

# **The Competitive Strategy-Performance Nexus: An Assessment of Turkey and the United States**

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## **ABSTRACT**

The literature is replete with tests of the competitive strategy-performance relationship. However, most published work has been in the developed world, most notably the United States. This paper compares and contrasts the nature of competitive strategy and its link to firm performance in Turkey and the United States. Turkish respondents reported higher levels of both innovation and cost-oriented strategies than did their American counterparts, but both strategies were positively associated with performance satisfaction in both nations, reinforcing previous research in both Turkey and the United States.

## **INTRODUCTION**

Most published tests of the business strategy-performance relationship have considered firms in the United States and other developed nations. This paper compares and contrasts the nature of this link in Turkey and the United States. Following a discussion of strategic management practice in Turkey, methods for the present study are outlined. Findings and conclusions follow.

## **STRATEGIC MANAGEMENT IN TURKEY**

Strategic planning was not a common practice in Turkey prior to the 1960, and only gained acceptance in the 1980s (Akgemici, 2007; Dinçer, 2003). Today, strategy concepts are widespread in Turkish organizations, with a significant number of organizations planning for horizons of five years or greater (Dinçer & Tatoğlu, 2002; Dincer, Tatoğlu, & Glaister 2006; Eren, Aren, & Alpan, 1997, 2000). Moreover, instead of preparing strategic plan at certain intervals, some Turkish organizations have adopted a continuous approach to the process (Barca,

Karayormuk, & Köseoğlu, 2006). Others have departments dedicated to strategic planning (Eren et al., 2000).

Strategic decision making in Turkey remains largely centralized, formal, relatively standardized, and based on business intelligence (Dinçer & Tatoğlu, 2002; Dincer, et. al, 2006). Dinçer and Tatoğlu (2003) and Glaister and associates (2008) found a strong correlation between formal strategic planning levels in large organizations and firm performance. Glaister and associates' results also suggest moderating roles played by environmental turbulence, organizational structure and firm size on the strategic planning-performance link.

Increases in strategic planning have also affected the speed at which strategic decisions are made in Turkey (Zehir & Özşahin, 2005). Factors such as participation, autonomy, formation, and innovation influence the strategic-decision making process as well. Organizations established with foreign capital typically employ such techniques as the SWOT analysis and scenario planning, while domestic organizations tend to assess environmental conditions through economic prediction models (Barca et al., 2006; Erdil & Kitapçı, 2004). Hence, domestic companies do not use modern techniques as commonly as foreign companies, and some are not even aware of such techniques (Dinçer & Tatoğlu, 2002; Dincer, et. al., 2006). Small and medium sized enterprises (SMEs) sometimes use economic models but rarely employ other techniques (Şimşek, et. al., 2006).

Dinçer & Tatoğlu (2002) and Dincer, et. al. (2006) found a predominant emphasis on relative strengths and weaknesses of the organization when Turkish firms participate in strategic planning. Hence, strategic activities are primarily viewed as setting the (mostly quantitative) goals and business targets of an organization (Alpkan, et. al., 2005; Baraz, 2008). Members of public organizations tend to adhere strictly to these goals. Hence, domestic organizations operating in Turkey follow more reactive and current-state strategies, while organizations established with foreign capital are more proactive.

Diversification is also a common theme in many Turkish firms. A study conducted among 43 SMEs suggested that firms classified as future-oriented are more likely to employ diversification and quality/image strategies. Specifically, future-oriented firms tended to be more proactive and less risk averse (Arıcı, et. al, 2006). Ağca, and associates' (2007) assessment of medium and large exporters revealed a positive correlation between organizational goal clarity and strategic planning emphasis. The nature of this relationship was moderated by the competitive strategy selected by the firm.

The link between goals and strategy in Turkey is an interesting one. Eren and associates (1997, 2000) found a preference for strategic objectives in Turkish organizations to include growth, increasing market share, improving efficiency, enhancing the prestige in the market, innovation, and market diversification (see also Tutar et al., 2007). However, profitability, decreasing production costs with external factors, technologic innovation, and increasing competitive power are not as commonly included as strategic objectives. Participating organizations viewed inflation, devaluation, interest targets, and taxes as important threats, while emphasizing international relations, competition, prospective imports and exports, economic growth, and saving rates as important opportunities. Barca and associates (2006) found that top management adapt the following as strategic goals in the following order: focusing on activities that enhance competitive advantage, exploiting differences in resources and capabilities, being innovative, defending current competitive positions, and maximizing profit.

Analytic techniques are gaining popularity, however, even among SMEs. Kök's (2004) assessment of SMEs found the greatest preference for analytic approaches to strategic

management, followed by a future-orientation and defensive risk avoidance behaviors. Çelik ve Karadal's (2007) study of SMEs found that the problems of developing marketing strategies and pricing of services and goods usually influence firm performance.

Kısacık's (2005) study of 104 SMEs found that most of the organizations emphasize a low cost approach, perceiving a link between low costs and growth. More than half of the respondents also employed differentiation approaches, however. Some incorporate elements of a focus strategy as well, while mimicking the strategic moves of rivals—especially in terms of pricing—is common. Gürpınar and Barca (2007) also found strong support for an overarching low cost approach among Turkish firms. Demirbag and Tatoglu (2008) studied 79 large industrial organizations, revealing a different set of strategic priorities, including product standardization, access to efficient process technologies, concentric diversification, extending product lines and technology sharing. Nonetheless, in Turkey, cost leadership is most prominent. Innovation is not seen as being as important (İrmiş & Akça, 2003).

Information technology has also played an important role in competitive strategies in Turkish organizations (Yıldız, 2008). SMEs leverage information technologies primarily to enhance product quality. Aslan and Özata's (2007) study of SMEs in the automotive industry found a positive correlation between the use of information technologies by organizations and innovation, competitive power and marketing capacity. The findings indicate that marketing capacity and innovation have positive and significant influences on entrepreneurial capacity. The use of information technologies is also a function of organizational size, export activity, and knowledge levels of the firm's top managers. However, Soysal and associates (2006) found that while SMEs in the textile industry see information technologies as important means of catching up with large competitors, they do not make full use of them. Turunç & Polat (2007) revealed only a moderate link between the use of information technologies and organizational performance among SMEs (see also Bakan & Taşlıyan, 2002).

## METHODS

The instrument utilized in the present study contained Pelham and Wilson's (1996) innovation strategy and low cost strategy scales, and Parnell, Lester, and Menefee's (2000) performance satisfaction scale. Demographic and personal items were also included, such as age, gender, management and organizational experience, and position in the firm.

A total of 595 responses were completed, 261 in Turkey and 335 in the United States. Data were collected from managerial personnel in 190 firms located in Turkey. Turkish respondents were randomly selected from a group of 1000 firms listed at the business database at representing a variety of manufacturing and service enterprises derived from Google's business database ([www.google.com.tr](http://www.google.com.tr)). The sample included small and large organizations, domestic and global enterprises, and manufacturing and service firms. Surveys were mailed to executives in these firms, with a second mailing a week later. In the end, 274 surveys were returned from 190 firms. Thirteen were not usable, leaving 261 for analysis, a response rate of 26.1 percent.

American respondents were randomly selected from the membership of a Chamber of Commerce in a mid-size city in the Southeastern United States. A total of 977 surveys were distributed to the membership. The response rate was 34.2 percent, with 335 surveys returned for analysis.

Females outnumbered males in the American sample 57.2 to 42.5 percent. Males outnumbered females in the Turkish sample, however, 69.3 to 30.7 percent. The large percentage

of Turkish males in the sample is not problematic, however, given their strong representation in the work force. Respondents were dispersed across management levels in both samples, with lower and middle middles comprising the largest groups. The average age for the composite sample was 36.7 years, with respondents reporting 7.8 years of management experience and 7.3 years of experience with the present organization. Age and experience differences were not significantly different across the two samples. A summary of key sample data is presented in table 1.

**TABLE 1**  
**THE SAMPLE**

	Composite Data (n=595)	U.S. Only (n=334)	Turkey Only (n=261)
<u>Frequencies</u>			
<u>Gender*</u>			
Males	323 54.3%	142 42.5%	181 69.3%
Females	271 45.5%	191 57.2%	80 30.7%
<u>Management Level</u>			
Non-managers	109 18.3%	73 21.9%	36 13.8%
Lower Managers	149 25.0%	113 33.8%	36 13.8%
Middle Managers	214 36.0%	99 29.6%	115 44.1%
Top Managers	123 20.7%	49 14.7%	74 28.4%
<u>Descriptive Data (Mean &amp; Standard Deviation)</u>			
Age	36.69 sd=10.08	36.47 sd=10.67	36.97 sd=9.28
Management Experience	7.82 sd=8.09	7.02 sd=7.96	8.84 sd=8.16
Experience with Organization	7.34 sd=7.26	6.89 sd=7.40	7.90 sd=7.05

\*One U.S. respondent did not select a gender.

Factor analysis results lend strong support to each of the scales (see table 2). Factor loadings and coefficient alphas were in excess of .600 for all three scales across both samples individually and as a composite.

The U.S. and Turkish samples were compared along the lines of strategy emphasis and performance satisfaction. Interestingly, the Turkish sample reported significantly higher scores for both innovation strategy and cost strategy dimensions. No significant differences were found along performance satisfaction (see table 3). In the U.S. sample, the correlations between cost strategy emphasis and performance satisfaction was .256 (significance=.000), and between

innovation strategy emphasis and performance satisfaction was .259 (significance=.000). In the Turkish sample, correlation was .129 (significance=.038) between cost and performance, and .125 (significance=.044) between innovation and performance. Hence, both strategies were positively associated with performance satisfaction in both nations. The links were stronger in the United States than in Turkey, however.

**TABLE 2**

**FACTOR ANALYSIS OF THE STRATEGY INNOVATION, COST LEADERSHIP, AND PERFORMANCE SATISFACTION SCALES**

	Factor Loading Composite	Factor Loading U.S. Only	Factor Loading Turkey Only
<u>Strategy Innovation</u>			
STRATINN1	.844	.824	.816
STRATINN2	.820	.824	.785
STRATINN3	.821	.835	.786
STRATINN4	.829	.772	.863
STRATINN5	.719	.709	.652
<i>Alpha</i>	.865	.852	.837
<i>Variance explained</i>	65.3%	63.1%	61.4%
<u>Strategy Cost Leadership</u>			
STRATCOST1	.813	.814	.794
STRATCOST2	.828	.867	.752
STRATCOST3	.825	.861	.788
<i>Alpha</i>	.760	.803	.673
<i>Variance explained</i>	67.6%	71.8%	60.5%
<u>Performance Satisfaction</u>			
PERSAT1	.806	.838	.778
PERSAT2	.834	.843	.831
PERSAT3	.827	.834	.819
PERSAT4	.861	.894	.832
PERSAT5	.805	.877	.736
<i>Alpha</i>	.909	.909	.858
<i>Variance explained</i>	68.4%	73.5%	64.0%

**TABLE 3**  
**U.S. VS. TURKEY COMPARISONS**

Variable	U.S.	Turkey	F-value	Significance
Strategy-innovation	-.324	.408	89.935	.000
Strategy-cost	-.195	.245	29.389	.000
Performance satisfaction	.002	-.002	.002	.966

**TABLE 4**  
**STRATEGIC EMPHASIS COMPARISONS BY MANAGEMENT LEVEL**

	Composite Data (n=595)	U.S. Only (n=334)	Turkey (n=261)
<u>Strategy-Innovation</u>			
Non-managerial	-.169	-.511	.486
Lower management	-.158	-.335	.398
Middle management	.004	-.367	.316
Upper management	.329	.044	.518
Total	1.000	-.325	.408
F-statistic	6.886	3.081	1.024
Significance	.000	.028	.383
<u>Strategy-Cost</u>			
Non-managerial	-.141	-.256	.090
Lower management	.014	-.156	.535
Middle management	.068	-.188	.285
Upper management	-.010	-.203	.115
Total	1.000	-.195	.244
F-statistic	1.050	.141	2.102
Significance	.370	.935	.100

The perceived strategic emphasis on innovation varied by management level (see table 4). Considering both samples together, there was a clear and significant increase in emphasis on innovation associated with an increase in management level. A similar relationship was found when only the U.S. sample was analyzed except that lower and middle managers did not perceive a significant difference. No significant differences were found with the Turkey sample or with the cost strategy factor.

## CONCLUSIONS AND FURTHER RESEARCH

This paper compares and contrasts the nature of competitive strategy and its link to firm performance in Turkey and the United States. Turkish respondents reported higher levels of both innovation and cost-oriented strategies than did their American counterparts. Both strategies were positively linked to performance in both samples. These findings reinforce previous research in both Turkey and the United States.

Several realistic avenues for future research have been identified. First, replications of the present study in other emerging nations may identify factors that are common to developing nations. Increased investment and trade between Turkey and the rest of the world will inevitably broaden the impact of crises that occur. Without such research, the generalizability of these findings to other emerging economies is tenuous.

Second, although sound research encourages one to maintain methodological consistency, problems invariable exist when constructs and surveys are modified or translated to suit samples in other cultures. Such changes invariably present judgmental decisions that must be made by the researcher. Punnett and Shenkar (1994) warned against interviews, experiments and observational approaches where great religious differences exist between the researcher's home culture and that being studied. In addition, survey research is feasible when any language barriers are overcome, but less reliable when educational differences are also highly pronounced. Further, one's values can influence item interpretation and create response bias.

Following this logic, since many management constructs developed in advanced Western nations may be inappropriate in emerging economies, new constructs may more accurately explain management behavior. There is also a need for modified research approaches to compare and contrast practices among widely divergent cultures without forcing one culture into the construct definition appropriate in another. Researchers must apply management concepts so that existing theory can be applied to developing countries while allowing for substantial theoretical modifications when findings cannot be readily explained by prevailing models.

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