⁰ and reaching the lowest cost structure possible. A cost leader enterprise puts products with an acceptable quality and limited standard features on the market in order to gain competitive advantage and to maximize its market share. Such kinds of enterprises appeal to a wide group of customers. Cost leadership necessitates a reduction of costs in fields such as R&D and advertising. Besides economies of scale, cost reduction efforts through the experience curve, strict control over costs and overhead costs are important in this strategy.”¹⁴¹

More specifically, Barney & Hesterley propound that “there are six main cost advantages or sources of cost advantages for firms that successfully has adopted cost leadership: 1) Size differences and economies of scale, 2) Size differences and diseconomies of scale, 3) Experience differences and learning-curve economies, 4) Differential low-cost access to productive inputs, 5) Technological advantages independent of scale, and 6) Policy choices.”¹⁴²

“Having a low-cost position yields the firm above-average returns in its industry despite the presence of strong competitive forces. Its cost position gives the firm a defence against rivalry from competitors, because its lower costs mean that it can still earn returns after its competitors have competed away their profits through rivalry. A low-cost position defends the firm against powerful buyers because buyers can exert power only to drive down prices to the level of the next most efficient competitor. Low cost provides a defence against powerful suppliers by providing more flexibility to cope with input cost increases. The factors that lead to a low-cost position usually also provide substantial entry barriers in terms of scale economies or cost advantages. Finally, a low-cost position usually places the firm in a favourable position vis-à-vis substitutes relative to its competitors in the industry. Thus a low-cost position protects the firm against all five competitive forces because bargaining can only continue to erode profits until those of the next most efficient competitor

¹⁴⁰ The value chain describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use.

¹⁴¹ K. Sumer, C. A. Bayraktar, “Business Strategies and Gaps in Porter’s Typology: A Literature Review”, **Journal of Management Research**, vol. 4, iss. 3 (2012): 109-110.

¹⁴² J.B. Barney, W.S. Hesterley, **Strategic Management and Competitive Advantage-Concepts**, (New Jersey :Pearson Prentice Hall, 2006), 117.

are eliminated, and because the less efficient competitors will suffer first in the face of competitive pressures.”¹⁴³

“The second group follows a cash flow maximization strategy. Although observed in a limited number of studies, it should be isolated from cost leadership. The main goal in this strategy is not maximizing market share. Firms rather aim to extract provide maximum revenue out of the product in the maturity or decline stages of the product-life cycle. Mostly, enterprises operating in low growth-rate sectors, with high market shares or with low market shares and which are considering ending their operations in the present business soon, follow this strategy. In this strategy, investments are kept at the lowest level and, at the same time, high cash flow is maintained by reducing costs. Following denominations are referred to second group: harvesting, turnaround, slip and consolidation, stabilize turnaround and harvest.”¹⁴⁴

3.3.1.2. Differentiation Strategies

“Porter’s strategy of differentiation is based on creating a unique image or value for a product or service and can take many forms, including brand image, customer service and product innovation. Among industrial marketers, achieving differentiation can involve innovative design to create perceived value and/or manifesting a unique image for a product or service through advertising, prestige pricing or market segmentation. While controlling costs may also be important for the differentiator, it is primarily through the provision of proprietary features (e.g., brand image, customer service) that firms employing this strategy generate high margin potent.”¹⁴⁵

“Differentiation, if achieved, is a viable strategy for earning above-average returns in an industry because it creates a defensible position for coping with the five competitive forces, albeit in a different way than cost leadership. Differentiation provides insulation against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to price. It also increases margins, which avoids the need for a low-cost position. The resulting customer loyalty and the need for a competitor to overcome uniqueness provide entry barriers. Differentiation yields

¹⁴³ Michael E. Porter, **Competitive Strategy Techniques for Analysing Industries and Competitors**, (New York: Free Press, 1998), 35-36.

¹⁴⁴ Sumer, Bayraktar, **Op. Cit.**, 110.

¹⁴⁵ Davis, Dibrel, Janz, **Op. Cit.**, 340.

higher margins with which to deal with supplier power, and it clearly mitigates buyer power, since buyers lack comparable alternatives and are thereby less price sensitive. Finally, the firm that has differentiated itself to achieve customer loyalty should be better positioned vis-à-vis substitutes than its competitors.”¹⁴⁶

“The means for differentiation are peculiar to each industry. Differentiation can be based on the product itself, the delivery system by which it is sold, the marketing approach, and a broad range of other factors. In construction equipment, for example, Caterpillar Tractor’s differentiation is based on product durability, service, spare parts availability, and an excellent dealer network. In cosmetics, differentiation tends to be based more on product image and the positioning of counters in the stores.”¹⁴⁷

“Miller modified Porter’s conceptualization of the differentiation strategy, arguing that it conceals the wide variety differentiation can take. He posited two central forms of differentiation: one based on marketing, aiming at creating a superior brand image: and one founded on innovation and technology.”¹⁴⁸

3.3.1.2.1. Marketing Differentiation

“In this strategy, innovations are carried out in marketing activities rather than the product. In order to have a positive enterprise and product image, intense advertisement and promotion activities are emphasized. This aims to make a difference in issues such as post-production service and customer service. Moreover, it aims to maximize the sales by analysing, planning, implementing and controlling sales force activities. This group is variously denominated: market penetration and market development, sales maximizing, cash out, marketers, image differentiation and support differentiation, service/high-price markets and brand/channel influence, market differentiators, differentiation/follower, product offering, customer service differentiation.”¹⁴⁹

¹⁴⁶ Porter, **Competitive Strategy Techniques for Analysing Industries and Competitors**, 1998, 37-38.

¹⁴⁷ Michael E. Porter, **Competitive Advantage**. (New York: Free Press, 1998), 14.

¹⁴⁸ Spanos, Zaralis, Lioukas, **Strategy and Industry Effect on Profitability: Evidence From Greece**, 141.

¹⁴⁹ Sumer, Bayraktar, **Op. Cit.**, 110.

3.3.1.2.2. Innovation Differentiation

“This strategy aims to enhance product quality, performance and design. In this strategy, enterprises attempt to operate above the sector average by producing a product regarded as unprecedented in the industry and, in return, charging a higher price that the customer would agree to pay. This group has various denominations: product development and diversification, performance maximizing, prospector, high quality gendarme, innovators, innovation, quality enhancement, quality differentiation and design differentiation, product innovation and development, product differentiators, innovator and broad liner, pre-emptive/first Mover.”¹⁵⁰

3.3.2. Hybrid Strategies

Porter's competitive strategies, “overall cost leadership, differentiation, and focus have become a dominant paradigm in the business policy literature. According to Porter each of these represents a fundamentally different approach to creating and sustaining a competitive advantage... Usually a firm must make a choice between them or it will become stuck in the middle. Moreover, Porter stressed that achieving cost leadership and differentiation are usually inconsistent, because differentiation is usually costly.”¹⁵¹

“Porter's model is flawed in two important respects. First, differentiation can be a means for firms to achieve an overall cost leadership position. Hence, contrary to Porter's statement, cost leadership and differentiation are not necessarily inconsistent. Second, there are many situations in which establishing a sustained competitive advantage requires the firm to simultaneously pursue both low-cost and differentiation strategies because in many industries there is no unique cost leadership position. Particularly in mature industries, it is common for many firms to have similar minimum-cost structures. Among such firms, those that successfully emphasize both differentiation and low cost will be rewarded by superior economic performance. In contrast, Porter's model categorizes such firms as ‘stuck in the middle’ and predicts inferior economic performance for them. Although Porter recognized that firms can pursue both low cost and differentiation successfully, he

¹⁵⁰ Sumer, Bayraktar, **Op. Cit.**, 110-111.

¹⁵¹ Charles W. L. Hill, “Differentiation versus Low Cost or Differentiation and Low Cost: A Contingency Framework”, **Academy of Management Review**, vol. 13, iss. 3 (1988): 401.

maintained that this could occur only in three circumstances: when all competitors are stuck in the middle, when cost is strongly affected by share or interrelationships, and when a firm pioneers a major innovation. Moreover, Porter viewed these circumstances as temporary. He argued that even in these circumstances the firm pursuing both low cost and differentiation is vulnerable to the emergence of a capable competitor that stresses either differentiation or low cost. In other words, Porter stressed that the combination of low cost and differentiation is unlikely to produce a sustainable competitive advantage.”¹⁵²

However, ”in recent years some authors have criticized Porter’s notion of ‘stuck in the middle,’ claiming that a strategy that combines cost leadership and differentiation can also be a valid option. In the literature, such strategies have been referred to as ‘hybrid,’ ‘mixed,’ ‘combination’ or even ‘paradoxical’ strategies.”¹⁵³

“The consideration of the possibilities to improve the position in costs and in differentiation as mutually exclusive is based on two main arguments. On the one hand, the achievement of a greater differentiation often means higher costs. For instance, manufacturing higher quality products normally requires the use of more expensive raw materials and components as well as less standardized production processes. Offering customers a better service or having available larger stocks in order to deliver orders quickly increases costs too. On the other hand, these two competitive strategies require different skills and resources and are associated with different organizational requirements, systems and control mechanisms.”¹⁵⁴

Nevertheless, “two arguments can serve to defend the compatibility between these two strategies. The first is that reaching a strong position in one of these two strategies may lead to improving the position in the other. As Hill, and Miller and Friesen point out, achieving a strong position in differentiation may entail an increase in the demand and the market share of the firm, which will allow it to exploit certain economies of scale. Thus, creating a brand image through investments in advertising can result in efficiency improvements thanks to a greater market share and an accumulated production volume. Furthermore, with a strong position in costs, the firm will be able to invest its profits in marketing, service or product attributes, thus

¹⁵² Hill, **Op. Cit.**, 401.

¹⁵³ Leitner , Guldenberg, **Op. Cit.**, 170.

¹⁵⁴ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 509-510.

reinforcing its position in differentiation. Second, there are certain business practices with which it may be possible to improve both positions, namely quality management and environmental management. Deming explains that quality management implies higher quality (and thus differentiation), lower costs and increased productivity, which in turn may give the firm a greater market share and better competitiveness levels. Environmental management, through pollution prevention, can allow the firm to save and control costs, input and energy consumption, and may additionally increase the demand from environmentally sensitive consumers through the acquisition of a good ecological reputation. Furthermore, information and communication technologies can contribute to improve differentiation (through greater ability to respond rapidly to market changes) and low cost position (by management decision support systems which allow cost indicators to be displayed and predicted) of a firm.”¹⁵⁵

“Differentiation is most consistent with achieving a low-cost position under the following circumstances: when the firm's ability to differentiate the product is high, when consumers' commitment to the products of rival firms is low, when market growth is high, when market structure is fragmented, when the production process is new and complex, when economies of scale (particularly firm-level) are present, and when economies of scope exist. It is not necessary that all of these contingencies exist concurrently for the strategy to succeed. However, some contingencies are critical if the strategy is to work.”¹⁵⁶

“Specifically, if the firm's ability to differentiate the product is low, if switching costs are high, if the production process is well established, and if economies of scale and scope are negligible, the strategy will not work. Thus, at a minimum, it must be possible to differentiate the product, switching costs must be reasonable, and there must be the potential for cost reduction from some source, whether it is from learning effects, economies of scale, or economies of scope. It is also possible to identify specific industry environments within which the strategy is more likely to succeed. The importance of high market growth and a fragmented market structure on the demand side and learning effects on the cost side suggest that differentiation can be a strategy for achieving a low-cost position in emerging industries. As markets mature,

¹⁵⁵ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 509-510.

¹⁵⁶ Hill, **Op. Cit.**, 409.

differentiation becomes less relevant for a firm to achieve a low-cost position. Typically, in mature markets, growth is low, the structure is oligopolistic, brand loyalty is well established, and processes are well developed. These factors attenuate the impact of the strategy. However, even in mature markets, opportunities may arise for a firm to use differentiation in order to achieve a low-cost position: Technological change that leads to new processes can make learning effects significant again. If this occurs, the firm may use differentiation to facilitate movement down the new experience curve to a position of competitive advantage.”¹⁵⁷

3.3.3. Stuck-in-the-middle Strategies

“The idea of incompatibility between costs and differentiation competitive strategies advocated by Porter led him to coin the expression ‘stuck-in-the-middle’. Thus, Porter points out that a firm that engages in each competitive strategy but fails to achieve any of them is ‘stuck-in-the-middle’. Becoming ‘stuck-in-the-middle’ is often a manifestation of a firm’s unwillingness to make choices about how to compete. Porter’s idea refers to a lack of clarity in the strategy, which fails to place a distinct emphasis on either dimension. The ‘stuck-in-the middle’ option can also be interpreted as a decision to adopt a ‘middle-market’ position where the firm occupies a middle position both in costs and in differentiation with respect to its competitors. In any case, this concept has been used to refer to unsuccessful strategic combinations. It is very important to distinguish between firms that are ‘stuck-in-the-middle’ and those that combine competitive strategies. Thus, firms pursuing a hybrid strategy have dual emphases: they emphasize efficiency (low costs) and differentiation. Instead, being ‘stuck-in-the-middle’ would mean a non-competitive advantage with a high costs position and a low level of differentiation.”¹⁵⁸

“Firms in this group do not follow a certain strategy. For this reason, they unstably adapt to changes in the business environment. Some of them chase their successful rivals. Such strategies can be considered as counterfeiting. Generally, these kinds of enterprises cannot develop a compatible strategy with the structure and processes of the organization. Thus, we can say that an enterprise does not have an accurate strategy if it does not place emphasis on a strategic element that would bring about a

¹⁵⁷ Hill, **Op. Cit.**, 409.

¹⁵⁸ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 510-511.

competitive advantage. In the literature, stuck-in-the-middle strategy is also denominated as reactor, low commitment and undifferentiation.”¹⁵⁹

3.4. Link between Generic Competitive Strategies and Firm Performance

“A hybrid strategy is not only a viable strategy but can also be more profitable than pure strategies of low-cost or differentiation. Some studies provide empirical evidence of the positive relationship between hybrid competitive strategy and firm performance. The existence of certain problems associating with pure strategies intensifies the need to pursue a hybrid strategy to improve firm performance. First, strategic specialization may leave serious gaps or weaknesses in product offerings and ignore important customer needs. Most products must satisfy a significant market in numerous ways: with quality, reliability, style, novelty, convenience, service, and price. Unless firms meet all the important hurdles, they restrict their market to a smaller number of customers. Thus, a pure strategy that has key gaps can be detrimental to companies.”¹⁶⁰

Secondly, “another danger in pure strategies is that competitors may be able to imitate them more easily than hybrid strategies. Consider that firms can develop a pure strategy (low-costs or differentiation) through the combination of a high number of factors difficult to imitate by competitors. However, the hybrid strategy is even more difficult to pinpoint and imitate than these pure ones, because the hybrid strategy combines several factors related to low-costs and differentiation. Thus, companies that follow such pure strategies may be at a disadvantage compared to those that combine them in a creative way, because hybrid strategies may yield multiple sources of advantage over rival firms, and thus allow realization of higher performance. Third, regarding market changes, customer needs and tastes evolve, and competitors invent new challenges. Firms focusing on one pure strategy may be more vulnerable to such challenges and less responsive to changes than firms that emphasize both dimensions with a hybrid strategy. A hybrid strategy allows firms to maintain greater agility and flexibility in offering products that focus both on costs and on specific product features. Strategists can transform these three problems

¹⁵⁹ Sumer, Bayraktar, **Op. Cit.**, 112.

¹⁶⁰ E. Claver-Cortes, E. M. Pertusa-Ortega, J.F. Molina-Azorin, “Characteristics of Organizational Structure Relating to Hybrid Competitive Strategy: Implications for Performance”, **Journal of Business Research**, vol.:65 , iss. 7:(2012): 994-995.

associating with pure strategies into arguments for the adoption of hybrid strategies. Hybrid strategies may address customer needs better, may be more difficult to imitate, and may generate a more flexible and wider view. Proff argues that changes in the market environment, particularly in supply and demand conditions, make both strategies — low costs and differentiation — necessary at the same time, in order to increase firm performance. According to Proff, forecasting is becoming increasingly difficult because product cycles are becoming shorter, and discontinuities are increasing. This perspective means that a pure low-cost strategy has fewer chances of success because of the difficulties to achieve economies of learning and experience. So firms must be able to combine cost and differentiation strategies in a balanced way. Moreover, there are situations in which one cannot achieve a single low-cost position in a given industry. Hence, a need exists for differentiation as well as low costs to achieve a sustainable competitive advantage.”¹⁶¹

In short, the pursuit of hybrid competitive strategies may help obtain several sources of advantage, and thus make it possible to achieve higher performance levels.¹⁶²

¹⁶¹ Claver-Cortes, Pertusa-Ortega, Molina-Azorin, **Op. Cit.**, 995.

¹⁶² Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 512.

4. FIRM PERFORMANCE

4.1. The Concept of Firm Performance

For the strategy researcher, “the option to move away from defining (and measuring) performance or effectiveness is not a viable one. This is because performance improvement is at the heart of strategic management. More formally, the importance of business performance in strategic management can be argued along three dimensions-namely, theoretical, empirical, and managerial. Theoretically, the concept of business performance is at the centre of strategic management. Most strategic management -theories either implicitly or explicitly underscore performance implications, since performance is the time test of any strategy. Empirically, most strategy research studies employ the construct of business performance to examine a variety of strategy content and process issues. The managerial importance of business performance is all too evident in the many prescriptions offered for performance improvement. The increasing volume of research on corporate turnarounds and organizational transitions attests to the interest in organizational performance, adaptation, and survival.”¹⁶³

“Much of the research on performance measurement has come from organization theory and strategic management. For instance, Porter defines good performance as the above-average rate of return sustained over a period of years. For an empirical study, it is necessary to specify how a firm’s performance will exactly be measured.”¹⁶⁴

Venkatraman and Ramanujam have asserted that “firm performance is a multidimensional construct, and they also propounded three general levels of firm

¹⁶³ N. Venkatraman, V. Ramanujam, “Measurement of Business Performance in Strategy Research: A Comparison of Approaches”, **The Academy of Management Review**, vol.: 11, iss.:4 (1986): 801-802.

¹⁶⁴ P. Gibcus, R.G.M. Kemp, “Strategy and Small Firm Performance”, (Research Report, Scientific Analysis of Entrepreneurship and SMEs, 2003), 21.

performance. The three general levels of firm performance indicated by them are briefly discussed.”¹⁶⁵

“*Financial performance* is at the core of the organizational effectiveness domain. Such performance measures are considered necessary, but not sufficient to define overall effectiveness. Accounting-based standards such as return on assets (ROA), return on sales (ROS) and return on equity (ROE) measure financial success. These indicators really tap current profitability. *Firm performance*¹⁶⁶ measures market-related items such as market share, growth, diversification, and product development. There appear to be two dimensions here: (a) those indicators related to growth/share in existing business (e.g. sales growth and market share), and (b) those indicators related to the future positioning of the firm (e.g. new product development and diversification). *Organisational effectiveness* measures are closely related to stakeholders (other than shareholders). Examples of such measures are employee satisfaction, quality and social responsibility. There also seem to be two dimensions here: (a) those indicators related to quality (e.g. product quality, employee satisfaction, overall quality), and (b) those indicators related to social responsibility (e.g. environmental and community responsibility).”¹⁶⁷

¹⁶⁵ Gibcus, Kemp, **Op. Cit.**, 21.

¹⁶⁶ The firm performance term is used as business performance in the original study; within the scope of terminological unity, henceforth in this text, the term business performance refers to the term firm performance.

¹⁶⁷ Gibcus, Kemp, **Op. Cit.**, 21-22.

5. RESEARCH METHODOLOGY

5.1. Purpose of the Study

The essential purpose of this study was to examine the effect of generic competitive strategies and the comprehensiveness of strategic analysis on firm performance in scope of Turkish prominent manufacturing firms. In addition, the secondary purpose was to draw a strategic profile of the firms of interest in terms of their competitive moves and environmental analysis approaches.

More specifically, major purposes of the study are:

- To test the viability of hybrid competitive strategies combining differentiation and cost reducing methods;
- To test the effect of hybrid strategies on firm performance compared to pure strategies, ‘stuck-in-the-middle’ strategies and no strategy position;
- To also examine the comprehensiveness of strategic analysis for its direct effect on firm performance.
- To draw a profile of the prominent industrial firms in Turkey in terms of the certain strategic moves and competitive approaches.

5.2. Importance of the Study

Along with the numerous progresses in management and production technology, the countless progresses occurred in telecommunication and transportation realms have resulted in new challenges to businesses particularly since 1960s. Thanks to these progresses and several cultural shifts, costumer expectations have increased and are still increasing. Moreover, as a result of the dissolving customs walls, international enterprises and their products have become a part of daily economic life of former protectionist and semi-protectionist economies, such as Turkey. Accordingly, competition has been becoming tougher day by day. As Porter stated, “competition has intensified dramatically over the last several decades in almost all domains. It has spread across geography, so that nations must compete to maintain their existing

prosperity, much less enhance it. Competition has also spread to all sectors of society.”¹⁶⁸

In order to survive under such dynamic and turbulent market circumstances, environmental analysis has been gaining importance gradually. In other words, it is very valuable to know the answers to the questions of *where the business is, what is going on around?* These answers can be thought to significantly contribute to any firm’s decision making processes, thus its performance. But how do we know whether or not a comprehensive strategic analysis process directly affects firm performance? However, research related to the comprehensiveness of strategic decision process was very limited. Consequently, one of the important theoretical contributions of this study can be thought to deeply analyse the comprehensiveness of strategic analysis phenomenon, its dimension and the impacts on firm performance.

As for competitive strategy research, “the results obtained in previous research are far from conclusive. Some authors found that many of the most profitable firms had achieved either the lowest costs or the most differentiated position within their industry, which supported Porter’s position. However, others have checked that Porter’s generic strategies do not represent ways to achieve a higher performance level and that hybrid strategies are the ones entailing an improved performance. Additionally, the studies carried out have usually focused on one sector. This type of study allows one to have a more homogeneous sample, although one cannot generalize the research findings to other industries.”¹⁶⁹ From this point of view, employing a multi-industry research in manufacturing sector to promote the generalizability the results can be evaluated as one of the major important theoretical aspects of the study. The second important aspect can be considered as making contribution to the debate related to effects of pure and hybrid strategies on firm performance.

Besides the abovementioned theoretical contributions, the effort of the study to draw a frame for the profitability issue in manufacturing industry in point of strategic moves and competitive approaches can be counted as a practical contribution.

¹⁶⁸ Michael E. Porter, **On Competition**, Boston: Harvard Business School Press, 2008.

¹⁶⁹ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 509.

5.3. Scope of the Study

5.3.1. Population and Sample

5.3.1.1. Population

The population of the study based on the Turkey's Top 1000¹⁷⁰ Industrial Enterprises List of 2011 which prepared by ISO. In this list not only the members of ISO, but all of the major manufacturing firms of Turkey were included. Since the firm ranking was arranged in accordance with magnitude of the revenues, the lists reflected most successful manufacturing firms in the year of interest. In this sense, this population was counted to be rather appropriate for both investigating key competitive strategies to gain competitive advantage, and the effect of strategic analysis on firm performance.

The population reflects the firms that operate in various industries. The industry classification which was used by ISO as follows:

Table 5: Classification of Manufacturing Industries

Industrial Codes	Industrial Definitions
210	Mining and Quarrying
311	Manufacture of food products
312	Manufacture of food products not elsewhere classified (NEC)
313	Beverage industries (alcoholic and non-alcoholic)
314	Manufacture of tobacco processing
321	Manufacture of textiles
322	Manufacture of wearing apparel, except footwear
323	Tanning and dressing of leather; manufacture of leather substitutes
324	Manufacture of footwear
331	Manufacture of wood and products of wood and cork
332	Manufacture of wooden furniture
341	Manufacture of paper and paper products

¹⁷⁰ Combination of Top 500 and Second 500 Industrial Enterprises Lists.

342	Printing and publishing
351	Manufacture of basic chemicals
352	Manufacture of other chemical products
353	Manufacture of petroleum products
354	Oil and coal derivatives
355	Manufacture of rubber goods
356	Manufacture of plastic products NEC
361	Manufacture of pottery, china, earthenware and porcelain
362	Manufacture of glass and glass products
369	Manufacture of other non-metallic mineral products
371	Manufacture of basic iron and steel
372	Manufacture of non-ferrous products
381	Manufacture of metal products
382	Manufacture of machinery, except electrical
383	Manufacture of electrical machinery, apparatus and appliances
384	Manufacture of motor vehicles
385	Manufacture of professional, scientific and medical instruments and equipment
390	Other manufacturing
400	Power production and distribution,

Note: All branches of industrial activity are classified according to the United Nations International Standard Industrial Classification, ISIC Series M, No. 4, Rev.2.

5.3.1.2. Sample

The sample is obtained by the method of simple random sampling amongst the one thousand (1000) firms that forming the population. Sample gathering process was started from top of the list to bottom in order of production based sales of the firms, that is, firm revenues. On condition that proceeding from the top to the bottom of the list, upper-echelon executives or employers of every individual firm were asked to participate in the survey through phone. At the end of sampling process, 210 large and medium-sized firms took part in the survey. Ten of the survey forms are

discarded because of excessive missing values. Finally, a total sample of 200 firms was obtained, which of those either SBU.s or autonomous firms.

The sample was a combination of many different firms operating various industries. This feature of the sample can be regarded as contribution to improve the generalizability of the results. Industrial distribution of the sample firms as follows:

Table 6: Distribution of the Sample by Industries

Industrial Codes	Industrial Definitions	Sum of Cases	Percentage of Cases (%)
210	Mining and Quarrying	5	2,5
311	Manufacture of food products	25	12,5
312	Manufacture of food products not elsewhere classified (NEC)	8	4
313	Beverage industries (alcoholic and non-alcoholic)	2	1
314	Manufacture of tobacco processing	1	0,5
321	Manufacture of textiles	29	14,5
322	Manufacture of wearing apparel, except footwear	11	5,5
324	Manufacture of footwear	1	0,5
331	Manufacture of wood and products of wood and cork	4	2
332	Manufacture of wooden furniture	4	2
341	Manufacture of paper and paper products	4	2
351	Manufacture of basic chemicals	2	1
352	Manufacture of other chemical products	9	4,5
354	Oil and coal derivatives	1	0,5
355	Manufacture of rubber goods	3	1,5
356	Manufacture of plastic products NEC	12	6
362	Manufacture of glass and glass products	3	1,5
369	Manufacture of other non-metallic mineral products	13	7,5
371	Manufacture of basic iron and steel	12	6
372	Manufacture of non-ferrous products	9	4,5

381	Manufacture of metal products	3	1,5
382	Manufacture of machinery, except electrical	6	3
383	Manufacture of electrical machinery, apparatus and appliances	11	5,5
384	Manufacture of motor vehicles	12	6
390	Other manufacturing	2	1
400	Power production and distribution,	8	4

As can be seen from the graph below, most frequently occurred industries in the sample were textiles, food products, iron and steel, non-metallic mineral products, plastic products, electrical machinery, wearing apparel, motor vehicles.

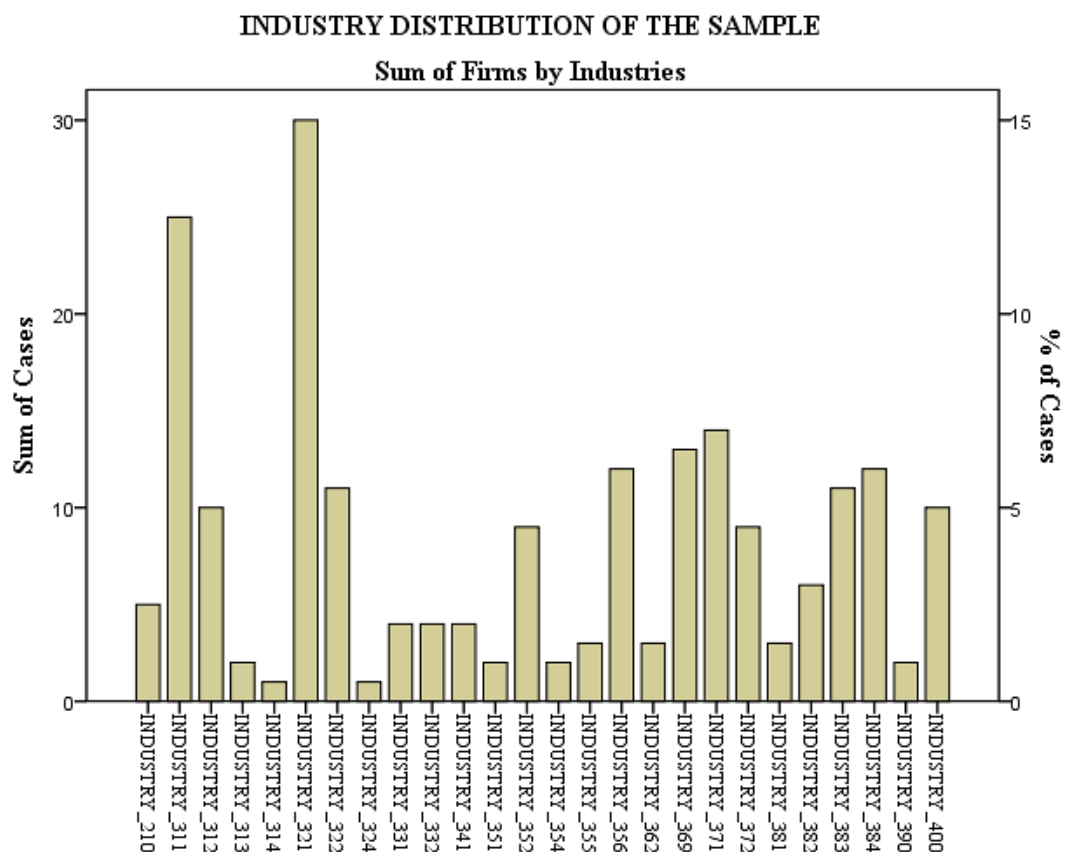


Figure 6: Industry Distribution Graph of the Sample

Another evaluation must be carried out regarding the size profile of the sample. Although a vast majority of the sample was comprised of large-sized firms, there were also medium-sized ones in the sample. A detailed size profile of the sample is presented in Table 7 below:

Table 7: Size Profile of the Sample Firms

Firm Type	Sum of Cases	Percentage of Cases (%)
Large-sized Firms	134	67
Medium-sized Firms	66	33
Small-sized Firms	--	--
Micro-sized Firms	--	--

By considering the time horizon of the study, in order to identify the firms sizes, it was used the former SME definition based on The Council of Ministers’ decision numbered 2005/9617¹⁷¹ which was valid from November, 2005 until November, 2012. As the regulation defined:

The enterprises which employ fewer than 250 employees and whose an annual turnover or an annual balance sheet total is not exceeding 25 million TL are within the SME definition of KOSGEB, no matter what their legal status is. And small enterprises are the enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 8 million TL.

According to this SME regulation, the staff headcount not only covers employees; but all the persons working as subordinated to the firm, and all persons considered to be employees of the firm under national laws, such as, owner-managers, partners engaging in a regular activity in the firm and benefiting from financial advantages of the firm.

¹⁷¹ “Regulation for Definition, Qualification and Classification of SME.s” <http://www.resmigazete.gov.tr/eskiler/2005/11/20051118-5.htm>, [20.11.2013]; Henceforth in the text, the term “former SME regulation” refers to The Council of Ministers’ Decision numbered 2005/9617 which had come into force by being published in 18th November, 2005 dated and 25997 numbered official gazette.

The staff headcount is expressed as annual work units. Anyone who works full-time within the firm, or on its behalf, during the entire reference year counts as one unit. Part-time staff, seasonal workers and those who did not work the full year were treated as fractions of one unit. Accordingly, this method also was used by ISO to specify the staff headcount.

On the other hand, apprentices or students engaged in vocational training with an apprenticeship or vocational training contract were not taken into the staff headcount.

5.3.2. Assumptions and Limitations

5.3.2.1. Assumptions

Firstly, there were two data sources for the research, that is, one source was the ready quantitative data obtained from ISO Database¹⁷²; and the other source was the questionnaire of research that measures perceptions of the participants. To assess the perceptions of participants precisely, the questionnaire form was aimed to arrange as simplistic as possible. The questions and options were built so as to ask one thing in a clear manner. Based on these aspects, it was assumed that the questions and options were clearly understood by the whole sample.

Additionally, scientific functions and purposes of the study were explained to the participants not only to procure sincere answers, but also to rule out the test effect. In this regard, it was assumed that participants gave true and honest answers to the questions.

5.3.2.2. Limitations

Like similar examples, in Turkey, because of mainly competitive, and cultural reasons and/or legal responsibilities, some firms do not prefer to decelerate their data. Similarly, some firms preferred censoring their data partly or completely in ISO Database. In order to overcome this difficulty, the firm rankings in the List that based on annual revenues were utilized. In other saying, since the firms were ordered by their magnitude of revenues, if the firm revenue parameter was absent in the list, it

¹⁷² Here in after in the text, the term ISO Database refers to Turkey's Top 1000¹⁷² Industrial Enterprises List of 2011 by ISO.

was possible to estimate the approximate interval of this parameter via its ranking. By this method, the magnitude of the firms censoring their data could be determined.

Another consequence of the censored data was to constitute an impediment for researchers to contact with the whole population. For this reason, missing contact information was considered as a limitation from the point of reaching the firms in the list and including the whole population in the study. Approximately 800 out of 1000 firms could be reached.

Some other theoretical limitations faced in the study should be listed as, first, the data were gathered only from the middle and large sized manufacturing firms, this follows that the generalizability of results is limited in point of small firms. Second, single respondent was participated in research from each firm; this may be considered as a possible limitation to measuring firm performance in the most objective manner.

5.4. Measurement and Scale Development

5.4.1. Independent Variables

Independent Variables are composed of two elements, namely, *generic competitive strategies* and the *comprehensiveness of strategic analysis*¹⁷³.

5.4.1.1. Operationalization of Generic Competitive Strategies

As has already been done in previous works, “this study treated Porter’s generic competitive strategies as different dimensions which shape the competitive strategy adopted by each firm and not as different, mutually exclusive types of strategies, i.e. any firm can follow each of them to a greater or lesser extent. Furthermore, as explained above, two types of differentiation strategies were established: via innovation, through either new products or new technologies, and via marketing, trying to offer an attractive package, good service, suitable locations, a good product or service reliability level or a brand image.”¹⁷⁴

¹⁷³ Herein after in the text, the term ‘comprehensiveness of strategic analysis’ also refers to the abbreviation ‘CSA’.

¹⁷⁴ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 513-514.

In other saying, this study handled the three dimensions of competitive strategies as low cost, marketing differentiation and innovation differentiation. The low cost dimension was gauged using the 10 competitive method items denoted in Table 8 below. High values of this measure indicate a relative success in cost efficiency compared to the major competitors, thus a realized low cost position. However, this low cost position does not always mean a cost leadership in an industry. The marketing differentiation dimension was measured using 8 competitive method items. Finally, innovation differentiation strategy is evaluated with the help of 9 competitive method items. Totally 27 items were employed to measure the three dimensions of competitive strategy. Respondents were asked to indicate to what extent their firms emphasize each of 27 competitive methods. Responses in the questionnaire were on a Likert-type scale ranging from 0="We never use this approach or Never" to 6="We use this approach very frequently or Very frequently". And later at the analysis stage, the scale was recoded into the 1-7 interval.

It should be noted that, "consistent with the vast majority of empirical research on strategic management, we focus here on realized, not intended strategies."¹⁷⁵ According to Mintzberg, "defining *realized strategy as a pattern in a stream of decisions* enables us to consider both sides of the strategy formation coin: strategies as intended, a priori guidelines as well as strategies as evolved, a posteriori consistencies in decisional behaviour. In other words, the strategy-maker may formulate a strategy through a conscious process before he makes specific decisions, or a strategy may form gradually, perhaps unintentionally, as he makes his decisions one by one. This definition operationalizes the concept of strategy for the researcher. Research on strategy formation (not necessarily formulation) focuses on a tangible phenomenon-the decision stream- and strategies become observed patterns in such streams."¹⁷⁶

"The use of these objective indicators allows us to assess the extent to which firms exhibit tangible, realized patterns of strategic behaviour. In particular, we treat these variables as indicants of generic strategy dimensions on which a firm can score low, medium, or high. We thus develop a model of $p^n = 27$ possible strategy combinations

¹⁷⁵ Spanos, Zaralis, Lioukas, **Strategy and Indusrty Effect on Profitability: Evidence From Greece**, 149.

¹⁷⁶ H. Mintzberg, "Patterns in Strategy Formation", **Management Science**, vol. 24, iss. 9, (1978): 935.

resulting from $n = 3$ elements (low cost, marketing differentiation, innovation differentiation) taking $p = 3$ possible values (low, medium, high). For each of the three competitive strategy variables (dimensions), we identified the highest, middle, and lowest thirds based on the observed values.”¹⁷⁷

The 27 possible strategy combinations in question were categorized under 12 distinct strategies (See Table 7). In order to test the performance effect of these 12 strategies, one strategy group left as base category, and remaining 11 of the 12 strategy variables were defined using a dummy coding scheme¹⁷⁸. The first three rows represent Porter’s pure strategies. These were *pure low cost*, *pure marketing* and *pure innovation* in which only one of the three dimensions, namely low cost, marketing differentiation and marketing differentiation, exhibited a high score despite the other two dimensions’ low scores. On the fourth row, *perfect hybrid* strategy was located, which the entire strategic dimension exhibited high scores. Besides the perfect hybrid strategy, there were six additional hybrid strategies which at least one dimension presented a high score the rest average and low; or two dimensions showed a high score the rest either average or low.

“In keeping with the extant literature, we isolated the 'stuck-in-the-middle' as a particular form of hybrid strategy that corresponds to the group of firms that fall near the average on all three dimensions. The remaining seven combinations collectively defined a reference group ('no strategy') characterized by no clear or presumably unattractive strategy combinations.”¹⁷⁹

Table 7: Combinations of Generic Competitive Strategies

Combination No.	Generic Strategic Dimensions			Competitive Strategy
	<i>Innovation Differentiation</i>	<i>Marketing Differentiation</i>	<i>Low Cost^a</i>	
<i>Pure Strategy Combinations</i>				
1	High	Low	Low	Pure Innovation

¹⁷⁷ Spanos, Zaralis, Lioukas, **Strategy and Industry Effect on Profitability: Evidence From Greece**, 149-150.

¹⁷⁸ See also M. A Hardy, **Regression with Dummy Variables**, Newbury Park, CA: Sage, 1993.

¹⁷⁹ Spanos, Zaralis, Lioukas, **Strategy and Industry Effect on Profitability: Evidence From Greece**, 150.

2	Low	High	Low	Pure Marketing
3	Low	Low	High	Pure Low Cost
Hybrid Strategy Combinations				
4	High	High	High	Perfect Hybrid
5-6	High	High	Average or Low	Hyb. Innovation and Marketing
7-8	High	Average or Low	High	Hyb. Innovation and Cost
9-10	Average or Low	High	High	Hyb. Marketing and Cost
11-13	High	Average or Low	Average or Low	Hyb. Innovation and Others
14-16	Average or Low	High	Average or Low	Hyb. Marketing and Others
17-19	Average or Low	Average or Low	High	Hyb. Costs and Others
Stuck-in-the-middle Strategy				
20	Average	Average	Average	Stuck-in-the-middle
Unclear or Unattractive Combinations				
21	Average	Average	Low	'No Strategy' (Reference Group)
22	Low	Average	Average	
23	Average	Low	Average	
24	Low	Low	Average	
25	Low	Average	Low	
26	Average	Low	Low	
27	Low	Low	Low	

^a A high score in this dimension means a low cost position and a low score signifies the opposite.

*Adapted from the works of both Y. E. Spanos, G. Zaralis, S. Lioukas, "Strategy and Industry Effect on Profitability: Evidence From Greece", **Strategic Management Journal**, vol.25 (2004): 150. and E. M. Pertusa-Ortega, J.F. Molina-Azorin, E. Claver-Cortes, "Competitive Strategies and Firm Performance: A Comparative Analysis of Pure, Hybrid and 'Stuck-in-the-middle' Strategies in Spanish Firms", **British Journal of Management**, vol. 20, (2009): 516.*

A description of the items employed to measure the generic competitive strategy variable is presented below in Table 8.

Table 8: Dimensions, Items, and Literature of Generic Competitive Strategies

Variable	Dimension	Item (question numbers in parentheses)	Literature Support
Generic Competitive Strategy	Low Cost	Minimization of general costs (1) Minimization of production costs (2) Lower costs than competitors (3) Lower prices than competitors (4) Economies of scale (5) Process automation (6) Productivity improvement (7) Cost standards (8) Minimization of advertising expenses (9) Cost centres (10)	Beal, 2000; Govindarajan, 1988; Hambrick, 1983; Kim and Lim, 1988; Lee and Miller, 1996; Luo, 1999; Miller, 1986, 1988, 1991; Miller and Toulouse, 1986; Miller, Dröge and Toulouse, 1988; Pelham and Wilson, 1996; Pertusa-Ortega, Molina-Azorin, Claver-Cortes, 2009; Souitaris, 2001; Zahra and Covin, 1993
	Marketing Differentiation	Intensive promotion (11) Intensive sales force (12) Advertising campaigns (13) Brand image (14) Complementary services (15) Innovative marketing ^b (16) Continuous improvement in market share ^b (17) Advertising/Sales ratio (26)	
	Innovation	Following tried-and-trues ^b (18)	

	Differentiation	Leadership in innovation (19) Higher quality (20) Frequency of product or service innovations (21) Frequency of presenting new products ^b (22) Frequency of incremental innovations (23) Frequency of new patent registrations ^b (24) Frequency of process innovations (25) R&D/Sales ratio (27)
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^b The item developed by the researcher.

5.4.1.2. Operationalization of the Comprehensiveness of Strategic Analysis

The comprehensiveness of strategic analysis variable was measured by 41 items which assembling under the ‘theoretical indices’ of (i) *utilizing internal alignment information*, (ii) *utilizing external information sources*, (iii) *analysis of macro environment opportunities-threats*, (iv) *analysis of industry environment opportunities-threats*, (v) *analysis of internal environment opportunities-threats*. These five theoretical indices, in other words the comprehensiveness of strategic analysis variable, were based on essentially works of Alpan¹⁸⁰, Eren¹⁸¹, Ginter, Rucks and Jack¹⁸², Wheelen and David Hunger¹⁸³.

In parallel with the theoretical context, the comprehensiveness of strategic analysis measure was composed of five basic root questions that based on the aforementioned five indices. Responses in the questionnaire were on a Likert-type scale ranging from

¹⁸⁰ L. Alpan, “Stratejik Yönetimin Kapsamlılığı, Stratejik Tercihler ve Yönetici Özellikleri Arasındaki İlişkiler”. Doctorate Thesis, GYTE Social Sciences Institute, 2000.

¹⁸¹ Erol Eren, **Op. Cit.**, 2000.

¹⁸² P.M. Ginter, A. Rucks, J. Duncan, “Planners’ Perceptions of Strategic Management Process’, **Journal of Managements Studies**, vol. 22, iss. 6, 1985.

¹⁸³ T. Wheelen, L., J. David Hunger, **Strategic Management and Business Policy: Concepts and Cases**. 10th Ed., Upper Saddle River, N.J.: 2006.

0="Never" to 6="Mostly". Later, the scale was recoded into the 1-7 interval at the analysis stage.

The comprehensiveness of strategic analysis variable was deeply investigated via a factor analysis; and then a regression analysis was run to test its effects on firm performance.

The factorability of 41 items from the comprehensiveness of strategic analysis measure was examined using principle components factor analysis (PCA). The primary reason for using Principle components analysis was to compute composite scores for the factors underlying the variable and 'provide an empirical summary of the data'¹⁸⁴.

In Stage 1, 'several well-recognised guidelines'¹⁸⁵ were used to determine whether the data appropriate for conducting a factor analysis. Firstly, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy value was .889, which corresponds to 'great' level, according to Field¹⁸⁶, for a factor analysis. Secondly, Bartlett's test of sphericity was significant ($\chi^2(820) = 8472,169$, $p = .000 < .05$). And finally, all the values on the diagonal of the anti-image correlation matrix were over the value of .5, and this follows that all the items should be kept in the factor analysis at this stage. Given these overall indicators, factor analysis was conducted with all 41 items.

In Stage 2, the dimensionality of the 41 items of the variable was analysed. Along with 'a priori conceptual beliefs about the number of factors based on past research or theory'¹⁸⁷, three guidelines were used to determine the number of factors to rotate: (i) the a priori hypothesis that the measure was uni-dimensional, (ii) magnitude of eigenvalues, (iii) and the interpretability and simplicity of the factor solution.

The eigenvalues indicated that the initial hypothesis of uni-dimensionality was incorrect. For the purpose of identifying the number of factors to extract, an initial analysis was run to obtain the eigenvalues for each component in the data. The scree plot was rather ambiguous and showed inflexion points that would not justify

¹⁸⁴ B. G. Tabachnick, L. S. Fidell, **Using Multivariate Statistics**, 5th ed. (Upper Saddle River, NJ: Pearson Allyn & Bacon, 2007), 635.

¹⁸⁵ B. Durmuş, E.S. Yurtkoru, M. Çinko, **Sosyal Bilimlerde SPSS'le Veri Analizi**, 4.Ed., Istanbul: Beta Publishing, 2011.

¹⁸⁶ Andy P. Field, **Discovering statistics using SPSS**, 3rd ed. (London: Sage, 2009), 659.

¹⁸⁷ S.B.Green, N.J. Salkind, **Using SPSS for Windows and Macintosh: Analysing and Understanding Data**, 3rd Ed., Upper Saddle River, N.J: Prentice Hall, 2003, 314.

retaining dimensions precisely. However, nine components satisfied the *Kaiser's criterion* (*all factors with eigenvalues greater than one*), which provided interpretable factor solutions. In other saying, the initial eigen values showed that the nine factors holding the criterion of eigenvalues greater than 1 explained 78,1 % of the total variance. (See Table 9 for each factor's % of explained variance.)

“Rotation methods are either orthogonal or oblique. Simply put, orthogonal rotation methods assume that the factors in the analysis are uncorrelated. In contrast, oblique rotation methods assume that the factors are correlated.”¹⁸⁸ Tabachnick and Fidell express that, “perhaps the best way to decide between orthogonal and oblique rotation is to request oblique rotation with the desired number of factors and look at the correlations among factors. However, if factor correlations are not driven by the data, the solution remains nearly orthogonal.”¹⁸⁹ In parallel with this information, initially the oblique rotation procedures, and later the orthogonal ones were requested. The results of the oblique rotation procedures were compared to those of the orthogonal ones. Because the factor scores obtained were more interpretable, and the correlations among the factors were modest or limited, *orthogonal equamax rotation* procedure was chosen.

The rotated solution, as shown in Table 9, yielded nine interpretable factors. The factor scores were saved as variables by *regression method* and named in line with their primary item loadings, that is, the highest loaded item in the factor. Within the second factor, *macro environmental information sources*, three items, which are *international economic situation*, *national political landscape* and *changes in social-cultural circumstances*, were slightly cross-loaded. According to Costello and Osborne, “a cross-loading item is an item that loads at .32 or higher on two or more factors. The researcher needs to decide whether a cross-loading item should be dropped from the analysis, which may be a good choice if there are several strong loadings (.50 or better) on each factor.”¹⁹⁰ In the light of this information, because of no factor loadings other than the primary loading *in the row* exceeded .50, and the

¹⁸⁸ R. L. Gorsuch, **Factor Analysis**, 2nd ed. (Hillsdale, NJ: Lawrence Erlbaum Associates, 1983), 203-204.

¹⁸⁹ Tabachnick, Fidell, **Op. Cit.**, 637-638.

¹⁹⁰ A.B. Costello, , J.W. Osborne, ”Best Practices in Exploratory Factor Analysis: Four recommendations for getting the most from your analysis”. **Practical Assessment, Research and Evaluation**, vol.10, iss. 7 (2005): 4. *cited from* B. G. Tabachnick, L. S. Fidell, **Using Multivariate Statistics**, 5th ed. (Upper Saddle River, NJ: Pearson Allyn &Bacon, 2001

‘content integrity’¹⁹¹ within the factor; no items were dropped from the analysis. Furthermore, it was observed that the *power of the labour unions, changes in labour market* item acted in unison with the financial information factor, this evaluated that the nature of the *power of labour unions, changes in labour market* item is in harmony with financial sources and markets.

Following the factor analysis, internal consistency for the each scale was examined using Cronbach’s Alpha model. The alpha coefficients indicated high reliability, with Cronbach’s values of .968 for Internal Alignment Information (7 items), .934 for Macro Environmental Information (9 items), .909 for Financial and Labour Information (3 items), .902 for Competitor Information (3 items), .888 for Institutional Open Information (4 items), .846 for Professional Readymade Information (4 items), .810 for Internal Information Sources (5 items), .823 for Supplier Information (3 items), .865 for Customer Information (3 items). Given these circumstances, it was considered that the comprehensiveness of strategic analysis scales satisfied the reliability and the construct validity.

Overall, the analyses and assessments indicated that nine distinct factors were underlying the comprehensiveness of strategic analysis items, and these factors were highly internally consistent. By considering both the conceptual beliefs and statistical results, no items were eliminated. Beyond the KMO measure of sampling adequacy, three further sample adequacy criteria were applied to assess the generalizability of the factor analysis results. (i) Tabachnick and Fidell advise that, for a factor analysis a sample of 200 is a fair quantity.¹⁹² (ii) And as a rule of thumb, Kass and Tinsley recommended, “at least, having between 5 and 10 participants per variable up to a total of 300 (beyond which test parameters tend to be stable regardless of the participant to variable ratio).”¹⁹³ (iii) MacCallum, Widaman, Zhang, and Hong’s study indicated that, “the lower communalities become, the higher importance of sample size is. With all communalities above 0.6, relatively small samples (lesser than 100) may be perfectly adequate.”¹⁹⁴ To conclude, considering the sample size (N=200), the case to item ratio (200/41 \cong 5) and the high average of

¹⁹¹ Durmuş, Yurtkoru, Çinko, **Op. Cit.**, 86.

¹⁹² Tabachnick, Fidell, **Op. Cit.**, 613 *cited from* A. L., Comrey, H. B. Lee, **A First Course in Factor Analysis**, 2nd ed., Hillsdale, NJ: Lawrence Erlbaum Associates: 1992.

¹⁹³ Field, **Op. Cit.**, 647.

¹⁹⁴ Field, **Op. Cit.**, 647.

the communalities ¹⁹⁵ (32,037/41 \cong 0.8), the adequacy of sample size and the generalizability of the results can be stated as good (more than fair, less than excellent). Furthermore, one-sample Kolmogorov-Smirnoff test of normality results ¹⁹⁶ indicated that approximately normal distribution was evident for the composite factors in the current study, thus the data were well suited for parametric statistical analyses.

¹⁹⁵ See Table 9.

¹⁹⁶ See Appendix 3 for the normal distribution histograms and the Kolmogorov-Smirnoff test of normality results of the CSA dimensions.

Table 9: Factor Loadings and Communalities Based on Principle Components Analysis (PCA) with Equamax Rotation for 41 Items of the Comprehensiveness of Strategic Analysis Scale (CSA) (N=200)

ITEMS (Cronbach’s Alpha Values in parentheses)	FACTOR									COMMUNALITIES
	1	2	3	4	5	6	7	8	9	
	Internal Alignment Information	Macro Environmental Information	Financial and Labour Information	Competitor Information	Institutional Open Information	Professional Readymade Information	Internal Information Sources	Supplier Information	Customer Information	
Internal Alignment Information Items: INTRNL_ALIGN (Alpha .968)										
To what extent do you analyse the following internal environmental factors within the scope of internal alignment? [Alignment of employee talents with the strategic purposes]	.887	,125	,088	,107	,066	,072	,083	,135	,165	.883
To what extent do you analyse the following internal environmental factors within the scope of internal alignment? [Alignment of resource allocation among departments with strategic purposes]	.885	,132	,131	,131	,040	,010	,057	,199	,160	.905
To what extent do you analyse the following internal environmental factors within the scope of internal alignment? [Alignment of communication and coordination among departments with the strategic purposes]	.858	,132	,191	,056	,024	,081	,071	,090	,169	.842

To what extent do you analyse the following internal environmental factors within the scope of internal alignment? [Alignment of the corporate culture, leadership style with the strategic purposes]	.853	,074	,117	,192	,040	,091	,091	,123	,165	.845
To what extent do you analyse the following internal environmental factors within the scope of internal alignment? [Alignment of department purposes with strategic purposes]	.821	,168	,045	,147	,057	,001	,084	,247	,216	.844
To what extent do you analyse the following internal environmental factors within the scope of internal alignment? [Alignment of employees' purposes with those of the firm]	.815	,157	,062	,117	,006	,022	,186	,234	,234	.851
To what extent do you analyse the following internal environmental factors within the scope of internal alignment? [Alignment of current long-term and short-term financial resources with the strategic purposes]	.799	,139	,178	,246	,109	,075	-,021	,082	,204	.816
Macro Environmental Information Items: MACRO_ALGN (Alpha .934)										
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [Agreements made by the national governments with foreign countries and institutions]	,068	.642	,365	,278	,225	,198	-,076	,008	,276	.799
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [Economic and political decisions of the national governments]	,052	.641	,368	,341	,216	,119	,033	-,057	,220	.779
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [National economic conditions]	,077	.636	,355	,320	,230	,063	,014	,021	,290	.780

To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [Pressures for protecting natural environment]	,230	.622	,188	,075	,102	,289	,085	,265	,093	.661
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [International economic situation]	,131	.595	,064	,335	,353	,108	,004	,127	,319	.741
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [International political landscape]	,161	.591	,236	,210	,221	,217	,048	,289	,232	.711
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [Technological factors]	,187	.574	,172	,141	,387	,115	,145	,285	,009	.679
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [National political landscape]	,091	.544	,362	,182	,144	,209	,073	,321	,180	.673
To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats? [Changes in socio-cultural circumstances]	,152	.521	,446	,101	,072	,378	,049	,102	,192	.701
<i>Financial and Labour Information Items: FINANCE_LAB_INFO (Alpha .909)</i>										
To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Bargaining power of the financial institutions]	,074	,162	.775	,203	,258	,153	-,049	,271	,127	.856
To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Opportunities for providing external financing]	,094	,203	.736	,291	,203	,195	-,026	,242	,067	.819

To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Power of the labour unions, changes in labour market]	,182	,248	.727	,044	,167	,281	-,069	,095	,148	.769
<i>Competitor Information Items: COMPTTR_INFO (Alpha.902)</i>										
To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Competitive force, number and size of the competitors]	,112	,175	,185	.871	,061	,106	-,041	,244	,185	.947
To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Strategies of the competitors]	,090	,189	,182	.869	,054	,143	-,027	,243	,201	.955
To what extent do you analyse external environmental information sources during strategy formation stage? [Competitors]	,086	-,020	,043	.679	,219	,108	,204	,101	,324	.687
<i>Institutional Open Information Sources Items: OPEN_INFO (Alpha .888)</i>										
To what extent do you analyse external environmental information sources during strategy formation stage? [Professional Chambers]	-,028	,115	,191	-,022	.809	,249	,167	,122	,035	.811
To what extent do you analyse external environmental information sources during strategy formation stage? [Governmental Information Sources]	,028	,232	,150	,120	.809	,333	,027	,005	,065	.862
To what extent do you analyse external environmental information sources during strategy formation stage? [Academic Sources]	,060	,120	,208	,156	.649	,481	-,058	-,006	,153	.765

To what extent do you analyse external environmental information sources during strategy formation stage? [Finance and Investment Institutions]	-,003	,023	,544	,244	.558	,120	,163	,147	,181	.762
<i>Professional Readymade Information Sources Items: READY_INFO (Alpha .846)</i>										
To what extent do you analyse external environmental information sources during strategy formation stage? [Marketing Research Firms]	-,004	,025	,104	,135	,178	.853	,093	,077	,084	.811
To what extent do you analyse external environmental information sources during strategy formation stage? [Professional Consultancy]	-,002	,094	,252	,074	,380	.734	,030	,005	,011	.763
To what extent do you analyse external environmental information sources during strategy formation stage? [Advertising and Media agencies]	,051	,129	,137	,000	,120	.725	,229	,364	,013	.764
To what extent do you analyse external environmental information sources during strategy formation stage? [Internet and Media]	-,018	,179	,106	,186	,337	.594	,026	,010	,194	.583
<i>Internal Information Sources Items: INTNL_INFO_SOUR (Alpha .810)</i>										
To what extent do you analyse external environmental information sources during strategy formation stage? [The Employing Experts]	-,042	,049	,068	-,001	,013	,056	.848	,120	,173	.776
To what extent do you analyse external environmental information sources during strategy formation stage? [Other Staff]	-,010	-,140	,006	,037	,060	-,106	.786	,132	-,185	.706
To what extent do you analyse external environmental information sources during strategy formation stage? [Firm's Accounting Records and other records alike]	,102	-,030	,120	-,105	-,154	,130	.739	,108	,108	.646

To what extent do you analyse external environmental information sources during strategy formation stage? [Department Managers]	,143	,154	-,130	,102	,207	,115	.737	,082	-,001	.677
To what extent do you analyse external environmental information sources during strategy formation stage? [Top Executives]	,139	,172	-,210	,106	,256	,191	.550	-,008	,122	.524
Supplier Information Items: SUPPLR_INFO (Alpha .823)										
To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Competitive Force, Number and Size of the Suppliers]	,141	,074	,122	,213	-,002	,059	,094	.899	,094	.916
To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Strategies of the Suppliers]	,140	,084	,171	,210	-,004	,087	,124	.882	,095	.910
To what extent do you analyse external environmental information sources during strategy formation stage? [Suppliers]	-,063	-,200	-,086	-,116	,258	,032	,348	.560	,458	.778
Customer Information Items: CUSTMR_INFO (Alpha .865)										
To what extent do you analyse external environmental information sources during strategy formation stage? [Customers]	,151	,010	-,001	,170	,128	,083	,127	,078	.867	.850
To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Competitive Force, Number and Size of the Customers]	,269	,245	,268	,414	-,088	-,004	-,089	,230	.614	.822

To what extent do you analyse the following industry-environmental factors within the scope of opportunities and threats? [Demand Structure of Customers]		,211	,293	,246	,423	-,102	,050	-,115	,180	.583	.768
% of Variance Explained		13.4	9.64	8.46	8.44	8.06	7.99	7.79	7.46	6.85	
Total Variance Explained (%)		78.141									
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.889									
Bartlett's Test of Sphericity	Approx. Chi-Square	8472.169									
	df	820									
	p Value (Sig.)	.000									

5.4.2. Dependent Variable

Dependent variable was consisted of one composite *firm performance* variable, gauged by six subjective performance indicators as depicted in Table 10.

5.4.2.1. Operationalization of Firm Performance

“Although the importance of the *performance*¹⁹⁷ concept is widely recognized, the treatment of performance in research settings is perhaps one of the thorniest issues confronting the academic researcher today.”¹⁹⁸ It can be claimed that, the major reasons that makes the firm performance concept one of the thorniest issues arise from its complex and multidimensional nature.

“For the strategy researcher, the option to move away from defining (and measuring) performance or effectiveness is not a viable one. This is because performance improvement is at the heart of strategic management. More formally, the importance of firm performance in strategic management can be argued along three dimensions- namely, theoretical, empirical, and managerial. Theoretically, the concept of firm performance is at the centre of strategic management. Most strategic management - theories either implicitly or explicitly underscore performance implications, since performance is the time test of any strategy. Empirically, most strategy research studies employ the construct of firm performance to examine a variety of strategy content and process issues.”¹⁹⁹ As discussed earlier in the text (see the section 4.1.The Concept of Firm Performance), three concentric performance domains were determined; respectively, financial performance which is located at the core of the phenomenon, then firm performance comprising mainly both financial and marketing efficacy indicators, and ultimately organizational effectiveness circumscribing the earlier two performance domains and adding several aspects related to certain stakeholders, hence the most comprehensive indicator of performance.

“Despite any approach related to measurement issues independent of conceptual and definitional issues is likely to be incomplete, some researchers believe that a critical evaluation of the measurement approaches leads to an improved understanding of the

¹⁹⁷ Herein after in the text, the *performance* term refers to the *firm performance*.

¹⁹⁸ Venkatraman, Ramanujam, **Measurement of Business Performance in Strategy Research: A Comparison of Approaches**, 802.

¹⁹⁹ Venkatraman, Ramanujam, **Measurement of Business Performance in Strategy Research: A Comparison of Approaches**, 801-802.

underlying constructs. As Cameron and Whetten noted, ‘constructs such as intelligence, motivation, or leadership -whose construct space, by definition, also is not bounded- have been better understood as limited aspects of their total meaning having been measured. In assessing organization effectiveness, a similar attack seems appropriate, that is, to concentrate on measuring limited domains of the construct’.²⁰⁰ Hence, firm performance, as a combination of mainly both financial and marketing performance indicators, was utilized.

“Since the present paper analyses firms operating in several industries, the subjective approach to measuring performance has been applied. A number of authors defend the adequacy of these subjective measures as opposed to objective ones (mainly accounting measures of profitability and return rates) when the study is multi-industrial. Objective measures may show differences in firm performance due to the industry and not to real differences among firms. Besides, it is worth noting that accounting measures of profitability are often criticized for being unreliable and subject to varying accounting conventions or even to managerial manipulation for a variety of reasons (e.g. avoidance of corporate taxes)”²⁰¹ Moreover, many researchers, as Chandler and Hanks²⁰², Dess and Robinson²⁰³, Venkatraman and Ramanujam²⁰⁴, found a strong correlation between subjective performance indicators and their objective counterparts, that this supports the convergent validity of subjective performance measuring.

The firm performance variable was consisted of six items. Responses in the questionnaire were on a Likert-type scale ranging from 0=“Well below the rate of competitors” to 6=“Well above the rate of competitors”. Later, the scale was recoded into the 1-7 interval at the analysis stage.

²⁰⁰ Venkatraman, Ramanujam, **Measurement of Business Performance in Strategy Research: A Comparison of Approaches**, 802.

²⁰¹ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 514.

²⁰² Y. Luo, “Environment–strategy–performance Relations in Small Business in China: A Case of Township and Village Enterprises in Southern China”, **Journal of Small Business Management**, vol.37 (1999): 46 *cited* G.N. Chandler, S.H. Hanks “Measuring the Performance of Emerging Business: A Validation Study”, **Journal of Business Venturing**, vol. 8 (1993): 391-408.

²⁰³ G. Dess, R.B. Robinson, “Measuring Organizational Performance in the Absence of Objective Measures: The case of Privately-held Firm and Conglomerate Business Unit”, **Strategic Management Journal**, vol. 5, iss.3 (1984): 265-273.

²⁰⁴ N. Venkatraman, V. Ramanujam, “Measurement of Business Economic Performance: An Examination of Method Convergence”, **Journal of Management**, vol.13, (1987):109–122.

As Spanos and colleagues suggested, “respondents were asked to indicate their firms’ relative performance over the previous three-year period in order to avoid bias from any temporal fluctuations and also to approximate a notion of sustainability of performance.”²⁰⁵

The Firm Performance scale was adapted from the works of Beal²⁰⁶, Govindarajan²⁰⁷, Kim and Lim²⁰⁸, Lee and Miller²⁰⁹, Luo²¹⁰, Miller²¹¹, Miller and Toulouse²¹², Pelham and Wilson²¹³, Pertusa-Ortega, Molina-Azorin, Claver-Cortes²¹⁴.

Factorability of the 6 items from the Firm Performance scale was examined using principle components factor analysis (PCA).

At first step, it was tested whether the data appropriate for conducting a factor analysis. Firstly, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy value was .868. According to Field²¹⁵, it corresponds to the ‘mediocre’ level for a factor analysis. Secondly, Bartlett’s test of sphericity was significant (χ^2 (15) = 534.259, $p = .000 < .05$). And finally, all the values on the diagonal of the anti-image correlation matrix were over the value of .5, and this follows that all the items should

²⁰⁵ Y. E. Spanos, S. Lioukas, ‘An Examination into the Causal logic of Rent Generation: Contrasting Porter’s Competitive Strategy Framework and the Resource-Based Perspective’, **Strategic Management Journal**, vol.22, iss.10 (2001): 916.

²⁰⁶ Reginald M. Beal, “Competing Effectively: Environmental Scanning, Competitive Strategy, and Organizational Performance in Small Manufacturing Firms”, **Journal of Small Business Management**, vol.: 38, iss: 1 (2000): 27-47.

²⁰⁷ Vijay Govindarajan, “A contingency Approach to Strategy Implmentation at Business Unit Level: Integrating Administrative Mechanisms with Strategy”, **Academy of Management Journal**, vol. 31, iss. 4 (1988).

²⁰⁸ L. Kim, Y. Lim.. “Environment, Generic Strategies and Performance in A Rapidly Developing Country: A Taxonomic Approach”, **Academy of Management Journal**. vol. 31, iss. 4 (1988): 802-827.

²⁰⁹ J., Lee, D. Miller. ‘Strategy, Environment and Performance in Two Technological Contexts: Contingency Theory in Korea’, **Organization Studies**, vol 17, iss. 5 (1996): 729–750.

²¹⁰ Y. Luo, “Environment–strategy–performance Relations in Small Business in China: A Case of Township and Village Enterprises in Southern China”, **Journal of Small Business Management**, vol.37 (1999): 46

²¹¹ D.. Miller, “Relating Porter’s Business Strategies to Environment and Structure: Analysis and Performance Implications”, **Academy of Management Journal**, vol.31, iss.2 (1988): 280–308.

²¹² D., Miller, J. M. Toulouse. “Strategy, Structure, CEO Personality and Performance in Small Firms”. **American Journal of Small Business**, vol.10, iss.11 (1986): 47–62.

²¹³ A. M., Pelham, D. T. Wilson. “A Longitudinal Study of the Impact of Market Structure, Firm Structure, Strategy, and Market Orientation Culture on Dimensions of Small-firm Performance”. **Journal of the Academy of Marketing Science**, vol.24, iss.1 (1996): 27–43.

²¹⁴ E. M. Pertusa-Ortega, J.F. Molina-Azorin, E. Claver-Cortes, “Competitive Strategies and Firm Performance: A Comparative Analysis of Pure, Hybrid and ‘Stuck-in-the-middle’ Strategies in Spanish Firms”, **British Journal of Management**, vol. 20, (2009): 508-523.

²¹⁵ Andy P. Field, **Discovering statistics using SPSS**, 3rd ed. (London: Sage,2009), 659.

be kept in the factor analysis at this stage. Given these overall indicators, factor analysis was conducted with all 6 items.

At the second step, a principle-components factor analysis, using Varimax rotation was conducted; however since only one factor was extracted, the solution could not be rotated. The factor explained 60.5 % of the total variance. All items had primary loadings over .50. The factor loading matrix for this final solution is presented in Table 10.

The factor analysis indicated that only one factor (dimension) was underlying firm performance, that is, the effectiveness compared to major competitors items. By considering the statistical results, no items were eliminated. In addition to the KMO measure of sampling adequacy, three further sample adequacy criteria were applied to assess the generalizability of the factor analysis results. (i) Tabachnick and Fidell advise that, for a factor analysis a sample of 200 is a fair quantity.²¹⁶ (ii) And as a rule of thumb, Kass and Tinsley recommended having between, at least, 5 and 10 participants per variable up to a total of 300 (beyond which test parameters tend to be stable regardless of the participant to variable ratio).²¹⁷ As a conclusion of these three criteria, considering the sample size (N=200), the case to item ratio ($200/6 \approx 33$) and .605 of average communality, the sample size can be claimed to be adequate. As an overall assessment, generalizability of the results can be stated as good (more than fair, less than excellent). Moreover, one-sample Kolmogorov-Smirnoff test of normality results²¹⁸ indicated that distribution was not normal for this factor; that is the reason why the firm performance factor must be approached carefully in terms of generalizability. However, the data were suited for parametric statistical analyses.

Following the factor analysis, internal consistency for each of the scales was examined using Cronbach's Alpha procedure. The firm performance variable indicated acceptable reliability for six the items of the scale, with a Cronbach's value of. 866. Given these, the firm performance scale both satisfied reliability and the construct validity.

²¹⁶ Tabachnick, Fidell, **Op. Cit.**, 613 *cited from* A. L., Comrey, H. B. Lee, **A First Course in Factor Analysis**, 2nd ed., Hillsdale, NJ: Lawrence Erlbaum Associates: 1992.

²¹⁷ Field, **Op. Cit.**, 647.

²¹⁸ See Appendix 3 for the normal distribution histograms and the Kolmogorov-Smirnoff test of normality.

Table 10: Factor Loading and Communalities Based on Principle Components Analysis for 6 Items of Firm Performance Scale (N=200)

		FACTOR	COMMUNALITIES
		1	
ITEMS (Cronbach's Alpha Values in parentheses)		Firm Performance	
The Effectiveness Compared to Competitors Items: PERFORMANCE (Alpha .866)			
When the last three years considered, your firm's growth in "profits before tax" compared to the major competitors [Profits Before Tax]		.830	.688
When the last three years considered, your firm's "cash flow performance" compared to the major competitors [Cashflow Performance]		.824	.679
When the last three years considered, your firm's "market share growth" compared to the major competitors [Market Share Growth]		.813	.661
When the last three years considered, your firm's "return on investments (ROI) performance" compared to the major competitors [Returns on Investment]		.758	.574
When the last three years considered, your firm's "sales growth" compared to the major competitors [Sales Growth]		.724	.525
When the last three years considered, your firm's "employment growth" compared to the major competitors [Employment Growth]		.711	.506
% of Variance Explained		60.527	
Total Variance Explained (%)		60.527	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.868	
Bartlett's Test of Sphericity	Approx. Chi-Square	534.259	
	df.	15	
	p Value (Sig.)	.000	

5.4.3. Control Variables

Control variables essentially involved two distinct components, which were *market turbulence* and *firm size*. The market turbulence variable, which was measured by seven items gauging the perceived *dynamism* and *competitive intensity*, also tested for its factorability to explore the underlying dimensions. An explanatory factor analysis was confirmed these theoretical indices as they are. That is, market turbulence variable was comprised of dynamism and competitive intensity factors.

Additionally, the second component of control variable, the firm size was measured by the *number of employees*²¹⁹.

5.4.3.1. Operationalization of Control Variables

As the first control variable, firm size, one of the most frequently studied contextual variables, was controlled for its possible effects on firm performance. Based on work of *Spanos and Lioukas*²²⁰, the firm size variable was obtained by calculating the natural logarithm of the number of employees.

“Since the study was carried out on a multi-industrial sample of firms, it becomes necessary to focus on the effect that certain activity industries might have on the performance achieved by the firm. For the purpose of controlling that effect, as shown above, the firm performance was measured using the subjective assessment made by the managers of each firm with respect to its main known competitors. Nevertheless, data about the characteristics of the environment were also collected to control the potential impact of market conditions.”²²¹ Accordingly, along with firm size, firm performance was controlled for market turbulence in terms of performance variations.

More specifically, market turbulence variable covered two theoretical indices, namely, market dynamism²²² and competitive intensity. The former was measured by

²¹⁹ The staff headcount is expressed in annual work units as explained under the title of **5.3.1.2. Sample**. Anyone who worked full-time within the firm, or on its behalf, during the entire reference year counts as one unit. It is treated part-time staff, seasonal workers and those who did not work the full year as fractions of one unit.

²²⁰ Spanos, Zaralis, Lioukas, **An Examination into the Causal logic of Rent Generation: Contrasting Porter’s Competitive Strategy Framework and the Resource-Based Perspective**, 914-916.

²²¹ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 515.

²²² The dimension was also stated as dynamism.

four items, which are *changes in good/service production technology, customer needs, competitors' strategies, obsolescence frequency of good/services in the industry*. And the latter was measured by three items, which are the level of *price competition, the major competitors' goods/services innovations, and the environmental threats for survival of the firm*.

Responses for the dynamism and competitive intensity indices in the questionnaire were on a Likert-type scale, the dynamism items ranged from 0="Never" to 6="Very Frequently"; and the competitive intensity items ranged from 0="Not Threatening" to 6="Very Threatening". Later, all the scales were recoded into the 1-7 interval at the analysis stage.

During the preparation stage of market turbulence scale, the Dynamism items were adapted from works of Miller & Dröge²²³, Pelham & Wilson²²⁴; and the Competitive intensity items were adapted from the works of Khandwalla²²⁵, and Pelham & Wilson²²⁶.

Factorability of the 7 items from market turbulence scale was examined using principle components analysis (PCA).

In Stage 1, it was examined whether the data appropriate for a factor analysis. Firstly, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy value was .671, which corresponds to 'mediocre' level, according to Field²²⁷, for a factor analysis. Secondly, Bartlett's test of sphericity value was significant ($\chi^2(21) = 247.272$, $p = .000 < .05$). And finally, the all values on the diagonal of the anti-image correlation matrix were over the value of .5, and this follows that all the items should be kept in the factor analysis at this stage. Given these overall indicators, factor analysis was conducted with all 9 items.

In Stage 2, the dimensionality of the 9 items of the variable was tested. Along with 'a priori conceptual beliefs about the number of factors based on past research or

²²³ D.Miller, C. Dröge, "Psychological and Traditional Determinants of Structure", **Administrative Science Quarterly**, vol. 31, (1986): 539–560.

²²⁴ Pelham, A. M., D. T. Wilson. "A Longitudinal Study of the Impact of Market Structure, Firm Structure, Strategy, and Market Orientation Culture on Dimensions of Small-firm Performance". **Journal of the Academy of Marketing Science**, vol.24, iss.1 (1996): 27–43.

²²⁵ P.N. Khandwalla, *The Design of Organizations*, New York:Harcourt Brace Jovanovich, 1977.

²²⁶ Pelham, Wilson. **Op. Cit.**, 27–43.

²²⁷ Andy P. Field, **Discovering statistics using SPSS**, 3rd ed. (London: Sage,2009), 659.

theory'²²⁸, three guidelines were used to determine the number of factors to rotate: (i) the a priory hypothesis that the measure was uni-dimensional, (ii) magnitude of eigenvalues, (iii) and the interpretability and simplicity of the factor solution.

The eigenvalues indicated that the initial hypothesis of uni-dimensionality was incorrect. For the purpose of identifying the number of factors to extract, an initial analysis was run to obtain the eigenvalues for each component in the data. Two components satisfied the *Kaiser's criterion (all factors with eigenvalues greater than one)* which provided interpretable factor solutions which consistent with the literature. In other words, the initial eigenvalues showed that the two factors holding the eigenvalues greater than 1, and these factors explained 55.4 % of the total variance. (See Table 11 for each factor's % of explained variance.)

Initially the oblique rotation procedures, and later the orthogonal ones were requested. On the grounds that there were no significant differences between the both procedures in terms of interpretability, and there were very limited correlation (.174, $p = .014 < .050$) between the factors, an *orthogonal Varimax rotation* procedure was chosen.

The rotated solution, as shown in Table 11, yielded two interpretable factors (dimensions). The factor scores were saved as variables by *regression method* and named in line with their primary item loadings, in other words, the highest loaded item in the factor. Only one very limited cross-loading sign was observed within fourth item of the dynamism factor. According to Costello and Osborne, "a cross-loading item is an item that loads at .32 or higher on two or more factors. The researcher needs to decide whether a cross-loading item should be dropped from the analysis, which may be a good choice if there are several strong loadings (.50 or better) on each factor."²²⁹ In the light of this information, since no factor loadings other than the primary loading *in the row* exceeded value of .50, no items were dropped from the analysis.

²²⁸ Green, Salkind, **Op. Cit.**, 314.

²²⁹ A.B. Costello, J.W., Osborne,"Best Practices in Exploratory Factor Analysis: Four recommendations for getting the most from your analysis". **Practical Assessment, Research and Evaluation**, vol.10, iss. 7 (2005): 4. *cited* B. G. Tabachnick, L. S. Fidell, **Using Multivariate Statistics**, 5th ed. (Upper Saddle River, NJ: Pearson Allyn & Bacon, 2001

Following the factor analysis, internal consistency for each of the scales was examined using Cronbach's Alpha model. According to Durmuş and colleagues, a scale is considered as reliable on the condition that having an alpha value greater than .70. However, the scales holding little number of items, such as three, can be considered as reliable with an alpha value greater than .60.²³⁰ In this context, the alpha coefficients of the market environment variable indicated values of .701 for Dynamism (7 items), and .603 for Competitive Intensity (3 items), which were regarded acceptable. Given these circumstances, the market environment component of control variables scales not only satisfied reliability, but the construct validity.

Overall, these analyses and assessments indicated that two distinct factors (dimensions) were underlying the comprehensiveness of strategic analysis variable, and these dimensions were acceptably internally consistent. By considering the both conceptual beliefs and statistical results, no items were eliminated. Beyond the KMO measure of sampling adequacy, three further sample adequacy criteria were applied to assess the generalizability of the factor analysis results. (i) Tabachnick and Fidell advise that, for a factor analysis a sample of 200 is a fair quantity.²³¹ (ii) And as a rule of thumb, Kass and Tinsley recommended having, at least, between 5 and 10 participants per variable up to a total of 300 (beyond which test parameters tend to be stable regardless of the participant to variable ratio).²³² As a conclusion of these three criteria, considering the sample size (N=200) and the case to item ratio ($200/9 \cong 22$), the sample size can be claimed to be adequate. And the generalizability of the results can be stated as good (more than fair, less than excellent). Although, one-sample Kolmogorov-Smirnoff test of normality results²³³ indicated that approximately normal distribution was evident for the Dynamism factor, it was not evident for Competitive Intensity factor. This follows that the Competitive Intensity factor must be approached carefully in terms of generalizability. However, the data were suited for parametric statistical analyses.

²³⁰ Durmuş, Yurtkoru, Çinko, **Op. Cit.**, 89.

²³¹ Tabachnick, Fidell, **Op. Cit.**, 613 *cited from* A. L., Comrey, H. B. Lee, **A First Course in Factor Analysis**, 2nd ed., Hillsdale, NJ: Lawrence Erlbaum Associates: 1992.

²³² Field, **Op. Cit.**, 647.

²³³ See Appendix 3 for the normal distribution histograms and the Kolmogorov-Smirnoff test of normality.

Table 11: Factor Loadings and Communalities Based on Principle Components Analysis with Varimax Rotation for 7 Items of Control Variables Scale (N=200)

		FACTOR		COMMUNALITIES
		1	2	
		Dynamism	Competitive Intensity	
ITEMS (Cronbach’s Alpha Values in parentheses)				
<i>Dynamism Items: DYNAMISM (Alpha .701)</i>				
Frequency of change in good/service production technology in your industry [Production Technology Change]		.808	-.092	.661
Frequency of change in customer needs in your industry [Customer Needs Change]		.780	.017	.609
Obsolescence frequency of goods/services in your industry [Product Obsolescence]		.685	.130	.486
Frequency of change in competitors' strategies [Competitors’ Strategy Change]		.572	.343	.445
<i>Competitive Intensity Items: COMP_INTENS (Alpha .603)</i>				
Level of price competition in your industry [Price Competition Level]		-.104	.803	.656
Level of your major competitors' good/service innovations [Competitors’ Innovation Level]		.058	.779	.610
Level of environmental threats for survival of your firm [Threats Level for Survival]		.266	.592	.421
% of Variance Explained		33.443	22.120	
Total Variance Explained (%)		55.563		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.674		
Bartlett's Test of Sphericity	Approx. Chi-Square	238.611		
	df.	21		
	p Value (Sig.)	.000		

5.5. Data Collection Procedures

While forming the data set, a combination of primary and secondary information sources was used. The primary data source was consisted of the participants from the firms, and their responses were collected with the help of an electronic questionnaire (Google Docs). The responses to the questionnaire were electronically input through the web. Then, the data were transferred into an Excel spreadsheet by the Google Docs survey program. As an advantage of the web based questionnaire technology, it can be claimed that this procedure minimizes or prevents random error risk resulting from the researcher. And, the secondary data source was the yearly publishing list of First 500 and Second 500 Industrial Enterprises by ISO, which provided the population and the needed financial data for the study.

Following steps were employed to collect information from the primary sources:

- An electronic questionnaire was sent to the nearly 800 firms allowing their contact information being presented in ISO database. The e-mails were sent to the personal e-mail addresses of the upper-echelon managers in their names.
- Two weeks after initial mailing, reminder e-mails were sent to the non-responder firms. After these mailing steps in one month's time, total 20 responses were obtained, that adds up to about one tenth of the 210 total responses.
- Subsequent to mailing process, surveys were started to conduct over the phone. In an additional one month's time, 190 additional responses were gathered. To sum up, totally 210 upper-echelon managers participated in the survey within 2 months. About one tenth of those responses were obtained by e-mail, the rest obtained over the phone. Later, ten of the responses eliminated either due to statistical reasons or missing data. In consequence of the overall data collection endeavour, totally 200 convenient responses could be acquired.

5.6. Model and Type of the Study

The study model depicted in Figure 8 summarises the variables and presents a graphical outline of the relationships among the independent, dependent and control

variables. The model was consisted of four main variables. The Competitive Strategies and the Comprehensiveness of Strategic Analysis reflected independent variables; Firm Performance reflected dependent variable; and the control variables complemented the model.

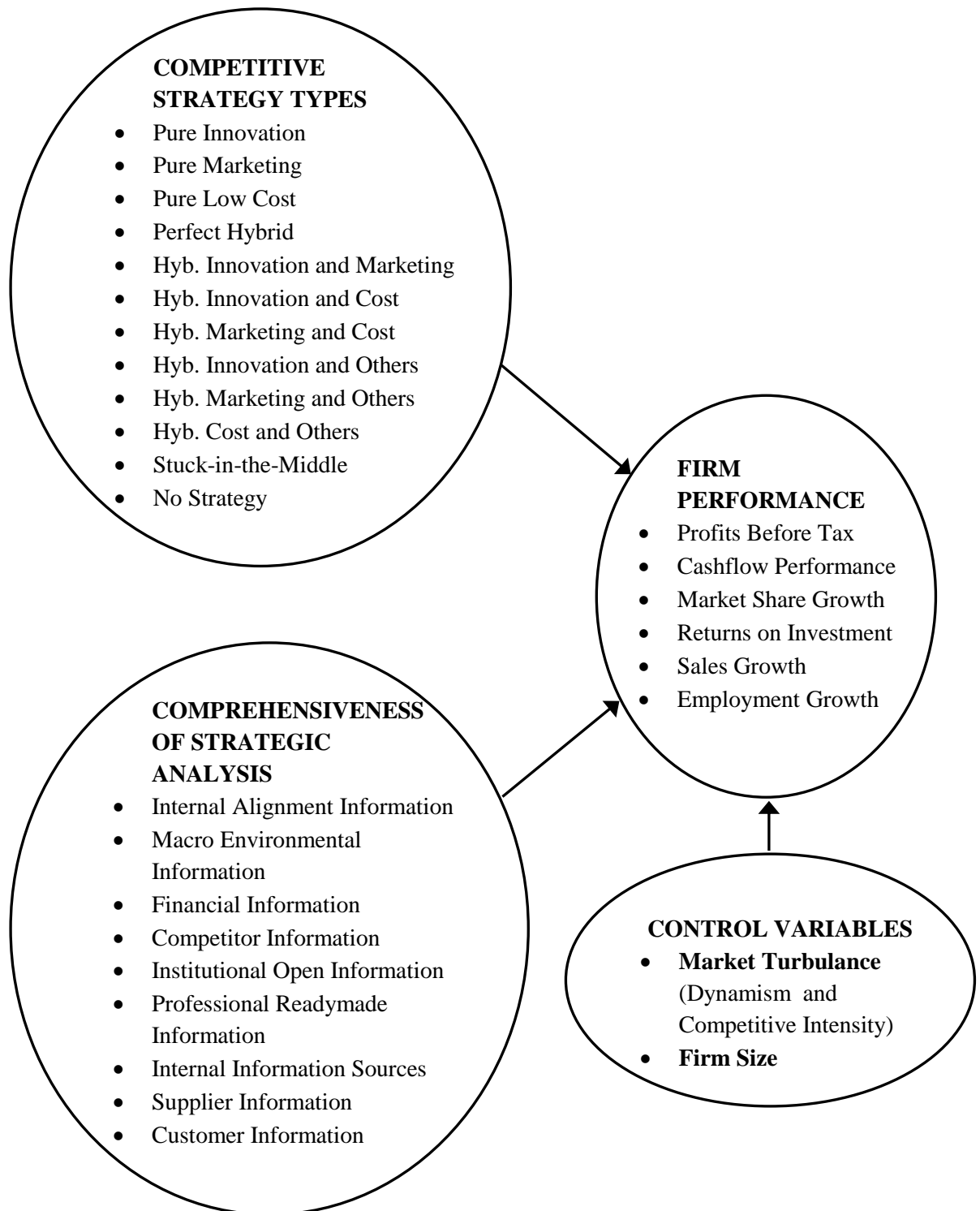


Figure 8: Conceptual Model of the Study

The type of the study can be identified as, mainly, causal. However, since the study also aimed to draw a profile of current competitive and strategic analysis preferences of the top manufacturing firms in Turkey, in this sense, it also reflected a descriptive nature.

5.7. Hypotheses

Hypotheses addressing relationship between the competitive strategies and the firm performance as follows:

H0,1: Hybrid strategies will not lead to higher firm performance than pure strategies.

H1,1: Hybrid strategies will lead to higher firm performance than pure strategies.

H0,2: The higher the number of strategic dimensions particularly emphasized, the higher firm performance will not be obtained.

H1,2: The higher the number of strategic dimensions particularly emphasized, the higher firm performance will be obtained.

H0,3: Stuck-in-the-middle strategies will not lead to lower firm performance than Hybrid strategies.

H1,3: Stuck-in-the-middle strategies will lead to lower firm performance than Hybrid strategies.

H0,4: Stuck-in-the-middle strategies will not lead to lower firm performance than Pure strategies.

H1,4: Stuck-in-the-middle strategies will lead to lower firm performance than Pure strategies.

H0,5: Stuck-in-the-middle strategies will not lead to higher firm performance than No-strategy position.

H1,5: Stuck-in-the-middle strategies will lead to higher firm performance than No-strategy position.

Hypotheses addressing the relationship between the strategic analysis and the firm performance as follows:

H0,6: The higher level of internal alignment analysis performed, the higher level of firm performance will not be obtained.

H1,6: The higher level of internal alignment analysis performed, the higher level of firm performance will be obtained.

H0,7: The higher level of macro environmental information analysis performed, the higher level of firm performance will not be obtained.

H1,7: The higher level of macro environmental information analysis performed, the higher level of firm performance will be obtained.

H0,8: The higher level of financial and labour information analysis, the higher level of firm performance will not be obtained.

H1,8: The higher level of financial and labour information analysis performed, the higher level of firm performance will be obtained.

H0,9: The higher level of competitor information analysis, the higher level of firm performance will not be obtained.

H1,9: The higher level of competitor information analysis performed, the higher level of firm performance will be obtained.

H0,10: The higher level of institutional open information analysis performed, the higher level of firm performance will not be obtained.

H1,10: The higher level of institutional open information analysis performed, the higher level of firm performance will be obtained.

H0,11: The higher level of professional readymade information analysis performed, the higher level of firm performance will not be obtained.

H1,11: The higher level of professional ready information analysis performed, the higher level of firm performance will be obtained.

H0,12: The higher level of internal information sources analysed, the higher level of firm performance will not be obtained.

H1,12: The higher level of internal information sources analysed, the higher level of firm performance will be obtained.

H0,13: The higher level of suppliers analysis performed, the higher level of firm performance will not be obtained.

H1,13: The higher level of suppliers analysis performed, the higher level of firm performance will be obtained.

H0,14: The higher level of customers analysis performed, the higher level of firm performance will not be obtained.

H1,14: The higher level of customers analysis performed, the higher level of firm performance will be obtained.

5.8. Data Analysis Techniques

Besides descriptive statistics, following statistical analyses were performed at the 95% confidence level by using SPSS 20:

- **Factor Analyses:** Without competitive strategy, all the main variables in the model were undergone factor analysis to determine or confirm the dimensions underlying those theoretical structures. As for the competitive strategy scale, the dimensions of the variable were constructed according to a dummy scheme derived from earlier research.
- **Reliability Analyses:** The factors obtained from factor analyses were examined by using Cronbach's Alpha model for their internal consistence, thus the reliability of those generated factors. Detailed descriptions about factor and reliability analyses were given in the section 5.4. Measurement and Scale Development.
- **Normality Analyses:** For several objectives, normality analysis of Kolmogorov-Smirnoff was conducted in the study. The first objective was to specify whether the parametric or nonparametric test to use for the analyses; and the second was to examine whether the sample derived from a normally

disturbed population. The importance of the latter objective was about generalizability of the test results. Besides the sample data, detailed normality tests were also applied for every individual factor in order to evaluate the nature and structure of the variables more deeply and accurately.

- **Correlation Analyses:** Correlation analyses were utilized to designate the presence of relationships among the variables, their power and directions.
- **Hierarchical Multiple Linear Regression Analyses:** The essential relationships in the model were analysed by using a regression analysis. The three functions of this analysis in the study as follows:
 - To investigate how the dependent variables were explained by firm performance.
 - To examine whether firm performance varied across the different industry conditions and firms size.
- **Factorial ANOVA:** A multi factor analysis of variance was employed in order to explore the differences between the dimensions constructing hybrid competitive strategies. The reason for this approach was to distinguish between the every individual competitive strategy dimensions, that is, generic competitive strategies, in terms their contributions to performance.
- **Chi-Square Tests:** Cross-tabulations were used to deeper investigate the relationships between qualitative variables, namely, demographics and the certain categorical variables.

5.9. Findings and Discussion

5.9.1. Descriptive Statistics

5.9.1.1. General Descriptive Statistics

The planning horizon categories were identified as; 1 year or less (18 firms), 1-3 years (82 firms), 3-5 years (76 firms), 5 years or more (24 firms). The largest majority of firms (41 %) had strategic plans between 1-3 years, and the second largest majority of firms (38 %) had strategic plans between 3-5 years. It can be summarised that a vast majority of firm had middle term strategic plans.

Table 12: Planning Horizon

	Frequency	Percent	Valid Percent	Cumulative Percent
1 Year or Less	18	9,0	9,0	9,0
1-3 Years	82	41,0	41,0	50,0
3-5 Years	76	38,0	38,0	88,0
5 Years or More	24	12,0	12,0	100,0
Total	200	100,0	100,0	

For How Many Years is Your Firm's Strategic Plan Made?

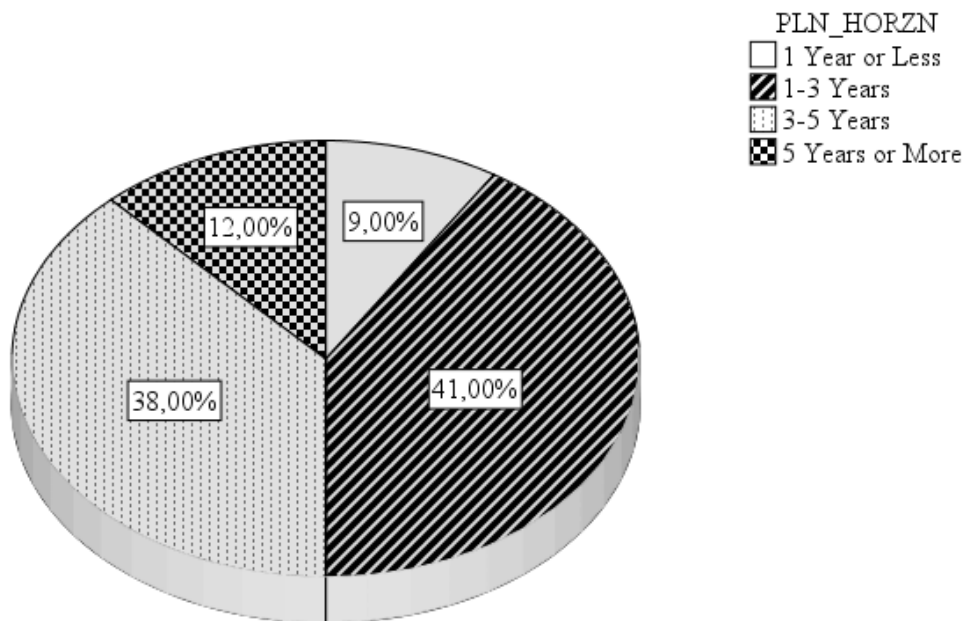
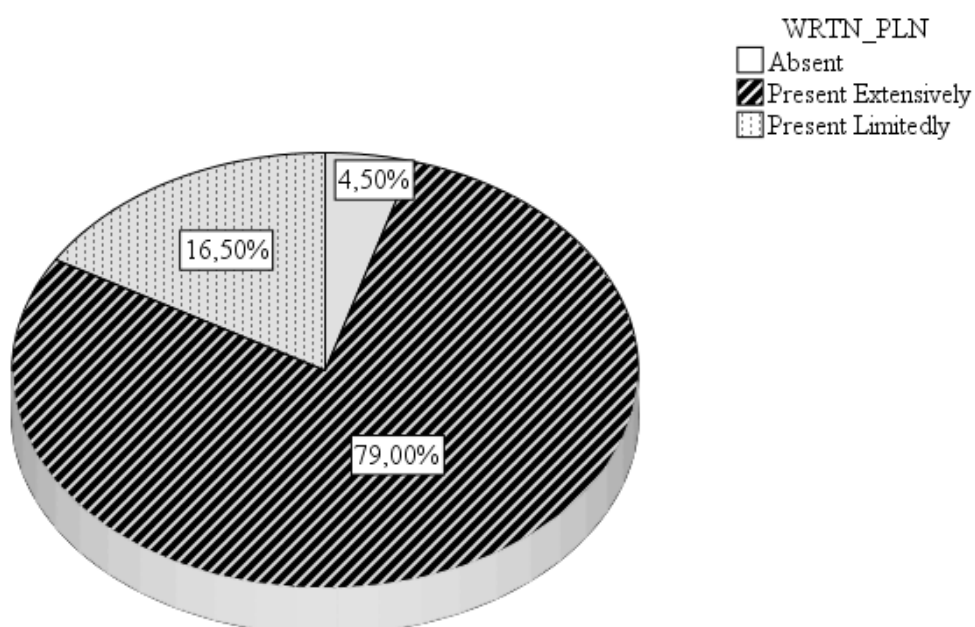


Figure 9 : Planning Horizon

It was reported that the 79 % percent of the sample, as the majority, had extensively written strategic plans, the 16 % of the firms had limitedly written strategic plans, and a marginal rate of the firms (4.5 %) had no written strategic plans. It was observed that nearly all of the firms had written strategic plans in the sample.

Table 13: Written Strategic Plan

	Frequency	Percent	Valid Percent	Cumulative Percent
Absent	9	4,5	4,5	4,5
Present Extensively	158	79,0	79,0	83,5
Present Limitedly	33	16,5	16,5	100,0
Total	200	100,0	100,0	

Do You Have a Written Strategic Plan?**Figure 10: Written Strategic Plan**

Firm life categories were designated as; 0-5 years (7 Firms), 6-10 years (11 firms), 11-15 years (15 firms), 16-25 years (52 firms), and 25 or more years (115 firms). As seen from Table 14, the large majority of the firms have been operating in their industries for 25 or more years.

Table 14: Firm Age Frequencies

	Frequency	Percent	Valid Percent	Cumulative Percent
0-5 Years	7	3,5	3,5	3,5
6-10 Years	11	5,5	5,5	9,0
11-15 Years	15	7,5	7,5	16,5
16-25 Years	52	26,0	26,0	42,5
25 or More Years	115	57,5	57,5	100,0
Total	200	100,0	100,0	

For How Many Years Has Your Firm Been Operating in Your Industry?

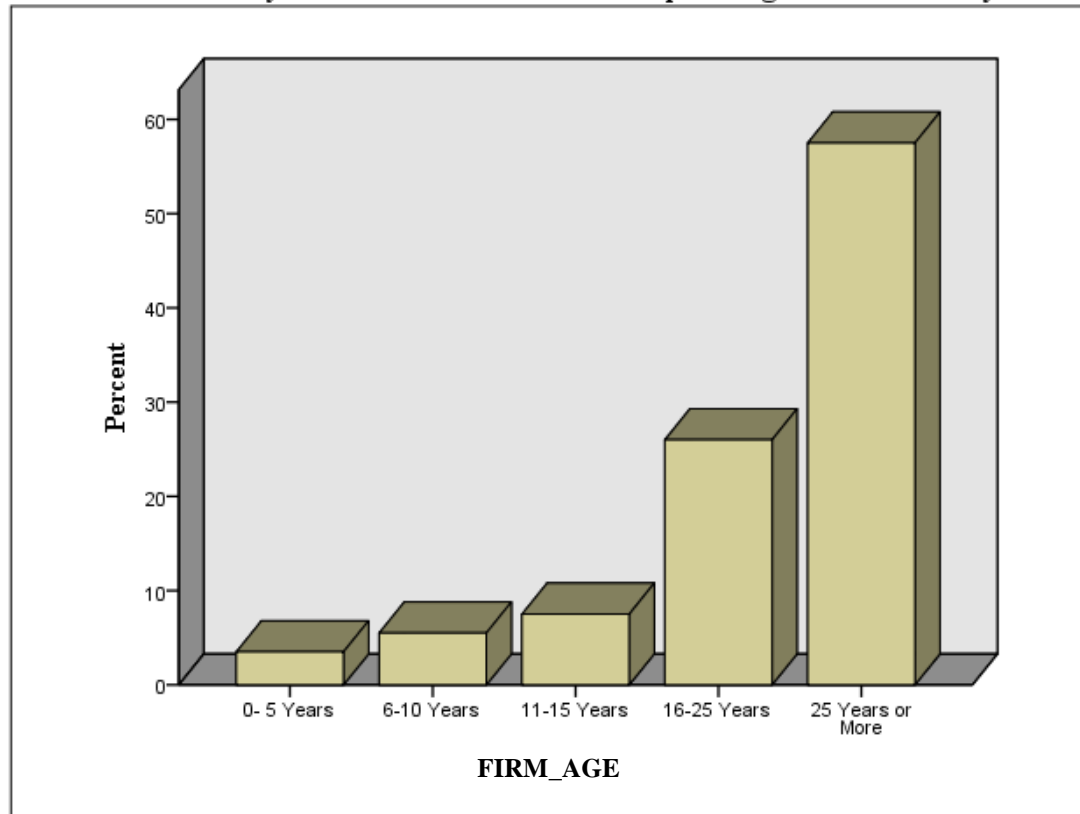


Figure 11: Firm Age Frequencies

To have a deeper investigation on firm age, a histogram of firm age was generated. As Table 15 and Figure 12 demonstrated, the average firm age of the sample was

approximately 36.5. In addition, median value is 30, and most occurred firm age is 20.

Table 15: Firm Age Statistics

Number of Valid Cases	Number of Missing Cases	Mean	Median	Mode
200	0	36,6500	30,0000	20,00

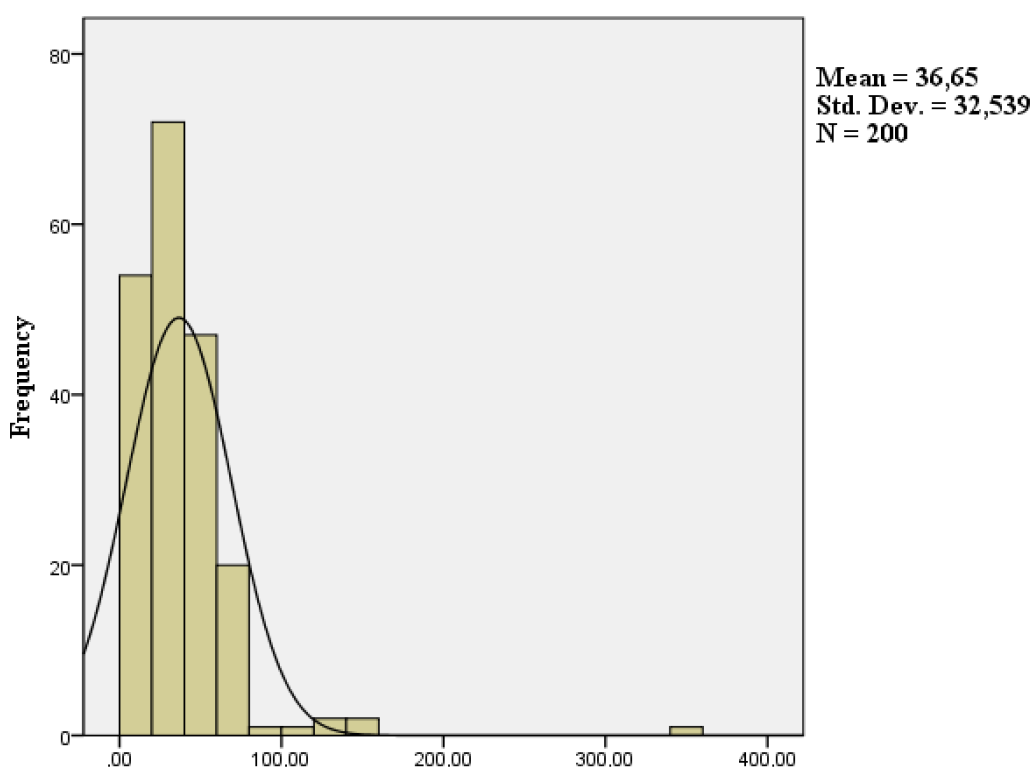


Figure 12: Firm Age Histogram

Position of the respondents in the firm corresponded to employer (1)²³⁴, factory manager (2), finance/accounting manager (125), foreign trade manager (4), general manager (13), marketing manager (30), production manager (9), purchasing manager (1), sales manager (1). The % 62.5 of respondents, as the majority, were finance or/and accounting managers. Additionally, marketing managers, the %15 of the

²³⁴ Frequencies in parentheses.

respondents, also had notable portion in the dispersion as demonstrated in Table 16 and Figure 13.

Table 16: Informant's Position in the Firm

	Frequency	Percent	Valid Percent	Cumulative Percent
Employer	1	,5	,5	,5
Factory Manager	2	1,0	1,0	1,5
Finance/Accounting Manager	125	62,5	62,5	64,0
Foreign Trade Manager	4	2,0	2,0	66,0
General Man./Asst. General Man.	13	6,5	6,5	72,5
Marketing Manager	30	15,0	15,0	87,5
Production Manager	9	4,5	4,5	92,0
Purchasing Manager	1	,5	,5	92,5
R&D Manager	14	7,0	7,0	99,5
Sales Manager	1	,5	,5	100,0
Total	200	100,0	100,0	

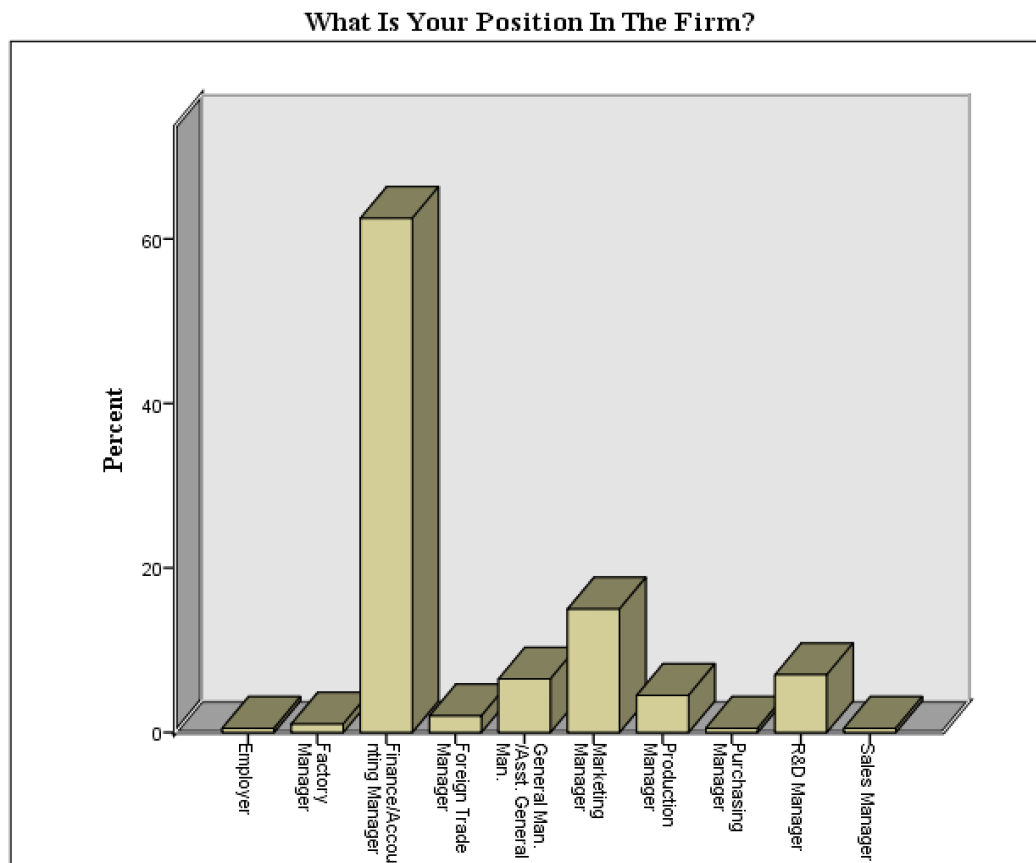


Figure 13: Informant's Position in the Firm

Finally, as indicated in Figure 14, the 61 % of the respondents demanded the research results, but the 39 % did not.

Table 17: Demand for the Research Results

	Frequency	Percent	Valid Percent	Cumulative Percent
No	122	61,0	61,0	61,0
Yes	78	39,0	39,0	100,0
Total	200	100,0	100,0	

Would You Like To Get Informed About The Research Results?

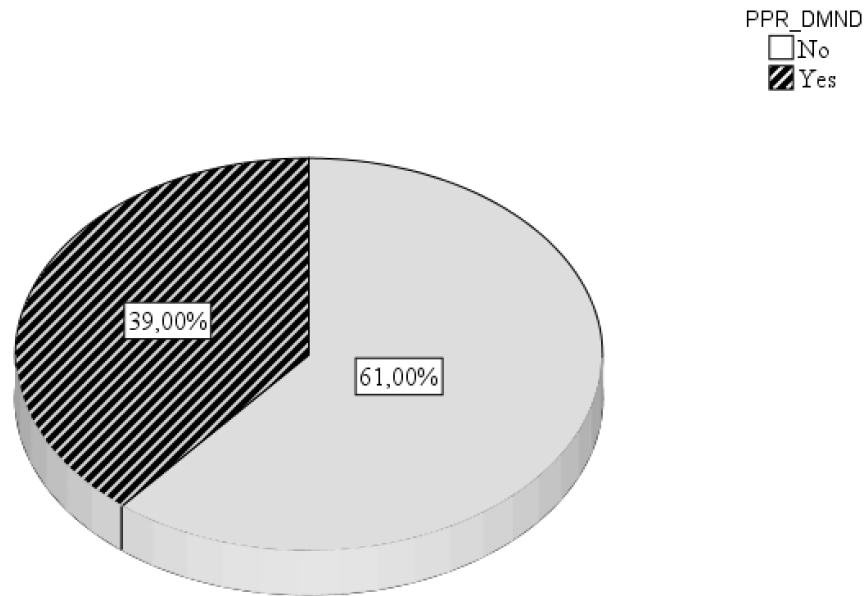


Figure 14: Demand for the Research Results

5.9.1.2. Descriptive Statistics for Competitive Strategies

The sample firms' strategic tendencies were investigated. It was seen that, as one of the dimensions constructing the competitive strategies, the most emphasized generic competitive strategy was *low cost strategy*. And, the second commonly emphasized strategy was *marketing differentiation*; the third one was *innovation differentiation*.

Table 18: Descriptive Statistics for Generic Competitive Strategies

Generic Competitive Strategy	N	Minimum	Maximum	Mean	Std. Deviation
Low Cost	200	2,80	6,80	5,4427	,62775
Marketing Differentiation	200	1,13	6,75	4,7677	,84558
Innovation Differentiation	200	2,00	7,00	4,5431	,81193
Valid N of Cases	200				

As shown in Table 19, 31 % of the sample has not pursued a given competitive strategy. However, the most pursued competitive strategies in total were the hybrid ones with 60,5 %. These hybrid strategies were Perfect Hybrid Strategies (%13), Hybrid Innovation and Marketing Strategies (%10.5), Hybrid Innovation and Others referred to the strategic combination which only innovation dimension was highly but other dimension were averagely or lowly emphasized (%9), Hybrid Cost and Others referred to the strategic combination which only cost reduction dimension was highly emphasized but others were averagely or lowly emphasized (%9)..

In summary, considering the no strategy position and the stuck-in-the-middle strategy together, it can be concluded 31 % of the sample firms had no apparent competitive strategic emphasis in terms of Porter's generic competitive strategies. The biggest part of the sample of the firms, that is, the 49 %, pursued hybrid strategies; and the rest 8.5 % of the firms pursued pure ones.

Table 19: Competitive Strategy Statistics of the Sample

Competitive Strategy	% of Observations	Minimum	Maximum	Mean	Std. Deviation
Pure Cost	5	,00	1,00	,0500	,21849
Pure Marketing	2	,00	1,00	,0200	,14035
Pure Innovation	1,50	,00	1,00	,0150	,12186
Perfect Hybrid	13	,00	1,00	,1300	,33715
Hybrid Innovation and Marketing	10,50	,00	1,00	,1050	,30732
Hybrid Innovation and Cost	2,50	,00	1,00	,0250	,15652
Hybrid Marketing and Cost	6	,00	1,00	,0600	,23808
Hybrid Innovation and Others	9	,00	1,00	,0900	,28690
Hybrid Marketing and Others	6	,00	1,00	,0600	,23808
Hybrid Cost and Others	9	,00	1,00	,0900	,28690

Stuck-in-the-middle Strategy	4,50	,00	1,00	,0450	,20782
No Strategy	31	,00	1,00	,3100	,46365
Valid N of Cases	200				

5.9.1.3. Descriptive Statistics for the Comprehensiveness of Strategic Analysis

Descriptive statistics were used to find out the comprehensiveness of environmental information analysis based on the sample. Most extensively performed analysis dimensions were *the customer information* (mean of 5.92/ 7), *the internal alignment information* (5.73/ 7), and *the internal information sources* (5.68/ 7). The least commonly utilized analysis dimension was *the professional readymade information*.

To conclude, the mostly addressed analysis dimensions were consumer information and internal information dimensions.

Table 20: Descriptive Statistics for the Comprehensiveness of Strategic Analysis

The Comprehensiveness of Strategic Analysis Dimensions	N	Minimum	Maximum	Mean	Std. Deviation
Internal Alignment Information	200	3,29	7,00	5,7354	,81990
Macro Environmental Information	200	2,89	7,00	5,2368	,97738
Financial and Labour Information	200	2,00	7,00	4,6903	1,16203
Competitor Information	200	1,00	7,00	4,9781	1,21741
Institutional Open Information	200	1,00	7,00	4,2315	1,27851
Professional Readymade Information	200	1,00	7,00	3,5654	1,17236
Internal Information Sources	200	3,20	7,00	5,6870	,89792

Supplier Information	200	1,00	7,00	4,9622	1,03861
Customer Information	200	2,33	7,00	5,9226	,96850
<i>Valid N of Cases</i>	<i>200</i>				

5.9.2. Analyses for the Test of the Conceptual Model

5.9.2.1. Correlation Analysis for Firm Performance and the Comprehensiveness of Strategic Analysis

“In broad sense, there are several coefficients, measuring the degree of correlation, adapted to the nature of data. A number of different coefficients are used for different situations. The best known is the Pearson product-moment correlation coefficient, which is obtained by dividing the covariance of the two variables by the product of their standard deviations. Several authors have offered guidelines for the interpretation of a correlation coefficient. This is because the interpretation of a correlation coefficient depends on the context and purposes. A correlation of 0.90 may be very low if one is verifying a physical law using high-quality instruments, but may be regarded as very high in the social sciences where there may be a greater contribution from complicating factors. Along this vein, it is important to remember that large and small should not be taken as synonyms for good and bad in terms of determining that a correlation is of a certain size.”²³⁵

Prior to the regression analysis, correlation analyses were run in order to check the general pattern of correlations and multi collinearity signs among the independent variables. For many authors, a correlation of .70 and above connotes multi collinearity. As can be observed from Table 21, no multi collinearity signs were observed among the independent variables of the competitive strategies. Secondly, since the strategic analysis factors were saved via regression method during the factor analysis, naturally, as can be seen from Table 22 no multi collinearity signs were observed among the mentioned variables. Thirdly, Table 23 revealed that, for the control variables no multi collinearity sign was observed as well.

²³⁵ J. Cohen, **Statistical Power Analysis for the Behavioural Sciences**. 2nd ed., Hillsdale, NJ: Lawrence Erlbaum Associates, 1988.

Table 21: Pearson Correlation Results for Competitive Strategy Dimesions

		Pure Cost	Pure Marketing	Pure Innovation	Perfect Hybrid	Hybrid Innov. and Marketing	Hybrid Innovation and Cost	Hybrid Marketing and Cost	Hybrid Innovation and Others	Hybrid Marketing and Others	Hybrid Cost and Others	Stuck-in-the-Middle	No Strategy
Pure Cost	Correlation Significance (2-tailed) df	1,000 . 0											
Pure Marketing	Correlation Significance (2-tailed) df	-,040 ,573 195	1,000 . 0										
Pure Innovation	Correlation Significance (2-tailed) df	-,030 ,676 195	-,029 ,684 195	1,000 . 0									
Perfect Hybrid	Correlation Significance (2-tailed) df	-,092 ,197 195	-,043 ,552 195	-,026 ,714 195	1,000 . 0								
Hybrid Innovation and Marketing	Correlation Significance (2-tailed) df	-,084 ,238 195	-,048 ,504 195	-,038 ,593 195	-,143* ,044 195	1,000 . 0							
Hybrid	Correlation	-,048	-,025	-,020	-,066	-,070	1,000						

Innovation and Cost	Significance (2-tailed) df	,503 195	,723 195	,785 195	,355 195	,330 195	. 0						
Hybrid Marketing and Cost	Correlation Significance (2-tailed) df	-,056 ,438 195	-,026 ,716 195	-,016 ,820 195	-,118 ,099 195	-,082 ,251 195	-,033 ,645 195	1,000 . 0					
Hybrid Innovation and Others	Correlation Significance (2-tailed) df	-,051 ,478 195	-,042 ,557 195	-,043 ,551 195	-,119 ,096 195	-,108 ,130 195	-,044 ,536 195	-,079 ,271 195	1,000 . 0				
Hybrid Marketing and Others	Correlation Significance (2-tailed) df	-,069 ,335 195	-,028 ,700 195	-,013 ,852 195	-,125 ,081 195	-,098 ,172 195	-,048 ,501 195	-,078 ,275 195	-,069 ,334 195	1,000 . 0			
Hybrid Cost and Others	Correlation Significance (2-tailed) df	-,071 ,321 195	-,034 ,633 195	-,022 ,755 195	-,145* ,042 195	-,105 ,142 195	-,044 ,539 195	-,101 ,156 195	-,098 ,172 195	-,097 ,177 195	1,000 . 0		
Stuck-in-the-Middle Strategies	Correlation Significance (2-tailed) df	-,064 ,374 195	-,032 ,652 195	-,024 ,741 195	-,091 ,202 195	-,081 ,257 195	-,043 ,551 195	-,055 ,440 195	-,058 ,421 195	-,065 ,364 195	-,070 ,328 195	1,000 . 0	
No Strategy	Correlation Significance (2-tailed) df	-,149* ,037 195	-,122 ,087 195	-,128 ,073 195	-,224* ,002 195	-,220* ,002 195	-,097 ,174 195	-,154* ,031 195	-,245* ,001 195	-,130 ,068 195	-,193* ,007 195	-,135 ,058 195	1,000 . 0

Table 22: Pearson Correlation Results for the Comprehensiveness of Strategic Analysis Dimensions

		Internal Alignment Information	Macro Environmental Alignment	Finance and Labour Information	Competitor Information	Institutional Open Information	Professional Readymade Information	Internal Information Sources	Supplier Information	Customer Information
Internal Alignment Information	Correlation Significance (2-tailed) df	1,000 . 0								
Macro Environmental Alignment	Correlation Significance (2-tailed) df	-,006 ,929 195	1,000 . 0							
Finance and Labour Information	Correlation Significance (2-tailed) df	-,015 ,832 195	-,034 ,636 195	1,000 . 0						
Competitor Information	Correlation Significance (2-tailed) df	-,009 ,905 195	-,009 ,897 195	-,016 ,826 195	1,000 . 0					
Institutional Open Information	Correlation Significance (2-tailed) df	-,016 ,824 195	-,014 ,840 195	-,036 ,616 195	-,017 ,818 195	1,000 . 0				

Professional Readymade Information	Correlation Significance (2-tailed) df	-,004 ,951 195	-,026 ,713 195	-,034 ,638 195	-,005 ,949 195	-,012 ,868 195	1,000 . 0			
Internal Information Sources	Correlation Significance (2-tailed) df	-,005 ,940 195	-,016 ,820 195	-,023 ,743 195	-,006 ,929 195	-,013 ,860 195	-,016 ,822 195	1,000 . 0		
Supplier Information	Correlation Significance (2-tailed) df	-,016 ,823 195	-,010 ,894 195	-,028 ,699 195	-,019 ,788 195	-,034 ,636 195	-,004 ,952 195	-,009 ,899 195	1,000 . 0	
Customer Information	Correlation Significance (2-tailed) df	-,010 ,893 195	-,012 ,869 195	-,018 ,800 195	-,016 ,825 195	-,018 ,801 195	-,006 ,934 195	-,008 ,915 195	-,022 ,762 195	1,000 . 0

Table 23: Pearson Correlation Results for Control Variables

		Dynamism	Competitive Intensity	Size	Firm Performance
Dynamism	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	200			
Competitive Intensity	Pearson Correlation	,000	1		
	Sig. (2-tailed)	1,000			
	N	200	200		
Size	Pearson Correlation	,244**	,035	1	
	Sig. (2-tailed)	,000	,620		
	N	200	200	200	
Firm Performance	Pearson Correlation	,160*	-,031	,113	1
	Sig. (2-tailed)	,024	,663	,113	
	N	200	200	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

5.9.2.2. Hierarchical Regression Analysis for Firm Performance

“Regression analysis is a technique used for the modelling and analysis of numerical data consisting of values of a dependent variable and of one or more independent variables.”²³⁶ Since the independent variables of the study were either numerical or dummy, which was constituted by collapsing numerical data into categorical variables, a multiple linear regression analysis was preferred. Additionally, thanks to control variables in the model, a hierarchical regression procedure was run. And, for Tabachnick and Fidell, “in hierarchical regression, independent variables were given priorities by the researcher before their contributions to prediction of the dependent variables were assessed.”²³⁷ Therefore, considering theoretical relevance and priority, respectively, set of control variables, the comprehensiveness of strategic analysis dimensions and competitive strategy variables were included in hierarchical regression analysis for predicting and explaining firm performance.

²³⁶ J.F Hair, J.F Anderson, R.E., R.L Tatham, W.C Black, **Multivariate Data Analysis**, New Jersey: Pearson Education, 1998.

²³⁷ Tabachnick, Fidell, **Op. Cit.**, 18.

Table 25 displays the hierarchical regression models of the study. In addition, it also displays the unstandardized regression coefficients (B) and the intercept, the standardized regression coefficients (β), the R^2 for each model, the R^2 Change and its significance from model to model, and R^2 after all independent variables entered in the final model. However, Pallant²³⁸ suggests that, in case of having small sample sizes, Adjusted R^2 might be reported rather than R^2 . Thanks to having a good sample size, in this study, R^2 was preferred to report.

While testing the regression models, it should be noted that firm size, and market turbulence, which consisted of competitive intensity and dynamism dimensions, employed through all regression analyses as control variables. Model 1 defined firm performance as function of aforementioned control variables. The multiple linear regression results showed that the set of control variables did not provide a significant contribution to the model explaining firm performance. The fit statistics of Model 1 were R^2 : .032, F: 2,186 and p: .091, which were statistically insignificant.

Model 2 defined firm performance as a function of strategic analysis variables along with the control variables. None of the control variables provided significant contribution to the model, which means that firm performance did not vary according to firm size, and market turbulence. For dimensions of the comprehensiveness of strategic analysis, competitor information analysis (B: .166, p: .002) and supplier information analysis (B: .115, p: .030) had positive and statistically significant effect at the 5 % level. However, the positive effect of supplier information analysis disappeared in Model 3. The fit statistics of Model 2 were R^2 : .150, F: 2,748 and p: .002, which was significant. The F change from Model 1 to Model 2 were statistically significant (p: .003) at the %5 level. This follows that after the comprehensiveness of strategic analysis dimensions entered into the regression equation, the explained variance related to the dependent variable, namely explained variance of firm performance, was improved from 3.2% to 15%.

It can be concluded that, only two of nine strategic analysis dimensions, that is, competitor information and supplier information analyses, had significant effect on the firm performance in Model 2.

²³⁸ Julie Pallant, **SPSS Survival Manual**, 2nd ed., (Maidenhead, Philadelphia:Open University Press, 2003): 145.

Finally, Model 3 defined firm performance as a function of competitive strategy and strategic analysis dimensions along with the control variables. The fit statistics of Model 3 were R^2 : .247, F: 2,748 and p: .002. In other words, by entering the competitive strategy dimension subsequent to strategic analysis dimensions in Model 3, the R^2 of Model 2 increased from %15 to %24.7. Additionally, both F value of Model 3 and the F change from Model 2 to Model 3 was significant (Sig. of F Change: .003). In the scope of the study variables, it can be assessed that the effect of competitive strategies and comprehensive strategic analysis can significantly contribute the firm performance; however, since the firm performance is a complex and multifactorial concept, this model could explain a limited portion of total variance in the scope of the study.

Significant variables in Model 3 were competitive information analysis (B: .121, p: .027), pure marketing strategy (B: .880, p: .025), perfect hybrid strategy (B: .540, p: .007), hybrid innovation and marketing strategy (B: .595, p: .004), hybrid innovation and marketing strategy (B: .845, p: .019), hybrid marketing and cost strategy (B: .693, p: .006), hybrid innovation and other strategies (B: .499, p: .006).

The main difference between regression with dummy variables and quantitative variables can be found in regression coefficients. Interpretation of coefficients is different for dummy variables. For Spanos and colleagues, “in dummy coding, each regression coefficient represents the difference between the group in question and the reference group. In other words, the regression coefficient shows how much higher or lower is the mean performance of firms belonging to each strategy group compared to the mean performance of firms belonging to the reference group.”²³⁹ More clearly, the coefficient of pure marketing strategy *dummy* presented that, how much higher or lower was the average firm performance of the firms designated in pure marketing *strategy group*, compared to the average firm performance of the firms designated in the reference, namely, the *no strategy group*. For instance, as can be observed from Model 3 in Table 25, if expected firm performance for no strategy firms was 4.374 out of 7 points²⁴⁰, the expected firm performance was .880 higher, that is, 5.254 for the firms pursuing pure marketing strategy.

²³⁹ Spanos, Zaralis, Lioukas, **Strategy and Industry Effect on Profitability: Evidence From Greece**, 153.

²⁴⁰ Firm performance measure was based on a seven point Likert scale.

Additionally, the t-tests for the regression coefficients of dummy variables allowed us to examine the significance of the effect of being in any designated group rather than being in reference group. However, it was not immediately apparent whether the dummies that significantly different from the reference dummy were significantly different from each other. For example, in Model 3, several strategy dummies had significantly different expected firm performances from the reference, namely, the ‘no strategy’ dummy. But, in order to know whether or not the expected firm performance for any given strategy dummy was significantly different from the other significant strategy dummies (or groups), coefficients had to be examined. That is, the difference in expected firm performance for two dummies is equal to the difference between their coefficients, $(B_j - B_k)$, where B_j refers to the regression coefficient for a dummy variable designating strategy group j and B_k is the regression coefficient for a dummy variable designating a different strategy group. To test the difference of being in any dummy strategy variables, it must be used a t-test based on the difference of regression coefficients:²⁴¹

$$t = (B_j - B_k) / [\text{variance}(B_j) + \text{variance}(B_k) - 2\text{covariance}(B_j B_k)]^{1/2}$$

As can be inferred from Table 25 some certain competitive strategies were significantly different from no strategy group in point of contributing firm performance. In other words, several competitive strategies had significantly positive effect on firm performance compared to no strategy group. However, so as to determine the significant differences among the effective competitive strategies on firm performance, t-tests were performed, and presented below in Table 24. Although the differences observed in competitive strategy coefficients, the results showed that the differences among the effective competitive strategies were not significant.

²⁴¹ See M. A Hardy, **Regression with Dummy Variables**, (Newbury Park, CA: Sage, 1993): 22-23.

Table 24: t-tests between Significant Competitive Strategies

	Pure Marketing	Perfect Hybrid	Hybrid Innovation and Marketing	Hybrid Innovation and Cost	Hybrid Marketing and Cost	Hybrid Innovation and Others
Pure Marketing	t: 1.777 p: .077	t: .823 p: .412	t: .726 p: .469	t: .051 p: .959	t: .435 p: .664	t: .885 p: .377
Perfect Hybrid	t: -.823 p: .412	t: 1.777 p: .088	t: -.163 p: .870	t: -.866 p: .388	t: -.590 p: .556	t: -.144 p: .885
Hybrid Innovation and Marketing	t: -.726 p: .469	t: .163 p: .870	t: 1.733 p: .085	t: -.735 p: .463	t: -.426 p: .670	t: -.286 p: .775
Hybrid Innovation and Cost	t: -.051 p: .959	t: -.866 p: .388	t: .735 p: .463	t: 1.806 p: .073	t: .411 p: .681	t: .910 p: .364
Hybrid Marketing and Cost	t: -.435 p: .664	t: .590 p: .556	t: .426 p: .670	t: -.411 p: .681	t: 1.756 p: .081	t: .657 p: .512
Hybrid Innovation and Others	t: -.885 p: .337	t: -.144 p: .885	t: -.286 p: .775	t: -.910 p: .364	t: -.657 p: .512	t: 1.694 p: .092

*Significance level is .005

Besides the categorical competitive strategy dimensions, there were quantitative the comprehensiveness of strategic analysis dimensions added in the analysis. In such case, the constant of the model estimates the expected firm performance for the reference, that is, no strategy group firms representing zero degree of performance contribution made by any of the significant quantitative variables in the model. More clearly, expected mean performance for no strategy group firm with zero degree of performance contribution made by competitor information analysis was presented by the constant term. That is, a unit increase in competitor information analysis effort added an amount to expected firm performance in parallel with the coefficient of the variable. For example, as can be observed from Model 3 in Table 25, the expected firm performance for no strategy group firms was 4.374, and the expected firm performance was .121 times higher per additional unit of competitive analysis effort, that is, if average degree of competitive analysis effort was 3 out of 7 points²⁴² for a

²⁴² The CSA measure was based on seven a point Likert scale.

no strategy firm, it was estimated to make a contribution of three times .121 to 4.374, that added up to $(3 \times .121) + 4,374 = 4.737$. Additionally, if expected firm performance was 5.254 for the firms pursuing pure marketing strategy, and the average degree of competitive analysis effort was 4.2 out of 7 points, the expected firm performance added up to $(4.2 \times .121) + 5.254 = 5.762$.

Table 25: Hierarchical Regression Results for Firm Performance

	Independent Variables	B	Beta (β)	t	Sig.	R ² Change	F Change	Sig. F Change
Model 1 R ² : 0.032 F: 2,186 Sig.: 0.091	(Constant)	4,486*		12,112	,000	0.032	2,186	0.091
	Dynamism	,108	,140	1,935	,054			
	Competitive Intensity	-,026	-,034	-,480	,632			
	Firm Size	,066	,079	1,096	,274			
Model 2 R ² : 0.150 F: 2,748 Sig.: 0.002	(Constant)	4,564*		12,597	,000	0.118	2,873	0.003
	Dynamism	,027	,035	,471	,638			
	Competitive Intensity	-,034	-,044	-,642	,521			
	Firm Size	,054	,064	,902	,368			
	Internal Alignment Info	,069	,090	1,336	,183			
	Macro Environmental Info.	,079	,103	1,499	,135			
	Finance and Labour Info.	,027	,035	,505	,614			
	Competitor Info.	,166*	,216	3,183	,002			
	Institutional Open Info.	,009	,011	,166	,868			
	Professional Readymade Info.	,098	,128	1,873	,063			
	Internal Information Sources	,062	,081	1,194	,234			
	Supplier Info.	,115*	,150	2,188	,030			
	Customer Info.	,101	,131	1,929	,055			
Model 3 R ² :0.0247 F: 2,515 Sig.:0.000	No Strategy(Constant)	4,374*		11,754	,000	0,097	2,071	0,025
	Dynamism	,012	,015	,201	,841			
	Competitive Intensity	-,006	-,008	-,115	,909			
	Firm Size	,036	,043	,603	,547			
	Internal Alignment Info	,026	,034	,480	,632			
	Macro Environmental Info.	,031	,041	,571	,569			

Finance and Labour Info.	,022	,028	,396	,693			
Competitor Info.	,121*	,158	2,223	,027			
Institutional Open Info.	,032	,041	,590	,556			
Professional Readymade Info.	,053	,070	,962	,338			
Internal Information Sources	-,007	-,009	-,122	,903			
Supplier Info.	,103	,134	1,929	,055			
Customer Info.	,019	,024	,333	,739			
Pure Cost	,172	,049	,665	,507			
Pure Marketing	,880*	,161	2,263	,025			
Pure Innovation	,092	,015	,203	,839			
Perfect Hybrid	,540*	,238	2,717	,007			
Hybrid Innovation and Marketing	,595*	,239	2,897	,004			
Hybrid Innovation and Cost	,845*	,173	2,358	,019			
Hybrid Marketing and Cost	,693*	,215	2,808	,006			
Hybrid Innovation and Others	,499*	,187	2,447	,015			
Hybrid Marketing and Others	,283	,088	1,141	,255			
Hybrid Cost and Others	,082	,031	,401	,689			
Stuck-in-the-middle Strategy	,067	,018	,254	,800			

*Coefficient is significant at the 0.05 level.

**Dependent variable is Firm Performance.

It can be concluded from the regression analysis results that Hypothesis 1, suggesting higher firm performance for hybrid strategies than pure ones, is partially confirmed. More specifically, the five out of the total six effective competitive strategies were hybrid ones. Hence, it was evaluated that Hypothesis 1 was to be partially confirmed instead of a complete confirmation. On the other hand, it should be noted that pure marketing, as being the only effective pure strategy had the lowest standardized beta (β) coefficient which is the essential criterion to compare effect of coefficients, but not to construct a regression equation.²⁴³ That is, although the pure marketing

²⁴³ Pallant, **Op. Cit.**, 145-146.

strategy had a significant effect, its effect was lesser than the hybrid ones based on the standardized coefficients.

Owing to the findings concerning the previous Hypothesis, Hypothesis 2 proposing that those hybrid strategies emphasizing greater number of dimensions would lead to obtain higher level of firm performance, was confirmed. When the significant standardized beta (β) coefficients were addressed, it could be observed that the magnitude of coefficients increased in parallel with the dimension numbers of significant strategies on a scale from one-dimension pure strategies to three-dimension perfect hybrid strategy. However, perhaps the most important issue about this finding was to understand which of those strategic dimensions constructing a hybrid strategy, was contributing to firm performance. In other words, while constructing a hybrid strategy which of the strategic dimensions, namely low cost, marketing differentiation and innovation differentiation, were to prefer in the strategy combination. To search an answer to this question, an ANCOVA was planned to run, however, since preliminary analyses between dependent variable and covariates did not indicate enough correlation for an ANCOVA, without the covariates of market turbulence and firm size, a factorial ANOVA procedure applied to explore the impact of generic competitive strategies²⁴⁴ on firm performance. The each independent variable divided into three groups according to the emphasis level was being put on each strategy dimension (High, medium, and low level low cost strategy; high, medium, and low level marketing differentiation strategy; high, medium, and low level innovation differentiation strategy). As presented in Table 26, there were statistically significant main effects for marketing differentiation strategy [$F(2, 173) = 5.223, p=.006 < .050, \eta^2 = .057$] and innovation differentiation strategy [$F(2, 173) = 4.204, p=.016 < .050, \eta^2 = .046$]. However, low cost strategy was not statistical significant. Additionally, no significant interactions were observed. Consequently, based on the between groups ANOVA results, it can be claimed that, the significantly contributing dimensions within hybrid competitive strategy combinations were, respectively, marketing differentiation and innovation differentiation.

²⁴⁴ The same with the strategy dimensions, namely low cost and differentiations strategies, which were constructing components of competitive strategies.

Table 26: Analysis of Variance for the Effect Competitive Strategy Dimensions on Firm Performance

Source	Type III Sum of Squares	df	F	Sig.	Partial Eta Squared (η^2)
(A) Low Cost	1,269	2	1,336	,266	,015
(B) Marketing Differentiation	4,964	2	5,223	,006*	,057
(C) Innovation Differentiation	3,995	2	4,204	,016*	,046
A * B (Interaction)	1,803	4	,949	,437	,021
A * C (Interaction)	2,559	4	1,346	,255	,030
B * C (Interaction)	2,153	4	1,133	,343	,026
A * B * C (Interaction)	5,374	8	1,413	,194	,061
Error	82,213	173			

*Coefficient is significant at the 0.05 level.

**Dependent variable is Firm Performance.

Hypothesis 3, suggesting lower level of firm performance for stuck-in-the-middle strategies compared to hybrid strategies, was partially confirmed; because not all the hybrid strategies led to superior firm performance compared to stuck-in-the-middle strategies. However, as presented in Model 3, five out of seven hybrid strategies entailed higher performance than those of stuck-in-the-middle strategies.

Regarding Hypothesis 4, which propounding stuck-in-the-middle strategies lead to lower performance than pure strategies, was also partially confirmed; since pure marketing strategy, at least one of the pure ones, was associated with a significant higher level of firm performance. As can be observed from Model 3, only one out of three pure strategies led higher firm performance compared to stuck-in-the-middle ones, for this reason the hypothesis was not completely rejected. As the final hypothesis of competitive strategies, hypothesis 5, offering a higher level of firm performance for stuck-in-the-middle strategy compared to no strategy position, was not confirmed. According to the regression results in Model 3, there was no significant difference between stuck-in-the-middle strategy and no strategy position, in terms of firm performance.

Within the scope of the hypotheses related to the strategic analysis, as depicted in Model 3 only Hypothesis 9, which propounding higher level of performance for more comprehensive competitor information analysis, was confirmed. However, it should be noted that, in Model 2, which only control and the comprehensiveness of strategic analysis dimensions were regressed over firm performance, not only competitor information analysis but supplier information analysis were significant. Table 27 presents a summary of hypotheses and a brief resume of the findings.

Table 27: Summary of the Hypotheses and Findings

Hypotheses		Findings
H1: Hybrid strategies will lead to higher firm performance than pure strategies	Partially Confirmed	The five out of the total six effective competitive strategies were hybrid ones.
H2: The higher the number of strategic dimensions particularly emphasized, the higher firm performance will be obtained.	Partially Confirmed	The hypothesis was valid to a large extent, except for pure marketing strategy. Any significant hybrid strategy was, at least, constructed from either one innovation or one marketing differentiation strategies.
H3: Stuck-in-the-middle strategies will lead to lower firm performance than Hybrid strategies.	Partially Confirmed	Five out of seven hybrid strategies entailed higher performance than those of stuck-in-the-middle strategies, but, not all the hybrid ones.
H4: Stuck-in-the-middle strategies will lead to lower firm performance than Pure strategies.	Partially Confirmed	Pure marketing strategy, at least one of the pure ones, was associated with a significantly higher level of firm performance.
H5: Stuck-in-the-middle strategies will lead to higher firm performance than no-strategy	Not Confirmed	There was no significant difference between the stuck-in-the-middle strategies and no-

position.		strategy position in terms of firm performance.
H9: The higher level of competitor information analysis performed, the higher level of firm performance will be obtained. ²⁴⁵	Confirmed	Competitor orientation had a positive contribution to the firm performance.

Finally, after the assessing the hypotheses, the regression assumptions were checked. According to Tabacnick and Fidell, “examination of residuals scatterplots provides a test of assumptions of normality, linearity, and homoscedasticity between predicted dependent variable scores and errors of prediction. Assumptions of the analysis are that the residuals (differences between obtained and predicted dependent variable scores) are normally distributed about the predicted dependent variable scores, that residuals have a straight line relationship with predicted dependent variable scores, and that the variance of the residuals about predicted dependent variable scores is the same for all predicted scores.”²⁴⁶ As the scatterplot investigated, it was seen that the residuals roughly distributed in a rectangular pattern, with most of the scores concentrated in the centre (along the 0 point). Another clear or systematic pattern to the residuals (e.g., curvilinear, or higher on one side than the other) was not observed. Therefore, it could be claimed that the assumptions of normality, linearity, and homoscedasticity were met.²⁴⁷

Tabacknick and Fidell also note that “another assumption of regression, testable through residuals analysis, is that errors of prediction are independent of one another,”²⁴⁸ that is, independence of errors. Then, they suggest investigating the independence of errors with the help of a Durbin-Watson statistics. The test statistics

²⁴⁵ Amongst the dimensions of the comprehensiveness of strategic analysis variable, the only dimension which was significantly associated with a higher level of firm performance was the competitor information analysis. Others, namely Internal Alignment Information, Macro Environmental Information, Finance and Labour Information, Institutional Open Information, Professional Readymade Information, Internal Information Sources, Supplier Information, and Customer Information analysis did not make a significant contribution to firm performance.

²⁴⁶ Tabachnick, Fidell, **Op. Cit.**, 125.

²⁴⁷ See Appendix 4 for residuals scatterplot.

²⁴⁸ Tabachnick, Fidell, **Op. Cit.**, 128.

value was 1,816, which means that errors were independent; hence, no autocorrelation was detected.²⁴⁹

According to Pallant, “the presence of outliers can also be detected from the scatterplot. And outliers are defined the cases that have a standardised residual of more than 3.3 or less than -3.3. With large samples, it is not uncommon to find a number of outlying residuals. If you only find a few, it may not be necessary to take any action.”²⁵⁰ Accordingly, only two (no. 2 and 104) cases were identified as outliers from the scatterplot and the saved standardised residuals variable by SPSS. The outliers were filtered from the data set and regression analysis was rerun. Since the filtration of outliers neither made any contribution to R^2 , nor to coefficients; it was evaluated that the analysis was being tolerated the outliers and they kept in the analyses.

In the final analysis, when the all assumptions were checked, it was seen that no obvious or major violations were detected. This follows that the regression model was valid, and the power of estimation and the generalizability of the model was good.

5.9.2.3. Further Analyses

Immediately after examining the conceptual model, it was assessed that running several further analyses could be useful with regard to discovering the relationships among variables which the structure of conceptual model did not allow. Hence, cross-tabulations and Pearson’s correlation analysis were performed for the aforementioned purpose.

5.9.2.3.1. Cross-Tabulation Statistics

Cross-tabulation statistics were used to deeply seek the relationships between qualitative variables of the study. In point of contributing the interpretation of the main results, it was considered to be important to evaluate the pattern of relationship between firm demographics, strategic features and firm performance. More

²⁴⁹ For Kalaycı, a test statistics value of Durbin-Watson between 1,5 and 2,5 indicates absence of autocorrelation. See Şeref Kalaycı, *SPSS Uygulamalı Çok Değişkenli İstatistik Teknikleri*, 5 ed., (Ankara, Asil Yayıncılık,2010):267.

²⁵⁰ Pallant, *Op. Cit.*, 144.

specifically, the variables of cross tabulations were strategy presence (absent-present), firm age (0-5, 6-10, 11-15, 16-25, 25 or more), written strategic plan (absent, present limitedly, present extensively), research publication demand (yes, no), competitive strategy (absent, present), firm performance (low, high) and plan horizon (less than 1, from 1 till 3, from 3 till 5, 5 or more years). The results of statistics are presented in Table 28.

Table 28: Results for Cross-Tabulation Statistics

Comparison	Pearson Chi- square	p value	Findings
Competitive strategy presence vs. Firm age	,776	,942	The variables were not dependent.
Competitive strategy presence vs. Written plan	10,460	,005*	The 81 percent of the firms which pursuing a given competitive strategy had an extensive written strategic plan (rather than a limited one).
Competitive strategy presence vs. Demand for research publication	,325	,568	The variables were not dependent.
Firm Performance vs. Firm age	8,888	,064	The variables were not dependent.
Firm Performance vs. Written plan	1,273	,529	The variables were not dependent.
Firm Performance vs. Demand for research publication	6,810	,009*	The 70 percent of the firms which showing low performance did not demand to get informed about results of research.
Firm Performance vs. Plan horizon	22,729	,000*	The 53 percent of the firms which showing low performance had a strategic plan between 1 and 3 years. And, the 43 percent of the

			high performers had a strategic plan between 3 and 5 years. In other words, plan horizon of the high performer firms was more extent.
Firm Performance vs. Competitive strategy presence	11,314	,001*	The 80 percent of the high performer firms had been pursuing any certain competitive strategy.
Firm age vs. Written plan	13,395	,099	The variables were not dependent.
Firm age vs. Plan horizon	23,686	,022*	There was a significant positive relationship between firm age and strategic plan horizon of the firms. That is, the firms had more extent plan horizons as long as firm age increased.

*Significant at the 0.005 level.

When only the significant relationships addressed in Table 28, it was clear that the variable at the core was firm performance, that is, three out of the five variables was associated with firm performance. It was positively associated with plan horizon, demand for research publication, and presence of a given competitive strategy. Subsequently, presence of a given competitive strategy was associated with having a written strategic plan, which means making remarkable efforts for strategic purposes. And, extent of plan horizon was associated with firm age. The visualisation of the relationship diagram for cross-tabulations as follows:

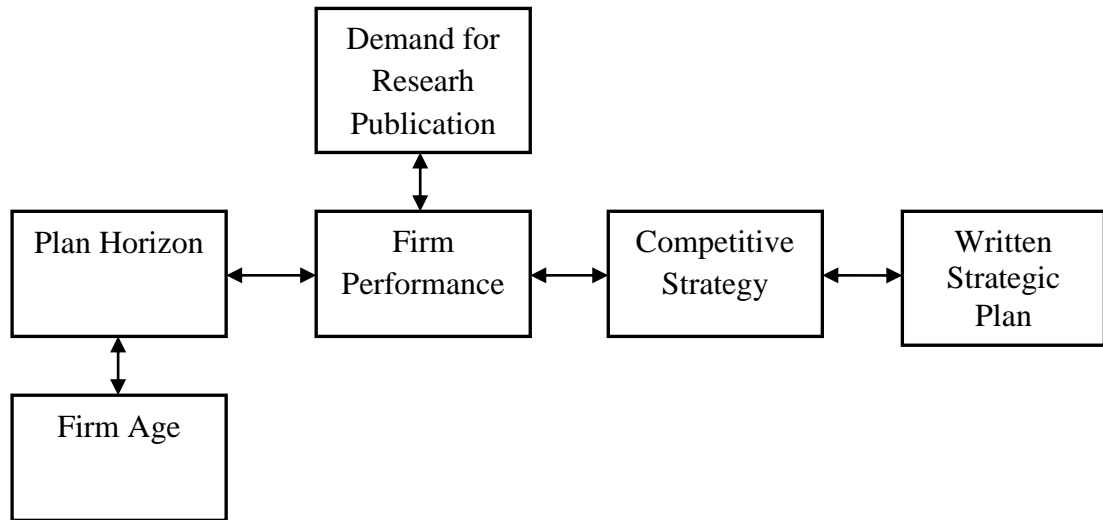


Figure 15: Relationship Diagram of Cross Tabulation Statistics Results

5.9.2.3.2. Correlation Analyses for Further Issues

Correlation coefficients were computed among the competitive strategy and the comprehensiveness of strategic analysis dimensions. Analysis results in Table 29 showed that the correlations constituted some given relationship patterns. The six out of nine strategic analysis dimensions indicated negative coefficients with no strategy position firms. This follows that, in general sense, the firms not pursuing any given competitive strategy tended to be uninterested either their internal or external environment. In other words, it can be claimed that, the no strategy position firms were the firms which had not been analysing their environments considerably.

The second relationship pattern was observed corresponding with the firms pursuing perfect hybrid strategy. The perfect hybrid group firms' concern of strategic analysis was focused on, respectively, customer information, competitor information and internal information sources. Therefore, those firms tended to be more outward-oriented compared to other strategy groups.

Table 29: Pearson Correlations Among the Competitive Strategy Dimensions and The Comprehensiveness of Strategic Analysis Dimensions

		PURE_COST	PURE_MAR	PURE_INN	PERF_HYB	HYB_INN_MAR	HYB_INN_COST	HYB_MAR_COST	HYB_INN_OTH	HYB_MAR_OTH	HYB_COST_OTH	STUCK_IN_MID	NO_STR	INTRNL_ALIGN	MACRO_ALGN	FINANCE_LAB_INFO	COMPTTR_INFO	OPEN_INFO	READY_INFO	INTRNL_INF O_SOUR	SUPLR_INFO	CUSTMR_INFO
PURE_COST	Pearson Correlation	1																				
	Sig. (2-tailed)																					
PURE_MAR	Pearson Correlation	-,033	1																			
	Sig. (2-tailed)	,645																				
PURE_INN	Pearson Correlation	-,028	-,018	1																		
	Sig. (2-tailed)	,691	,804																			
PERF_HYB	Pearson Correlation	-,089	-,055	-,048	1																	
	Sig. (2-tailed)	,212	,437	,502																		
HYB_INN_MAR	Pearson Correlation	-,079	-,049	-,042	-,132	1																
	Sig. (2-tailed)	,269	,491	,552	,062																	
HYB_INN_COST	Pearson Correlation	-,037	-,023	-,020	-,062	-,055	1															
	Sig. (2-tailed)	,606	,748	,781	,384	,440																
HYB_MAR_COST	Pearson Correlation	-,058	-,036	-,031	-,098	-,087	-,040	1														
	Sig. (2-tailed)	,415	,612	,661	,169	,223	,570															
HYB_INN_OTH	Pearson Correlation	-,072	-,045	-,039	-,122	-,108	-,050	-,079	1													
	Sig. (2-tailed)	,310	,528	,585	,086	,129	,479	,263														
HYB_MAR_OTH	Pearson Correlation	-,058	-,036	-,031	-,098	-,087	-,040	-,064	-,079	1												
	Sig. (2-tailed)	,415	,612	,661	,169	,223	,570	,369	,263													
HYB_COST_OTH	Pearson Correlation	-,072	-,045	-,039	-,122	-,108	-,050	-,079	-,099	-,079	1											
	Sig. (2-tailed)																					

[illegible]

The correlations among competitive strategy dimensions and control variables, namely dynamism, competitive intensity and size, were analysed. Analyses presented in Table 30 demonstrated that industry dynamism might direct firms to hybrid strategies emphasizing more strategic dimension. It can be asserted that emphasizing more strategic dimensions enables firms to enhance their diversity of strategic responses to different of dynamic environmental conditions.

Table 30: Pearson Correlations Among the Competitive Strategy Dimensions and Control Variables

		PURE_COST	PURE_MAR	PURE_INN	PERF_HYB	HYB_INN_MAR	HYB_INN_COST	HYB_MAR_COST	HYB_INN_OTH	HYB_MAR_OTH	HYB_COST_OTH	STUCK_IN_MID	NO_STRATEGY	DYNAMISM	COMPETITIVE INTENSITY	SIZE
PURE_COST	Pearson Correlation	1														
	Sig. (2-tailed)															
PURE_MAR	Pearson Correlation	-,033	1													
	Sig. (2-tailed)	,645														
PURE_INN	Pearson Correlation	-,028	-,018	1												
	Sig. (2-tailed)	,691	,804													
PERF_HYB	Pearson Correlation	-,089	-,055	-,048	1											
	Sig. (2-tailed)	,212	,437	,502												
HYB_INN_MAR	Pearson Correlation	-,079	-,049	-,042	-,132	1										
	Sig. (2-tailed)	,269	,491	,552	,062											
HYB_INN_COST	Pearson Correlation	-,037	-,023	-,020	-,062	-,055	1									
	Sig. (2-tailed)	,606	,748	,781	,384	,440										
HYB_MAR_COST	Pearson Correlation	-,058	-,036	-,031	-,098	-,087	-,040	1								
	Sig. (2-tailed)	,415	,612	,661	,169	,223	,570									
HYB_INN_OTH	Pearson Correlation	-,072	-,045	-,039	-,122	-,108	-,050	-,079	1							
	Sig. (2-tailed)	,310	,528	,585	,086	,129	,479	,263								
HYB_MAR_OTH	Pearson Correlation	-,058	-,036	-,031	-,098	-,087	-,040	-,064	-,079	1						
	Sig. (2-tailed)	,415	,612	,661	,169	,223	,570	,369	,263							

HYB_COST_OTH	Pearson																
	Correlation	-,072	-,045	-,039	-,122	-,108	-,050	-,079	-,099	-,079	1						
STUCK_IN_MID	Sig. (2-tailed)	,310	,528	,585	,086	,129	,479	,263	,164	,263							
	Pearson																
NO_STRATEGY	Correlation	-,050	-,031	-,027	-,084	-,074	-,035	-,055	-,068	-,055	-,068	1					
	Sig. (2-tailed)	,484	,663	,707	,237	,295	,625	,441	,337	,441	,337						
DYNAMISM	Pearson																
	Correlation	-,154*	-,096	-,083	-,259**	-,230**	-,107	-,169*	-,211**	-,169*	-,211**	-,145*	1				
COMPETITIVE INTENSITY	Sig. (2-tailed)	,030	,177	,244	,000	,001	,130	,017	,003	,017	,003	,040					
	Pearson																
SIZE	Correlation	,049	-,065	-,124	,161*	,048	,031	,097	-,070	,151*	,112	,053	-,306**	1			
	Sig. (2-tailed)	,490	,359	,080	,023	,504	,663	,172	,322	,033	,115	,455	,000				
	Pearson																
	Correlation	,109	,043	,029	-,035	-,077	-,027	,017	-,108	-,002	,015	,033	,048	,000	1		
	Sig. (2-tailed)	,123	,544	,688	,619	,278	,708	,806	,130	,980	,829	,644	,501	1,000			
	Pearson																
	Correlation	,120	,034	,007	,012	,101	,112	-,069	-,087	,056	-,062	,074	-,116	,244**	,035	1	
	Sig. (2-tailed)	,091	,632	,924	,866	,156	,114	,334	,220	,430	,383	,298	,101	,000	,620		
	N	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

*, Correlation is significant at the 0.05 level (2-tailed).

**, Correlation is significant at the 0.01 level (2-tailed).

The correlations among the comprehensiveness of strategic analysis dimensions and control variables are presented in Table 31 below. Analyses demonstrate an apparent relationship pattern among industry dynamism and finance-labour market information analysis, institutional open information analysis, macro environmental analysis dimensions. On this basis, it can be claimed that the higher dynamism in the market environment leads firms to especially analyse their financial and labour environment, national and international political, economic conditions, social and demographical changes, and so forth macro environmental conditions.

Table 31: Pearson Correlations Among the Comprehensiveness of Strategic Analysis Dimensions and the Control Variables

		INTRNL_ALIGN	MACRO_ALIGN	FINANCE_LAB_INFO	COMPTTR_INFO	OPEN_INFO	READY_INFO	INTRNL_INFO_SOUR	SUPPLR_INFO	CUSTMR_INFO	DYNAMISM	COMPETITIVE_INTENSITY	SIZE
INTRNL_ALIGN	Pearson Correlation	1											
	Sig. (2-tailed)												
MACRO_ALIGN	Pearson Correlation	,000	1										
	Sig. (2-tailed)	1,000											
FINANCE_LAB_INFO	Pearson Correlation	,000	,000	1									
	Sig. (2-tailed)	1,000	1,000										
COMPTTR_INFO	Pearson Correlation	,000	,000	,000	1								
	Sig. (2-tailed)	1,000	1,000	1,000									
OPEN_INFO	Pearson Correlation	,000	,000	,000	,000	1							
	Sig. (2-tailed)	1,000	1,000	1,000	1,000								
READY_INFO	Pearson Correlation	,000	,000	,000	,000	,000	1						
	Sig. (2-tailed)	1,000	1,000	1,000	1,000	1,000							
INTRNL_INFO_SOUR	Pearson Correlation	,000	,000	,000	,000	,000	,000	1					
	Sig. (2-tailed)	1,000	1,000	1,000	1,000	1,000	1,000						
SUPPLR_INFO	Pearson Correlation	,000	,000	,000	,000	,000	,000	,000	1				
	Sig. (2-tailed)	1,000	1,000	1,000	1,000	1,000	1,000	1,000					
CUSTMR_INFO	Pearson Correlation	,000	,000	,000	,000	,000	,000	,000	,000	1			
	Sig. (2-tailed)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000				
DYNAMISM	Pearson Correlation	,070	,143*	,212**	,094	,147*	,123	,094	,135	,112	1		
	Sig. (2-tailed)	,328	,044	,003	,186	,038	,083	,184	,057	,113			
COMP_INTENS	Pearson Correlation	,015	-,048	-,085	,061	-,003	-,093	-,037	,060	,078	,000	1	
	Sig. (2-tailed)	,836	,501	,233	,389	,965	,188	,601	,401	,274	1,000		

SIZE	Pearson Correlation	,064	-,027	,074	,046	,147*	-,031	,009	,146*	,042	,244**	,035	1
	Sig. (2-tailed)	,372	,707	,296	,516	,038	,668	,904	,039	,559	,000	,620	
	N	200	200	200	200	200	200	200	200	200	200	200	200

*, Correlation is significant at the 0.05 level (2-tailed).

**, Correlation is significant at the 0.01 level (2-tailed).

5.9.3. Validity and Reliability of the Study

The reliability of the study scales was examined by utilizing Cronbach's Alpha model. These scales of interest were the comprehensiveness of strategic analysis, firm performance, and control variable of market turbulence measures. However, since competitive strategies were constructed according to a dummy scheme instead of a factor analysis, the reliability of competitive strategies were not investigated. On the other hand, the dimensions of competitive strategy take a wide part in the literature, this follows that the competitive strategy dimensions used are widely accepted.

"The preparation of the questionnaire for the survey was carried out in several stages. First, after reviewing the literature on, strategic management, competitive strategies and firm performance, an attempt was made to refine the questionnaire through a round of discussion and reflection with a number of experts in the field who had to assess content validity; second, two approaches were distinguished to examine construct validity – convergent, and divergent validity."²⁵¹

It is well known that the convergent validity examines whether constructs that theoretically should be related are, in fact, related. And, divergent validity²⁵² examines whether constructs theoretically should not be related are, in fact, unrelated. On the other hand, it is also well known that one of the biggest difficulties in social sciences is to separating conceptual constructs, due to the complexity of human nature, certain limitations to measurement and research contexts. Because of such reasons, in general sense, research seldom give clear and distinct answers to the validity question. In the context of this study, the divergent validity was examined with correlation analyses. And, it was observed that the constructs which theoretically should not be related were, in fact, unrelated. As for convergent validity, some research²⁵³ revealed that strategic analysis has effect on firm performance. However, it can be concluded from the findings of this study that the *direct effect* of strategic analysis was very limited on firm performance. More specifically, two out of nine dimensions, namely competitor information and supplier

²⁵¹ Pertusa-Ortega, Molina-Azorin, Claver-Cortes, **Op. Cit.**, 513.

²⁵² The term also refers to as discriminant validity.

²⁵³ See R.M. Beal, "Competing Effectively: Environmental Scanning, Competitive Strategy, and Organizational Performance in Small Manufacturing Firms", **Journal of Small Business Management**, vol.: 38, iss: 1, 2000.

information analysis, had a significant effect on firm performance (see Regression Model 2). In the final analysis, when look at the whole picture and the previous research, the construct and content validity of the study can be claimed as acceptable albeit some remarks.

6. CONCLUSION

In the study, descriptive statistics, cross tabulations, correlation analysis, regression analysis, and ANOVA were employed to assess the relationship patterns between competitive strategies, strategic analysis and firm performance.

Independent variables of the study were the competitive strategies based Porter's typology, and the comprehensiveness of strategic analysis. Dependent variable was firm performance. And control variables were firm size, and market turbulence, which consisted of competitive intensity and industry dynamism dimensions.

When firm performance was controlled for the impact of *firm size, competitive intensity in the industry, industry dynamism*, no significant effect of the variables were observed within the scope of the large and middle sized Turkish Manufacturing Firms. This follows that subjective performance, namely effectiveness compared to major competitors, did not vary according to firm size and industry features within the context of the study sample. It can be inferred from this finding that subjective firm performance measures were more robust against firm size, industry, region variations than objective ones.

The essential purpose of this study was to investigate, on one hand the effect of hybrid strategies on firm performance compared to pure strategies and stuck-in-the-middle strategy; on the other hand, the effect of the comprehensiveness of strategic analysis on firm performance. According to the results, generally speaking, hybrid strategies were associated with higher firm performance compared to the pure ones. That is, at least one pure strategy, namely pure marketing, was associated with higher performance; whereas stuck-in-the-middle strategy had no significant effect on obtaining higher firm performance. As one of the major reasons causing this outcome, it can be claimed that extensive using of low cost strategy suppresses its capability to create competitive advantage over rivals (See Table 18).

In parallel with the recent research, it was found that when more generic strategy dimensions were included in the strategy combination, firm performance increased, provided that at least one of the key components was marketing or innovation differentiation. Accordingly, it can be argued that the versatility of hybrid strategies can play a significant role in gaining competitive advantage, thus outperform competitors. And, the second important conclusion is that hybrid competitive strategies have been employing extensively, such that, approximately a half of firms use a certain type of hybrid strategies.

Furthermore, no difference between stuck-in-the-middle strategy and no strategy position was found. It was also observed that approximately one thirds of the firms were in either no stuck-in-the-middle or no strategy position. In other words, one thirds of the whole sample did not pursue a clear and distinct strategy.

Another main conclusion of the study is the more comprehensive competitor analysis led to a higher level of firm performance. That is, competitor orientation had a positive significant contribution to firm performance within the context of the Large and Middle Sized Turkish Manufacturing Firms.

As the model fit of the ultimate regression model was addressed, in Table 25, it can be seen that the explained variance was low. However, this result regarding low level of explained variances of competitive strategies is parallel with similar research designs.²⁵⁴ This can be explained by the complex and multidimensional nature of the firm performance concept. That is, as an outcome, firm performance is affected by wide variety of factors, such as societal and industrial environment factors; additionally internal environment factors like organizational, financial, managerial, and production issues at strategic, tactical and operational levels. From this point of view, despite the low level of explained variance, the individual effect of competitive strategies on firm performance can be evaluated as fairly remarkable.

Further analyses revealed some additional findings concerning several firm characteristics and strategic tendencies. First, firm performance was positively

²⁵⁴ See E. M. Pertusa-Ortega, J.F. Molina-Azorin, E. Claver-Cortes, "Competitive Strategies and Firm Performance: A Comparative Analysis of Pure, Hybrid and 'Stuck-in-the-middle' Strategies in Spanish Firms", **British Journal of Management**, vol. 20, (2009): 508-523 ; Also see the base model in work of Y. E. Spanos, G. Zaralis, S. Lioukas, "Strategy and Industry Effect on Profitability: Evidence From Greece", **Strategic Management Journal**, vol.25, (2004): 139-165.

associated with more extended plan horizon, and pursuing any given competitive strategy. And second, plan horizon was associated with firm age. Third, in general sense, the no strategy position firms can be claimed to be disinterested in their environments to a large extent. But, the firms pursuing hybrid strategies were highly interested in their either internal or external environments, especially, customer information, competitor information and internal information sources. Fifth, the higher industry dynamism led firms to particularly analyse their financial and labour environment, national and international political, economic conditions, social and demographical changes, and so forth macro environmental conditions. Sixth, industry dynamism might direct firms to the hybrid strategies emphasizing more strategic dimension. It can be assessed that emphasizing more strategic dimensions enables firms to enhance their diversity and elasticity of strategic responses against dynamic environmental conditions.

As to theoretical and managerial contributions of this study; firstly, the results yielded empirical evidence that conducting particularly hybrid competitive strategies and competitor oriented information analysis made contribution to firm performance, independent of industry and firm size within the scope of medium and large manufacturing firms. It can be argued that the multi-industrial design of the study with a good sample size supported accuracy and generalizability of the results. Secondly, the strategic analysis scale, which addressing the strategic analysis phenomenon in point of comprehensiveness, information sources and density of analysis, was modified and factorized. Additionally, the modified competitive strategy and market turbulence scales may make contribution other studies. As for the third contribution of the study, it was revealed that when firms did not put a high emphasis on any of the competitive strategy dimensions thus constitute a clear and distinct strategy, firms had to pursue stuck-in-the-middle strategies or no strategy position, both of which ensure lower firm performance compared to the hybrid ones. At this point the exception was pure marketing strategy, which was the only clear and distinct strategy entailed higher firm performance besides hybrid ones. Fourth, the results attested that the hybrid strategy combinations that constructed from greater number of generic strategy dimensions were more likely to result in a higher level of firm performance, on condition that, at least one of its key components was marketing or innovation differentiation.

Finally, future research may address some further questions and issues. This study verified that competitive strategies, particularly hybrid ones, affect firm performance. However, not only industry environment conditions and firm size, but also organizational conditions should also be investigated to understand the nature of competitive strategy and firm performance relationships. These organizational conditions may be organizational culture, leadership approach, organizational structure, human resources and financial status. It may be beneficial to modify the scale and expand this competitive strategy research to small firms and service firms, in point of the generalizability of this theory.

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APPENDICES

APPENDIX 1: Questionnaire in English

This survey has been conducting for the purpose of providing data for a scientific study within Yıldız Technical University and İstanbul Gelişim University. Neither will the data collected use any purpose without scientific or ethical, nor they will be shared with any other persons or institutions. Additionally, no firm name will be used for making remarks. The validation of the study depends on your objectiveness and sincerity. We are of the opinion that sharing results of the study can be beneficial for the attendants who demand getting informed of the results. We thank you in advance for your contribution.

Prof.Dr. İbrahim KIRCOVA

Res.Asst. Metin TOPTAŞ

* Gerekli

1. Reducing costs as a whole in basic business functions*.

(production, marketing, management and finance)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

2. Practises for production cost minimization

(continuous mass purchase, low working fees etc.)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

3. To focus on keeping costs below those of the major competitors.

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

4. To focus on keeping prices of goods/ services below those of the major competitors

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

5. Tending to utilize economies of scale*

(*boosting the production on the purpose of reducing average costs)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

6. Automation* in production processes

(*any kind of computerization, mechanization etc.)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

7. To focus on using the firm resources* productively and efficiently

(*labour, capital, equipment, materials, energy etc.)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

8. Determining standards for costs to audit them strictly

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

9. Minimization of advertising/ publicity expenses

(advertisements, attending fairs, corporate visits, sending out samples etc.)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

10. Identifying and auditing cost centres* in order to provide efficient cost control

(*a department or other section where managers are directly responsible for costs; it is also named expense centres.)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

11. Intensive promotion*

(*focusing intensively on making the goods/services remarkable and attractive)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

12. To provide resources* intensively for the sales forces

(*human, capital, material etc.)

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

13. To concentrate on advertising campaigns

0 1 2 3 4 5 6

We never use this approach ☐ ☐ ☐ ☐ ☐ ☐ ☐ We use this approach very frequently

14. To concentrate on activities supporting brand image

0 1 2 3 4 5 6

● ● ● ● ● ● ●

15. To provide complementary services

(e.g. providing maps with travel tour customers for free or for a fee)

0 1 2 3 4 5 6

● ● ● ● ● ● ●

16. To invest in innovative marketing*

(*customer information systems, social media, e-commerce etc.)

0 1 2 3 4 5 6

● ● ● ● ● ● ●

17. To concentrate on continuously increasing the market share of the firm

0 1 2 3 4 5 6

○ ○ ○ ○ ○ ○ ○

18. To follow the good/service practises that are experienced by other firms.

0 1 2 3 4 5 6

● ● ● ● ● ● ●

19. To focus on reaching leadership in innovation through R&D

0 1 2 3 4 5 6

● ● ● ● ● ● ●

20. To focus on continuously increasing the quality in goods/services.

0 1 2 3 4 5 6

● ● ● ● ● ● ●

21. Frequency of innovations in the existing goods/services of your firm, when considering the last three years.

0 1 2 3 4 5 6

● ● ● ● ● ● ●

22. Frequency of new goods/services put on market by your firm, when considering the last three years.

0 1 2 3 4 5 6

● ● ● ● ● ● ●

(small improvements/innovations that made continuously)

Never ○○○○○○ Very frequently

Never ○○○○○○ Very frequently

Never ○○○○○○ Very frequently

Well below our competitors ○ ○ ○ ○ ○ ○ ○ Well above our competitors

Well below our competitors ● ● ● ● ● ● ● Well above our competitors

Well below our competitors ● ● ● ● ● ● ● Well above our competitors

Well below our competitors ● ● ● ● ● ● ● Well above our competitors

30. When the last three years considered, your firm's "market share growth" compared to the major competitors

(0: Well below our competitors, 3: Equal to our competitors, 6: Well above our competitors)

0 1 2 3 4 5 6

Well below our competitors ☐ ☐ ☐ ☐ ☐ ☐ ☐ Well above our competitors

31. When the last three years considered, your firm's growth in "profit before tax" compared to the major competitors

(0: Well below our competitors, 3: Equal to our competitors, 6: Well above our competitors)

0 1 2 3 4 5 6

Well below our competitors ☐ ☐ ☐ ☐ ☐ ☐ ☐ Well above our competitors

32. When the last three years considered, your firm's "cash flow performance" compared to the major competitors

(0: Well below our competitors, 3: Equal to our competitors, 6: Well above our competitors)

0 1 2 3 4 5 6

Well below our competitors ☐ ☐ ☐ ☐ ☐ ☐ ☐ Well above our competitors

33. When the last three years considered, your firm's "return on investments (ROI) performance" compared to the major competitors

(0: Well below our competitors, 3: Equal to our competitors, 6: Well above our competitors)

0 1 2 3 4 5 6

Well below our competitors ☐ ☐ ☐ ☐ ☐ ☐ ☐ Well above our competitors

To what extent do you analyse internal information sources during strategy formation stage?

Please rate the expressions below from 0 to 6. (0:Never, 3:Moderately, 6:Mostly)

	0	1	2	3	4	5	6
34. Top Executives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
35. Department Managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
36. The Employing Experts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
37. Other Staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
38. Firm's Accounting Records and other records alike	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent do you analyse external information sources during strategy formation stage?

Please rate the expressions below from 0 to 6. (0:Never, 3:Moderately, 6:Mostly)

0 1 2 3 4 5 6

39. Competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
40. Customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
41. Suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
42. Finance and Investment Institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
43. Professional Chambers (ISO, ITO etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
44. Governmental Information Sources (TULK, DPT etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
45. Academic Sources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
46. Professional Consultancy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
47. Advertising and Media Agencies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
48. Marketing Research Firms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
49. Internet and Media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent do you analyse the following macro-environmental factors within the scope of opportunities and threats?

Please rate the expressions below from 0 to 6. (0:Never, 3:Moderately, 6:Mostly)

	0	1	2	3	4	5	6
50. International economic situation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
51. National economic conditions (Employment, growth, taxes, foreign trade opportunities etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
52. Economic and political decisions of the national governments (Promotions, liberalization, internationalization, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
53. Agreements made by the national governments with foreign countries and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
54. Technological factors (computerization, automation, softwares etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
55. Pressures for							

[illegible]

69. Alignment of employees' purposes with those of the firm

○ ○ ○ ○ ○ ○ ○

71. Alignment of current long-term and short-term financial resources with the strategic purposes

○ ○ ○ ○ ○ ○ ○

73. Alignment of employee talents with the strategic purposes

74. Alignment of communication and coordination among departments with the strategic purposes



0 1 2 3 4 5 6

Never ○○○○○○ Very frequently

0 1 2 3 4 5 6

Never ○ ○ ○ ○ ○ ○ ○ Very frequently

0 1 2 3 4 5 6

Never ○○○○○○ Very frequently

0 1 2 3 4 5 6

Never ○○○○○○ Very frequently

79. For survival of your firm, the environment is

0 1 2 3 4 5 6

Not threatening ☐ ☐ ☐ ☐ ☐ ☐ ☐ Very threatening

80. Price competition level, in your industry, is

0 1 2 3 4 5 6

Not threatening ☐ ☐ ☐ ☐ ☐ ☐ ☐ Very threatening

81. Your major competitors' good/service innovation level is

0 1 2 3 4 5 6

Not threatening ☐ ☐ ☐ ☐ ☐ ☐ ☐ Very threatening

82. For how many years is your firm's strategic plan made?

Less than a year From 1 till 3 years From 3 till 5 years 5 years or more



83. Do you have a written strategic plan?

No

There is one but in a
limited format

There is one in an
extensive format



84. What is the name of your firm? *

85. For how many years has your firm been operating in your industry? *

86. What is your position in the firm? *

- ☐ Employer
- ☐ President/ Vice president
- ☐ Production manager
- ☐ Factory manager
- ☐ Finance/ Accounting manager
- ☐ R&D manager
- ☐ Diğer:

Would you like to get informed about the research results?

- ☐ Yes
- ☐ No

APPENDIX 2: Questionnaire in Turkish

Bu anket, Yıldız Teknik Üniversitesi ve İstanbul Gelişim Üniversitesi bünyesinde yürütülen bir araştırmaya kaynak teşkil etmesi amacıyla yapılmaktadır. Elde edilen bilgiler bilimsel etik dışı bir amaçla kullanılmayacak ve başka kişi ya da kuruluşa verilmeyecektir. **AYRICA ÇALIŞMADA HİÇBİR İŞLETMENİN İSMİ VERİLEREK DEĞERLENDİRME YAPILAMAYACAKTIR.** Araştırmamızın doğruları yansıtabilmesi, olabildiğince objektif olmanıza bağlıdır. Araştırmamızın sonuçları isteyen katılımcılarla paylaşılarak, katılımcı firmalarımıza da katkı sağlanabileceği kanaatindeyiz. Desteğiniz için teşekkürlerimizi sunarız.

Prof.Dr. İbrahim KIRCOVA

Arş.Gör. Metin TOPTAŞ

* Gerekli

1. Temel işletme fonksiyonlarında* maliyetleri bir bütün olarak azaltma yaklaşımı

(üretim, pazarlama, yönetim, finansman)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

2. Üretim maliyetlerini aşağı çekme uygulamaları

(sürekli toplu tedarik, düşük çalışan ücretleri vb.)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

3. Maliyetleri, başlıca rakiplerin maliyetlerinin altında tutmaya odaklanma

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

4. Ürün/Hizmet fiyatlarını, başlıca rakiplerin fiyatlarının altında tutmaya odaklanma

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

5. Ölçek ekonomisi yakalamaya yönelme

(ortalama maliyetleri düşürmek amacı ile üretimi arttırmak)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

6. Mal/Hizmet üretim süreçlerinin otomasyonu* yaklaşımı

(*her türlü makineleşme, bilgisayarlaşma)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☒ Bu yaklaşımı oldukça sık kullanırız

7. Firma kaynaklarının verimli ve etkin kullanımını arttırmaya odaklanma

(emek, sermaye, araç-gereç, malzeme, enerji verimliliği vb.)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

8. Maliyet standartları belirleyerek, sıkı biçimde denetleme yaklaşımı

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

9. Reklam/ tanıtım giderlerini en aşağı çekme

(reklam yayınları, fuarlarda stand açma, kurum ziyaretleri, numune dağıtımı vb.)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

10. Etkin maliyet kontrolü sağlayabilmek için maliyet merkezlerinin* belirlenerek denetlenmesi

(*Yöneticilerinin oluşan maliyetlerden doğrudan sorumlu olduğu departman ya da birim; gider merkezi olarak da bilinir.)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

11. Yoğun tutundurma faaliyetleri

(ürünü/hizmeti dikkat çekici ve cazip kılmaya yoğun olarak odaklanmak)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☒ Bu yaklaşımı oldukça sık kullanırız

12. Satış gücüne yoğun şekilde kaynak* ayırma

(*insan, sermaye, araç, donanım vb.)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

13. Reklam kampanyalarına ağırlık verme

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ○ ○ ○ ○ ○ ○ ○ Bu yaklaşımı oldukça sık kullanırız

14. Marka imajını destekleyici faaliyetlere ağırlık verme

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☒ Bu yaklaşımı oldukça sık kullanırız

15. Tamamlayıcı hizmetler verme

(Seyahat turu satın alanlara gittikleri yerin haritasını ücretle veya ücretsiz sağlama vb.)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☐ Bu yaklaşımı oldukça sık kullanırız

16. Yeni/Yenilikçi pazarlama uygulamalarına yönelik yatırımlar

(müşteri bilgi sistemleri, sosyal medya, e-ticaret vb.)

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☐ Bu yaklaşımı oldukça sık kullanırız

17. Firmanızın pazar payını sürekli biçimde arttırmaya odaklanma

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☐ Bu yaklaşımı oldukça sık kullanırız

18. Diğer firmalarca tecrübe edilmiş ürün/ hizmet uygulamalarını takip etme yaklaşımı

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☐ Bu yaklaşımı oldukça sık kullanırız

19. ARGE yoluyla teknolojik liderlik sağlama yaklaşımı

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☐ Bu yaklaşımı oldukça sık kullanırız

20. Ürün/hizmetlerde kaliteyi sürekli yükseltmeye odaklanma

0 1 2 3 4 5 6

Bu yaklaşımı hiç kullanmayız ☐ ☐ ☐ ☐ ☐ ☐ ☐ Bu yaklaşımı oldukça sık kullanırız

21. Son üç(3) yılda, firmanızın mevcut ürün/hizmetlerinde inovasyon (yenilikçilik) yapma sıklığı

0 1 2 3 4 5 6

Hiçbir zaman ☐ ☐ ☐ ☐ ☐ ☐ ☐ Oldukça sık

22. Son üç(3) yılda, firmanızın piyasaya yeni ürün/ hizmet sunma sıklığı

0 1 2 3 4 5 6

Hiçbir zaman ☐ ☐ ☐ ☐ ☐ ☐ ☐ Oldukça sık

23. Son üç(3) yılda, firmanızın gerçekleştirdiği artışlı* inovasyonların sıklığı

(*Adım adım ve süreklilik arz eden küçük yenilikler/ iyileştirmeler)

0 1 2 3 4 5 6

Hiçbir zaman ☐ ☐ ☐ ☐ ☐ ☐ ☐ Oldukça sık

24. Son üç(3) yılda, firmanızın patent alma sıklığı

0 1 2 3 4 5 6

Hiçbir zaman ☐ ☐ ☐ ☐ ☐ ☐ ☐ Oldukça sık

25. Son üç(3) yılda, firmanızın mevcut süreçlerinde* inovasyon (yenilikçilik) yapma sıklığı

(* üretim, pazarlama, depolama ve dağıtım, yönetim süreçleri vb.)

0 1 2 3 4 5 6

Hiçbir zaman ☐ ☐ ☐ ☐ ☐ ☐ ☐ Oldukça sık

26. Son üç(3) yıl değerlendirildiğinde, reklam/tanıtım giderlerinizin toplam satışınıza oranı

(0:Rakiplerinin tamamen altında kalmıştır, 3:Rakiplerle eşit düzeyde, 6:Rakiplerinin oldukça üzerindedir)

0 1 2 3 4 5 6

Rakiplerinin tamamen altında kalmıştır ☐ ☐ ☐ ☐ ☐ ☐ ☐ Rakiplerinin oldukça üzerindedir

27. Son üç(3) yıl değerlendirildiğinde,ARGE giderlerinizin toplam satışınıza oranı

(0:Rakiplerinin tamamen altında kalmıştır, 3:Rakiplerle eşit düzeyde, 6:Rakiplerinin oldukça üzerindedir)

0 1 2 3 4 5 6

Rakiplerinin tamamen altında kalmıştır ☐ ☐ ☐ ☐ ☐ ☐ ☐ Rakiplerinin oldukça üzerindedir

28. Son üç(3) yıl değerlendirildiğinde, başlıca rakiplere göre firmamızın "satışlarının artışı"

(0:Rakiplerinin tamamen altında kalmıştır, 3:Rakiplerle eşit düzeyde, 6:Rakiplerinin oldukça üzerindedir)

1 2 3 4 5 6 7

Rakiplerinin tamamen altında kalmıştır ☐ ☐ ☐ ☐ ☐ ☐ ☐ Rakiplerinin oldukça üzerindedir

29. Son üç(3) yıl değerlendirildiğinde, başlıca rakiplere göre firmamızın "istihdam artışı"

(0:Rakiplerinin tamamen altında kalmıştır, 3:Rakiplerle eşit düzeyde, 6:Rakiplerinin oldukça üzerindedir)

0 1 2 3 4 5 6

Rakiplerinin tamamen altında kalmıştır ☐ ☐ ☐ ☐ ☐ ☐ ☐ Rakiplerinin oldukça üzerindedir

30. Son üç(3) yıl değerlendirildiğinde,basılcı rakiplere göre firmamızın "pazar payı artışı"

(0:Rakiplerinin tamamen altında kalmıştır, 3:Rakiplerle eşit düzeyde, 6:Rakiplerinin oldukça üzerindedir)

Rakiplerinin tamamen altında kalmıştır ☐ ☐ ☒ ☐ ☐ ☐ ☐ Rakiplerinin oldukça üzerindedir

(0:Rakiplerinin tamamen altında kalmıştır, 3:Rakiplerle eşit düzeyde, 6:Rakiplerinin oldukça üzerindedir)

Rakiplerinin tamamen altında kalmıştır ○ ○ ○ ○ ○ ○ ○ Rakiplerinin oldukça üzerindedir

Rakiplerinin tamamen altında kalmıştır ○ ○ ○ ○ ○ ○ ○ Rakiplerinin oldukça üzerindedir

Rakiplerinin tamamen altında kalmıştır ○ ○ ○ ○ ○ ○ ○ Rakiplerinin oldukça üzerindedir

38. İşletmenin muhasebe ve benzeri kayıtları

40. Müşteriler

41. Tedarikçiler							
42. Finans ve Yatırım kuruluşları							
43. Meslek odaları (İSO, İTO vb.)							
44. Resmi kaynaklar (TÜİK, DPT vb.)							
45. Akademik kaynaklar							
46. Profesyonel Danışmanlar							
47. Reklam ve Medya ajansları							
48. Pazarlama araştırma firmaları							
49. İnternet ve Medya							

	0	1	2	3	4	5	6
50. Uluslararası ekonomik gelişmeler	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
51. Ülkemizdeki ekonomik gidişat (İstihdam, büyüme, vergiler, dış ticaret imkanları vb.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
52. Hükümetlerin ekonomik politika ve kararları (Dış açılma, liberalizasyon, teşvikler vb.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
53. Hükümetlerin dış ülke ve kuruluşlarla yaptığı anlaşmalar	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
54. Teknolojik faktörler (Makinalaşma, bilgisayarlı otomasyon ve yazılımlar vb.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
55. Doğal çevreyi korumaya yönelik baskılar	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
56. Uluslararası siyasi gelişmeler	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
57. Ülkemizdeki siyasal gelişmeler	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
58. Sosyo-kültürel şartlardaki değişimler (Gelir dağılımındaki							

[illegible]

uygunluğu

71. Mevcut kısa ve uzun vadeli finansal kaynakların stratejik amaçlara uygunluğu



72. Örgüt kültürü ve liderlik anlayışının stratejik amaçlara uygunluğu



73. İşletmedeki kişilerin yetenek ve becerilerinin stratejik amaçlara uygunluğu



74. Bölümler arası iletişim ve koordinasyon düzeyinin stratejik amaçlara uygunluğu



75. Sektörünüzdeki ürün/hizmet üretim teknolojilerindeki değişim sıklığı

0 1 2 3 4 5 6

Hiçbir zaman Oldukça sık

76. Müşterilerinizin ihtiyaçlarındaki değişim sıklığı

0 1 2 3 4 5 6

Hiçbir zaman Oldukça sık

77. Sektörünüzdeki ürün/hizmetlerin eskime sıklığı

0 1 2 3 4 5 6

Hiçbir zaman Oldukça sık

78. Rakiplerinizin stratejilerindeki değişimin sıklığı

0 1 2 3 4 5 6

Hiçbir zaman Oldukça sık

79. İşletmenizin devam edebilmesi açısından işletme çevreniz

0 1 2 3 4 5 6

Hiç tehdit edici değildir Fazla tehdit edicidir

80. Sektörünüzdeki fiyat rekabetinin sertlik düzeyi

0 1 2 3 4 5 6

Hiç tehdit edici değildir ☐ ☐ ☐ ☐ ☐ ☐ ☐ Fazla tehdit edicidir

81. Başlıca rakiplerinizin ürün/hizmetlerinin kalitesi ve yenilik düzeyi

0 1 2 3 4 5 6

Hiç tehdit edici değildir ☐ ☐ ☐ ☐ ☐ ☐ ☐ Fazla tehdit edicidir

82. Firmanızın stratejik planı kaç yıl için yapılmaktadır?

1 yıldan daha kısa 1 yıldan 3 yıla kadar 3 yıldan 5 yıla kadar 5 yıl ve daha uzun



83. Yazılı bir stratejik planınız var mıdır?

Yok

Kısıtlı biçimde var

Kapsamlı biçimde var



84. Firmanızın adı nedir? *

85. Firmanızın yaşı? *

86. Firmadaki Pozisyonunuz nedir? *

- ☐ İşletme sahibi
☐ Genel müdür/ Genel müdür yardımcısı
☐ İmalat müdürü
☐ Fabrika müdürü
☐ Finans/muhasebe müdürü
☐ ARGE müdürü
☐ Diğer:

Araştırmanın sonuçlarından haberdar olmak ister misiniz?

- ☐ Evet
☐ Hayır

APPENDIX 3: Results for One-Sample Kolmogorov-Smirnoff Test of Normality

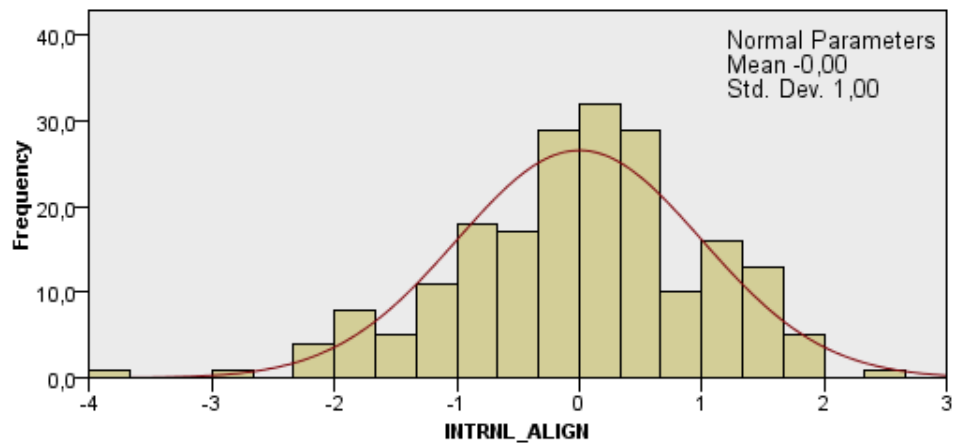
i) One-Sample Kolmogorov-Smirnoff Test of Normality for Comprehensiveness of Strategic Analysis Factors

Hypothesis Test Summary

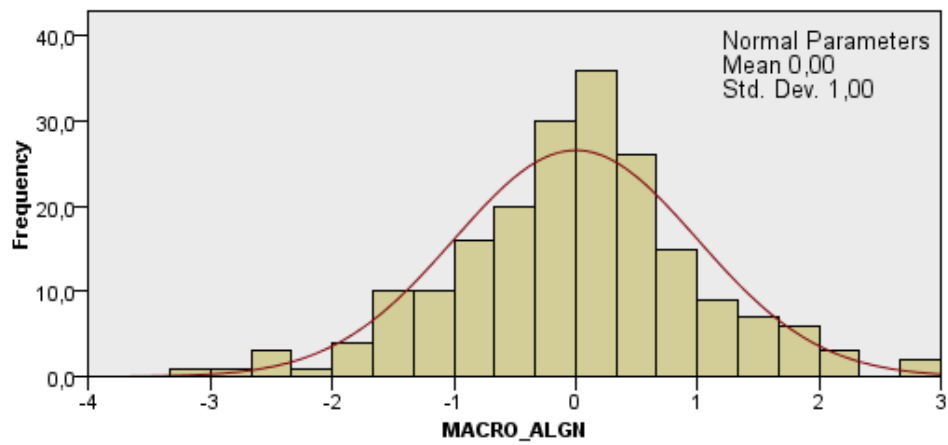
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of INTRNL_ALIGN is normal with mean -0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,247	Retain the null hypothesis.
2	The distribution of MACRO_ALGN is normal with mean 0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,501	Retain the null hypothesis.
3	The distribution of FINANCL_INFO is normal with mean -0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,327	Retain the null hypothesis.
4	The distribution of COMPTTR_INFO is normal with mean 0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,918	Retain the null hypothesis.
5	The distribution of OPEN_INFO is normal with mean -0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,093	Retain the null hypothesis.
6	The distribution of READY_INFO is normal with mean -0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,960	Retain the null hypothesis.
7	The distribution of INTNL_INFO_SOUR is normal with mean 0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,165	Retain the null hypothesis.
8	The distribution of SUPPLR_INFO is normal with mean 0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,203	Retain the null hypothesis.
9	The distribution of CUSTMR_INFO is normal with mean 0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,644	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is ,05.

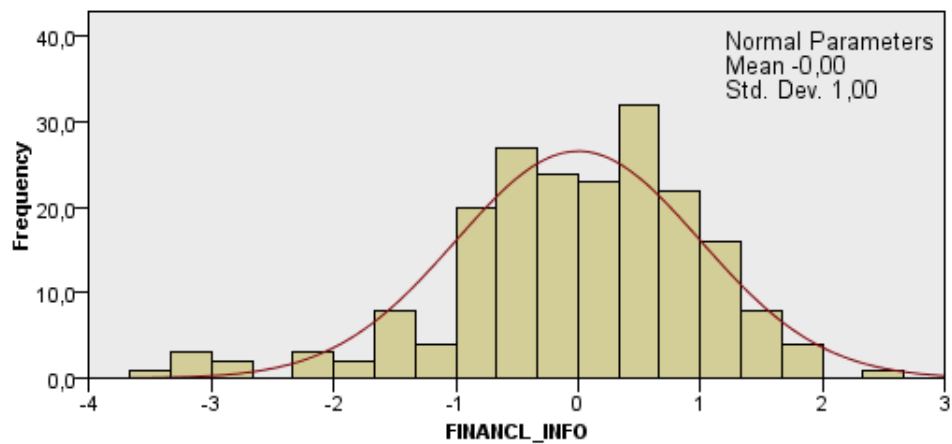
One-Sample Kolmogorov-Smirnov Test



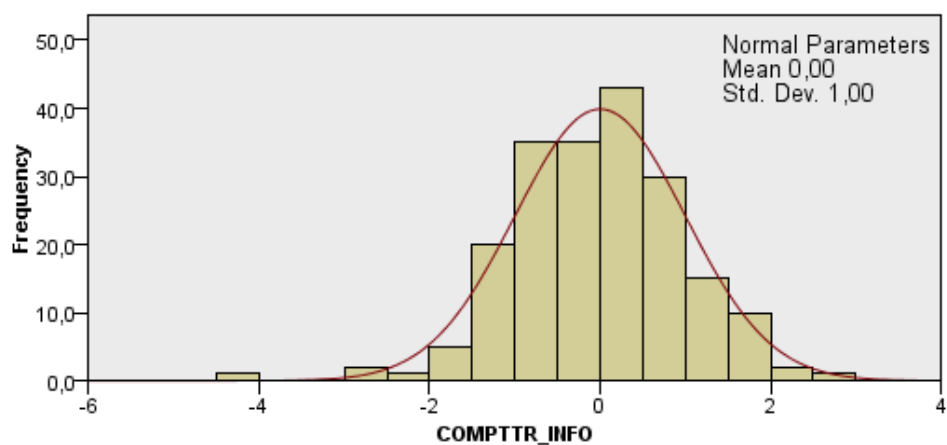
One-Sample Kolmogorov-Smirnov Test



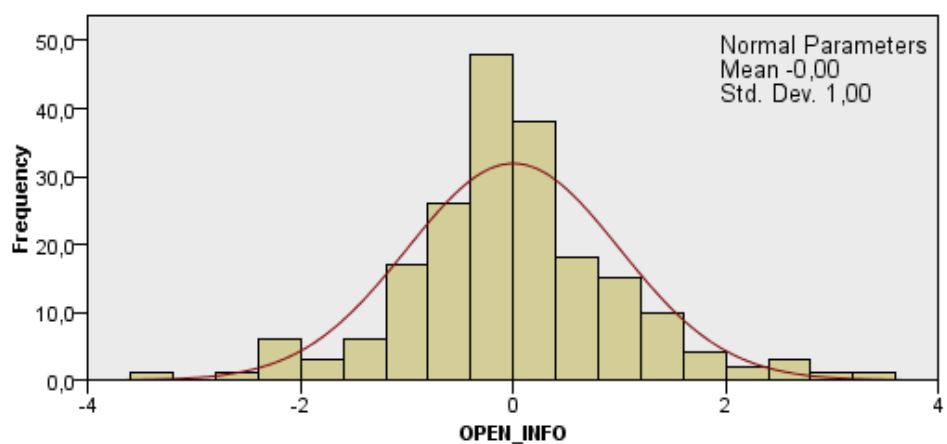
One-Sample Kolmogorov-Smirnov Test



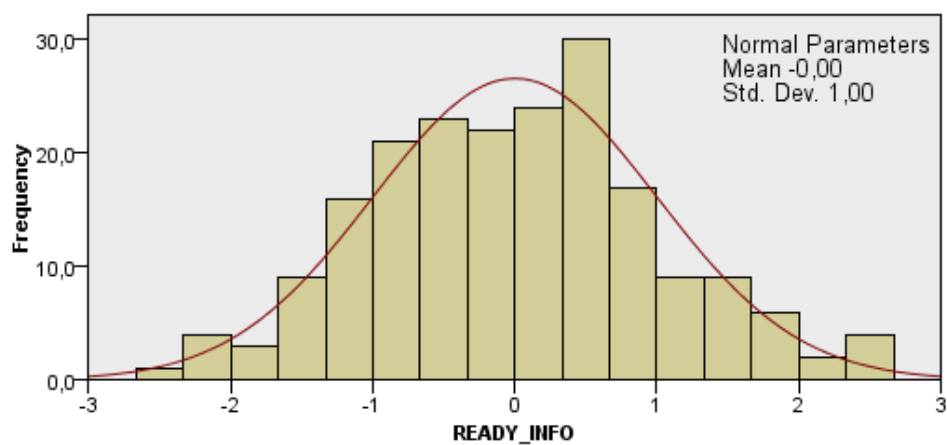
One-Sample Kolmogorov-Smirnov Test



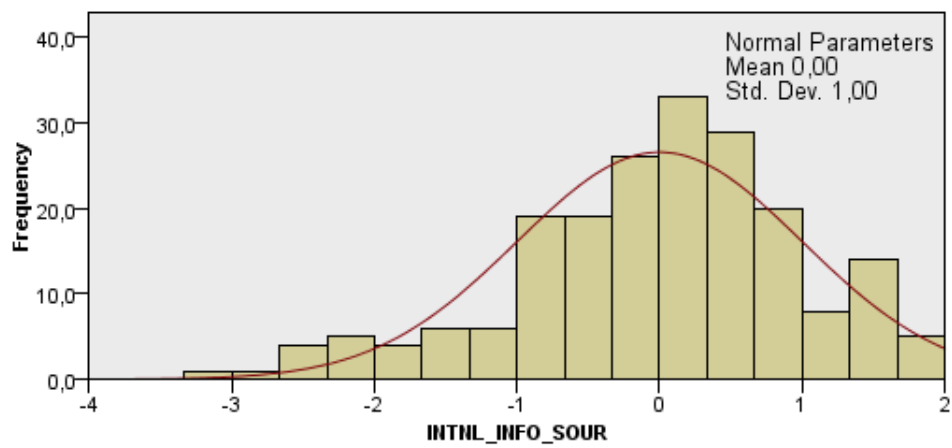
One-Sample Kolmogorov-Smirnov Test



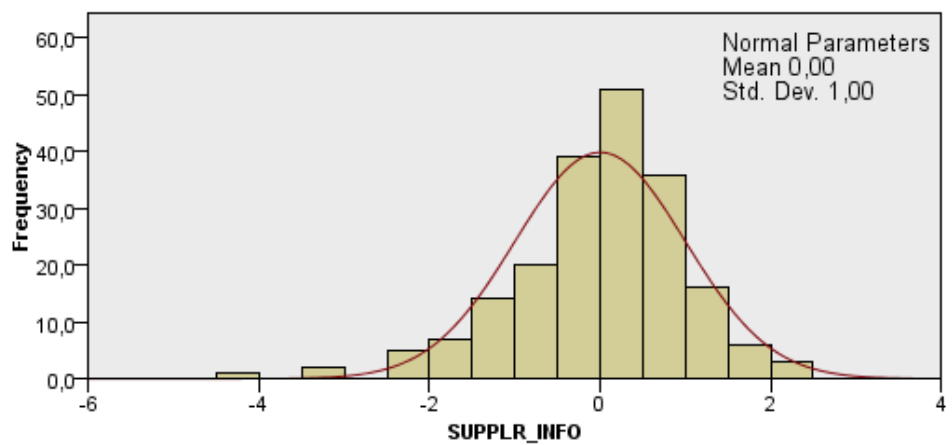
One-Sample Kolmogorov-Smirnov Test



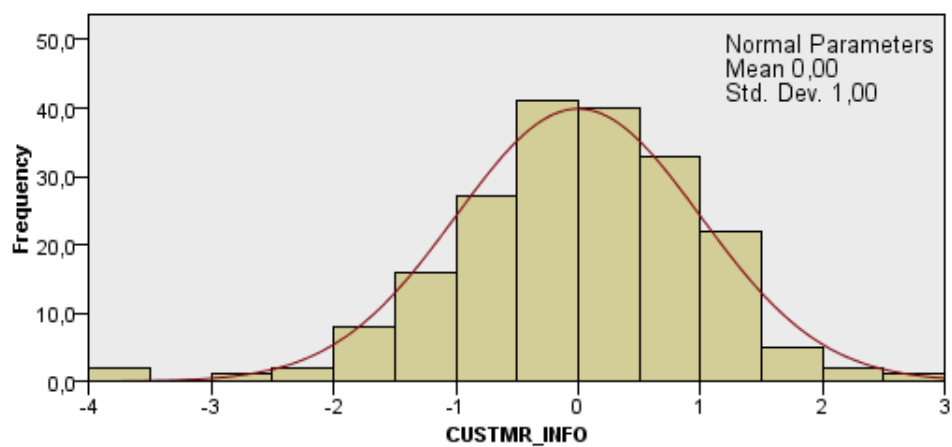
One-Sample Kolmogorov-Smirnov Test



One-Sample Kolmogorov-Smirnov Test



One-Sample Kolmogorov-Smirnov Test



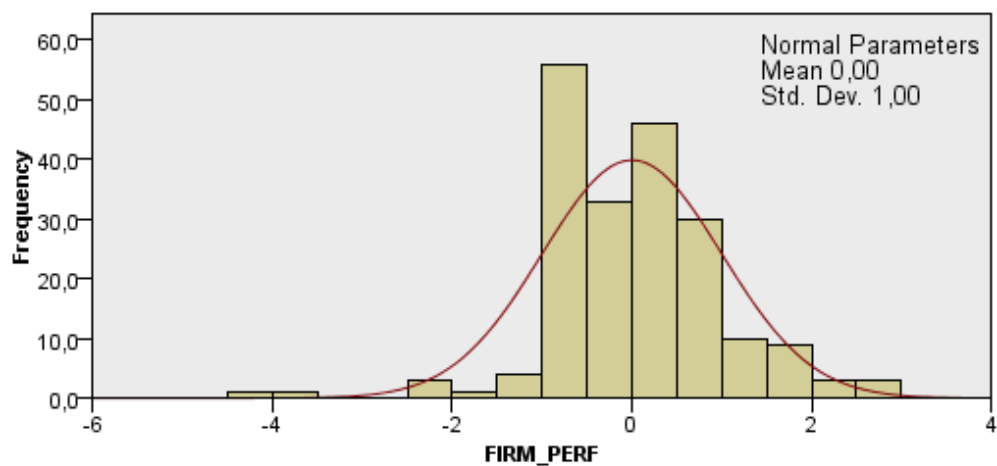
ii) One-Sample Kolmogorov-Smirnoff Test of Normality Firm Performance Factor

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of FIRM_PERF is normal with mean 0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,009	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is ,05.

One-Sample Kolmogorov-Smirnov Test



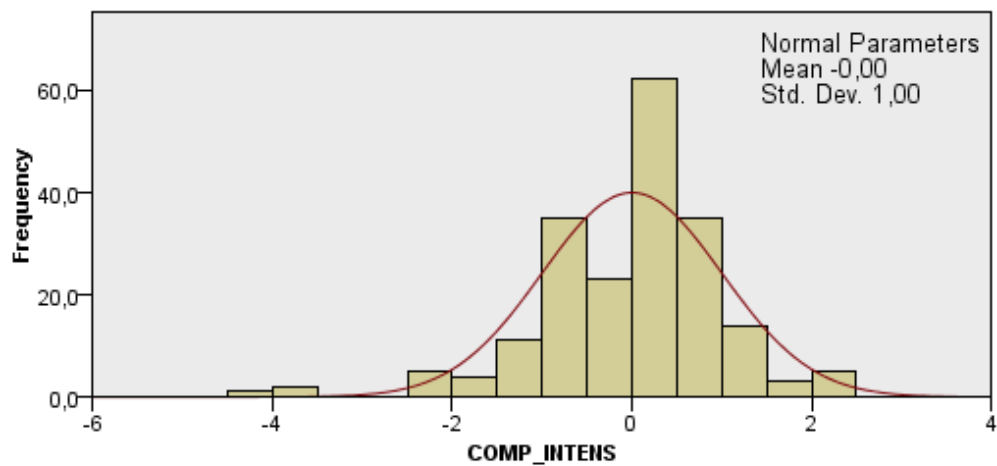
iii) One-Sample Kolmogorov-Smirnoff Test of Normality Control Variables

Hypothesis Test Summary

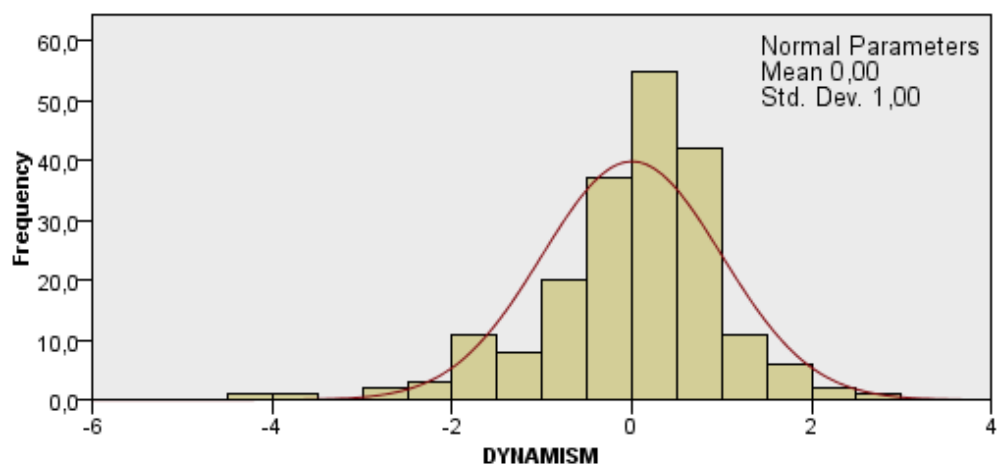
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of DYNAMISM is normal with mean 0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,084	Retain the null hypothesis.
2	The distribution of COMP_INTENS is normal with mean -0,00 and standard deviation 1,00.	One-Sample Kolmogorov-Smirnov Test	,036	Reject the null hypothesis.
3	The distribution of SIZE is normal with mean 6,05 and standard deviation 0,92.	One-Sample Kolmogorov-Smirnov Test	,991	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is ,05.

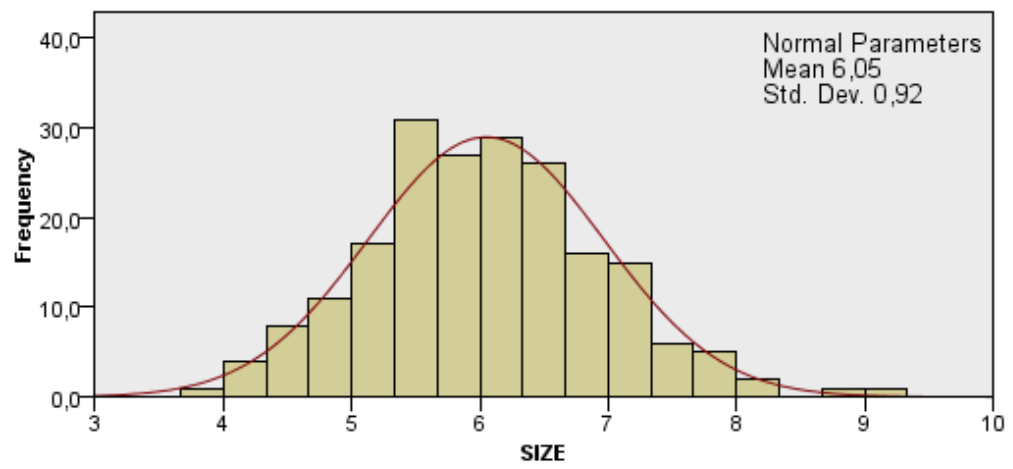
One-Sample Kolmogorov-Smirnov Test



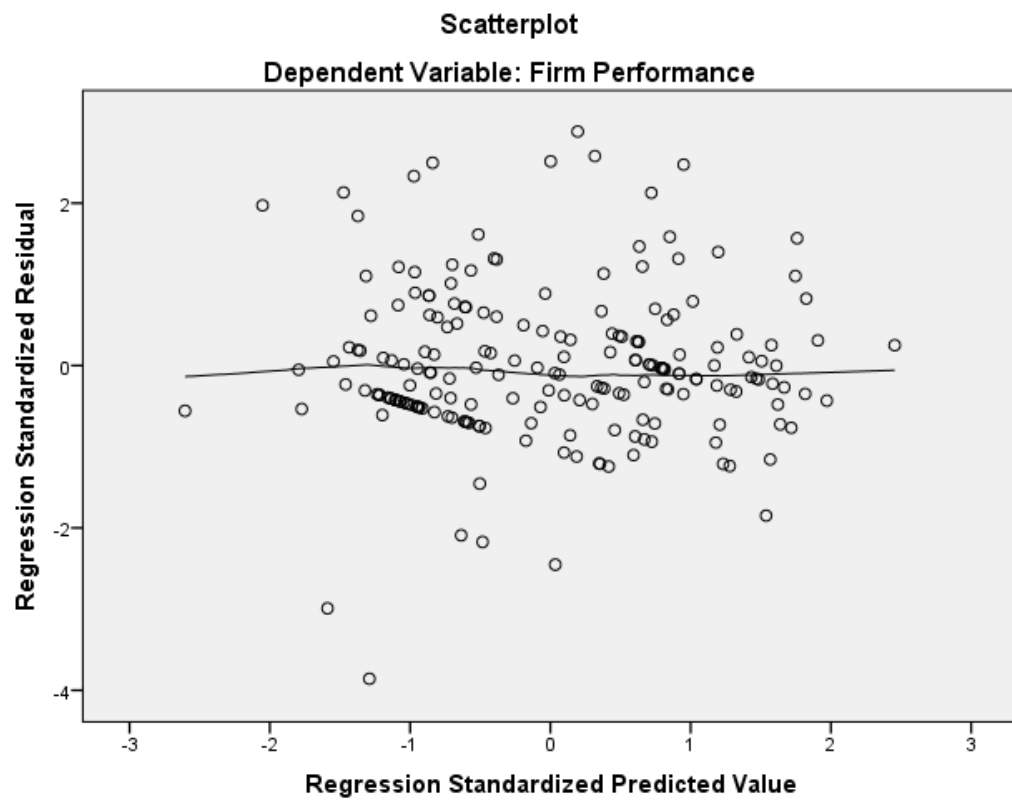
One-Sample Kolmogorov-Smirnov Test



One-Sample Kolmogorov-Smirnov Test



APPENDIX 4: The Residuals Scatterplot of the Regression Standardised Residuals



VITA

Metin TOPTAŞ was born in Kars in 1983. He received his Bachelor's degree in Travel Administration from Akdeniz University in 2006. He studied Business Administration at Yıldız Technical University and received Master of Arts in 2014. He has been working as a research assistant at İstanbul Gelişim University since 2012.