ASSESSING THE LINK BETWEEN STRATEGY CHOICE AND OPERATIONAL PERFORMANCE OF TURKISH COMPANIES

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ABSTRACT

This study essentially aims at investigating the link between strategy choice and operational performance of Turkish companies. To this end, a number of key competitive priorities were identified in order to examine the tendency of Turkish companies towards creating differentiation-based competitive advantage. Deriving from 519 Turkish companies' survey results, the effect of this strategy choice on improving companies' operational performance was examined by conducting a series of multiple regression models. These findings tend to support our general argument that the firm's strategy choice of gaining a differentiation-based competitive advantage in terms of competitive priorities improves firm's operational performance.

Keywords: Strategy choice, competitive priorities, operational performance.

1. INTRODUCTION

Intense global competition makes the sustainability and profitability of the companies even more complex. It is imperative for organizations to gain competitive advantage in the market place. One way of accomplishing this objective is to create differentiation-based competitive advantage based on developing core competitive priorities [1,2]. The literature on operations and manufacturing strategy has extensively focused on the need for developing competitive priorities which can enable organizations to create competitive advantage. Some of the key competitive priorities include price, quality, delivery, responsiveness, innovation, procurement, and supply chain management.

This study essentially aims at investigating the link between strategy choice and operational performance of Turkish companies. Strategy choice of Turkish companies is based on the Porter's [1] well-known typology of generic competitive strategies. To this end, a number of key competitive priorities were identified in order to examine the tendency of Turkish companies towards creating differentiation-based competitive advantage. Then the effect of this strategy choice on improving companies' operational performance was examined by conducting a series of multiple regression models.

2. RESEARCH METHODOLOGY

2.1. Sample and Data Collection

The sampling frame for Turkish firms was drawn from the website of TOBB (The Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey; http://www.tobb.org.tr), which provides an Industrial Database that contains approximately 40,000 firms that are registered to any of 10 Chambers of Industry, 19 Chambers of Trade and 64 Chambers of Industry and Trade in Turkey. The names and addresses of these companies are available from the websites of these chambers, which are linked to the website of TOBB. Through a random sampling selection procedure, a total of 2000 firms from different sectors, was generated and constituted the sampling frame for the study.

The survey questionnaire was mailed to the CEO of each company with a letter requesting that the CEO or his/her senior executive with knowledge of environmental issues affecting their firms should complete it. After one reminder a total of 570 questionnaires were returned, of which 519 were usable (the remaining 51 were excluded owing to missing data), representing an effective response rate of 25.95%, which was satisfactory, given the nature of the questionnaire.

2.2. Sample Characteristics

The sample of 519 firms had mean number of employees of 452. The sample is composed of relatively medium size firms given the scale of the Turkish economy, with only 15.6% of the firms classified as small size (less than 50 employees). The average age of sample firms is 22.21 years.

The distribution of the sample in terms of the sector of operation is as follows: industrial, automotive and electrical equipment, 11.2%; food, textile and paper, 28.7%; metal, wood, leather and glass, 17.5%; chemical and pharmaceuticals, 5.4%; other manufacturing, 8.7%; wholesale and retail trade, 8.1%; computer and engineering services, 4.6%; financial services and consultancy, 2.1; hospital and leisure services, 6.2%; and other services, 7.5%.

Characteristics of the sample show that the medium sized companies have the highest percentage with regard to small and large size organizations; whereas, most of the Turkish companies have been in their sector for more than 20 years. According to the sectors of the operation, the food, textile, paper and metal, wood, leather, glass sectors have the biggest part in the analysis of the questionnaire. On the other hand, the density of the geographic location of the companies is Marmara Region, where most of the companies' head departments are located. The responding firms were compared across the main characteristics of the sample such as industry type and geographical location, and showed no systematic differences.

2.3. Measurement of variables

The operational performance of the firm was treated as the dependent variable and measured by five different measures, as follows: (i) delivery dependability, (ii) time to market, (iii) cost leadership, (iv) quality, and (v) product innovation. All five measures of operational performance were measured by multi-item scales where respondents were asked to indicate on a 5 point Likert-type scale, ranging from 'strongly disagree' through 'neutral' to 'strongly agree'. The survey questions measuring the competitive priorities and operational performance as well as their associated descriptive values are shown in Table 1.

The competitive priorities (CPRI) were treates as the independent variable by an index composed of six five-point scales. A set of three variables were also included in the model to control for possible extraneous variation: firm age (LN_AGE), firm size (LN_SIZE), and industry dummies for three main industry categories which consist of Group 1 manufacturing, Group 2 manufacturing and Group 3 industries. Group 1 manufacturing industries included food, beverages, textile, apparel, leather, metal, iron, steel, mining, petroleum and gas, Group 2 manufacturing industries comprised of auto, transport and related equipment, electrical, electronics, durables and chemicals. Group 3 industries included export-import trading, tourism, banking and financial services, construction, logistics and other services.

Table 1: Descriptive Statistics

Dimensions			Mean	S.D.	F-value
Competitive Priorities (CPRI): Differentiation (α = 0.796)	*Size*	Small	4.24	0.51	
		Medium	4.20	0.59	1.61
		Large	4.11	0.68	
Our strategy cannot be described as the one to offer products with the lowest price.			4.17	0.95	
Our strategy is based on quality performance rather than price.			4.25	0.81	
We place greater emphasis on innovation than price.			4.03	0.88	
We place greater emphasis on customer service than price.			4.13	0.85	
Our strategy places importance on delivering products with high performance.			4.30	0.82	
We emphasize launching new products quickly.			4.19	0.84	
Delivery Dependability (DEL) (α = 0.626)	*Size*	Small	4.19	0.66	
		Medium	4.19	0.61	4.73**
		Large	3.99	0.77	
We deliver the kind of products needed.			3.69	1.09	
We deliver customer order on time.			4.31	0.76	
We provide dependable delivery.			4.38	0.81	
Time to Market (T2M) (α = 0.694)	*Size*	Small	4.01	0.65	
		Medium	3.90	0.63	1.15
		Large	3.88	0.72	
We deliver product to market quickly.			4.15	0.8	
We are first in the market in introducing new products.			3.94	0.88	
We have time-to-market lower than industry average.			3.53	1.12	
We have fast product development.			4.02	0.82	
Cost Leadership (COST) (α = 0.685)	*Size*	Small	4.02	0.79	
		Medium	4.05	0.73	2.39*
		Large	3.88	0.84	
We offer competitive prices.			4.08	0.81	
We are able to offer prices as low or lower than our competitors.			3.91	0.96	
Quality (α = 0.871)	*Size*	Small	4.38	0.56	
		Medium	4.37	0.60	0.57
		Large	4.30	0.77	
We are able to compete based on quality.			4.38	0.71	
We offer products that are highly reliable.			4.39	0.76	
We offer products that are very durable.			4.25	0.82	
We offer high quality products to our customer.			4.39	0.76	
Product Innovation (INV) (α = 0.806)	*Size*	Small	4.25	0.64	
		Medium	4.08	0.78	2.65*
		Large	4.00	0.90	
We provide customized products.			3.89	1.09	
We alter our product offerings to meet client needs.			4.12	0.93	
We respond well to customer demand for "new" features.			4.23	0.8	
N = 519 Small size = 81; Medium size = 280; Large size = 158					

Notes: The mean is the average on a scale of 1(= 'strongly disagree') to 5 (= 'strongly agree').
*p<0.1; **p<0.01.

3. RESULTS AND DISCUSSION

Five sets of regression models were estimated with the dependent variable being each of the operational performance measures: delivery dependability (DEL), time to market (T2M), cost leadership (COST), quality (QUALITY) and product innovation (INV) along with the predictor variable (CPRI) and control variables. The results of the regression models were shown in Table 2. The F statistics indicate that all models are significant (p<0.01) and hence are useful for explanation purposes. The effects of competitive priorities (CPRI) on all five operational performance outcomes (Models 1 to 5) are positive and significant (p<0.001). These findings tend to support our general argument that the firm's strategy choice of gaining a differentiation-based competitive advantage in terms of competitive priorities improves firm's operational performance.

Table 2: Regression Models

Variables	Model 1 Delivery Dependability (DEL)	Model 2 Time to Market (T2M)	Model 3 Cost Leadership (COST)	Model 4 Quality (QUALITY)	Model 5 Product Innovation (INV)
Control Variables:					
Group 1 manufacturing	0.358	0.060	-0.044	0.061	0.091
Group2 manufacturing	0.309**	0.045	-0.033	0.074	0.084
Group 3 industries	0.304**	0.073	-0.009	0.020	0.046
Ln (firm age)	-0.009**	-0.075	-0.022	0.073	-0.032
Ln (number of employees)	-0.078	0.011	-0.038	-0.045	-0.080
Competitive Priorities (CPRI)	0.361**	0.384**	0.154**	0.511**	0.370**
F-Value	17.431**	16.121**	2.491*	30.894**	15.357**
R^2	0.174	0.161	0.029	0.270	0.155
Adjusted R^2	0.164	0.151	0.017	0.261	0.145

*p<0.01; **p<0.001

As for the effects of control variables, with the exception of Model 1, none has a significant effect on any of the operational performance outcomes. In Model 1, the control variable of firm age and industrial dummies of Group 2 manufacturing and Group 3 industries had positive and significant effects (p<0.001) on operational performance outcome of delivery dependability.

4. CONCLUSION

This study essentially aims at investigating the link between strategy choice and operational performance of Turkish companies. A number of key competitive priorities were identified in order to examine the tendency of Turkish companies towards creating differentiation-based competitive advantage. Then the effect of this strategy choice on improving companies' operational performance was examined by conducting a series of multiple regression models. These findings tend to support our general argument that the firm's strategy choice of gaining a differentiation-based competitive advantage in terms of competitive priorities improves firm's operational performance.

5. REFERENCES

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